

Bitcoin Well Inc.

Consolidated Financial Statements

As at and for the years ended December 31, 2021 and 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

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March 18, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bitcoin Well Inc.

Opinion

We have audited the consolidated financial statements of Bitcoin Well Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent Auditor's Report to the Shareholders of Bitcoin Well Inc. *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.

Kingston Ross Pasmak LLP

Kingston Ross Pasmak LLP

Chartered Professional Accountants

Bitcoin Well Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31	Note	2021	2020
Assets			
Current assets			
Cash		\$ 4,799,849	\$ 4,054,551
Accounts receivable		364,090	89,651
Current income tax receivable	23	20,692	-
Digital assets	7	8,596,949	-
Inventory	14	375,857	4,926,528
Due from related parties	12	99,770	607,217
Deposits and prepaid expenses	8	555,361	174,997
		14,812,568	9,852,944
Non-current assets			
Property and equipment	9	2,228,737	1,121,806
Right of use assets	18	134,835	141,434
Intangible assets	10	4,633,565	807,966
Goodwill	5	408,769	-
Deferred income tax receivable	23	413,087	-
Investments	6	929,000	-
Note receivable convertible	12	-	200,000
Total assets		\$ 23,560,561	\$ 12,124,150
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 1,244,680	\$ 968,230
Lease liability	18	125,058	94,828
Contingent consideration - current	5	203,712	-
Line of credit	15	7,300,000	5,000,000
Loans payable - cryptocurrency	13	8,351,268	5,456,667
Current income tax payable	23	-	230,698
Convertible debenture		-	190,000
Related party loan	19	-	750,000
Obligation to issue shares		-	98,718
		17,224,718	12,789,141
Non-current liabilities			
Contingent consideration - long term	5	217,433	-
Lease liability - long term	18	28,771	72,375
Deferred income tax payable	23	-	94,832
Loans payable		100,000	40,000
Total liabilities		17,570,922	12,996,348
Shareholders' equity			
Share capital	19	11,935,399	1,924,168
Contributed surplus	19	1,804,137	303,095
Warrants	19	1,636,581	-
Accumulated deficit		(16,702,268)	(3,099,461)
Accumulated other comprehensive income		7,315,790	-
Total shareholders' equity (deficit)		5,989,639	(872,198)
Total liabilities and shareholders' equity		\$ 23,560,561	\$ 12,124,150

These consolidated financial statements were authorized for issue by the Board of Directors on March 18, 2022.

/s/ Julian Klymochko
Julian Klymochko, Director

/s/ Eric Sauze
Eric Sauze, Director

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

Bitcoin Well Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars, except for number of and earnings per share)

Year ended December 31			2021		2020	
Revenue						
Sales revenue	20	\$	99,612,760	\$	51,970,582	
Cost of coins			94,440,131		44,677,863	
Gross profit			5,172,629		7,292,719	
Expenses						
Salaries and wages	12		4,078,817		1,541,634	
General and administration	21		3,088,320		2,016,074	
Depreciation and accretion	9,10,18		1,384,217		538,199	
Professional fees			1,679,270		794,505	
Marketing and advertising			943,424		258,453	
Consulting fees			260,174		237,998	
Rent and lease payments			116,007		55,051	
Software			163,862		59,479	
			(11,714,091)		(5,501,393)	
(Loss) income before other items			(6,541,462)		1,791,326	
Other items						
Fair value change - cryptocurrency inventory	14		126,084		29,178	
Fair value change - cryptocurrency loans	13		(4,421,180)		(3,750,628)	
Listing expense	4		(1,476,742)		-	
Acquisition impairment	5		(1,305,549)		-	
Foreign exchange			6,556		-	
Share based compensation	19		(530,259)		(303,095)	
Gain (loss) on debt settlement	13		11,133		(184,270)	
Loss before income taxes			(14,131,419)		(2,417,489)	
Income tax expense (recovery)						
Current	23		(20,692)		230,698	
Deferred	23		(507,920)		94,832	
Net loss			\$ (13,602,807)	\$	(2,743,019)	
Other comprehensive income						
Revaluation gain on digital assets, net of tax	7		7,222,335		-	
Unrealized exchange loss on foreign subsidiaries			93,455		-	
Total comprehensive loss			\$ (6,287,017)	\$	(2,743,019)	
Net loss per common share						
Basic	22	\$	(0.09)	\$	(0.03)	
Diluted	22	\$	(0.09)	\$	(0.03)	
Weighted average number of common shares outstanding:						
Basic	22		146,811,422		106,055,566	
Diluted	22		146,811,422		106,055,566	

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

Bitcoin Well Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31	2021	2020
Cash provided by (used in):		
Operating activities		
Net loss	\$ (13,602,807)	\$ (2,743,019)
Adjustments for:		
Depreciation and accretion	1,384,217	538,199
Loss on revaluation of cryptocurrency loans	4,421,180	3,750,628
Gain on revaluation of cryptocurrency inventory	(126,084)	(29,178)
Deferred income tax	51,921	94,832
Goodwill impairment loss	1,305,549	-
Listing expense	1,476,742	-
Share based compensation	530,259	303,095
(Gain) loss on debt settlement	(11,133)	184,270
	(4,570,156)	2,098,827
Changes in non-cash working capital items:		
Accounts receivable	(34,211)	(69,787)
Deposits and prepaid expenses	(378,601)	(134,491)
Inventory	4,682,619	(4,839,320)
Digital assets	(1,828,254)	-
Obligation to issue shares	-	98,718
Current income tax receivable/payable	(426,941)	-
Accounts payable and accrued liabilities	124,397	767,301
Cash used in operating activities	(2,431,147)	(2,078,752)
Investing activities		
Purchase of property and equipment	(1,591,468)	(670,975)
Purchase of intangible assets	(1,036,980)	(1,021,967)
Business combinations, net of cash acquired	435,849	-
Purchase of investments	(929,000)	-
Issuance of note receivable	-	(200,000)
Issuance of convertible debentures	-	190,000
Cash used in investing activities	(3,121,599)	(1,702,942)
Financing activities		
Dividends paid	-	(210,853)
Repayments of shareholder loans	-	(520,113)
(Repayment) proceeds of cryptocurrency loans	(1,014,026)	1,062,298
Payments of contingent consideration	(126,169)	-
Proceeds received from loans	20,000	40,000
Repayment of lease liability	(113,834)	(84,841)
Payments to related parties	(1,291,364)	(547,863)
Proceeds received from line of credit	2,300,000	5,000,000
Proceeds received from issuance of shares, net of costs	6,403,436	1,923,667
Proceeds received from exercise of stock options	120,001	-
Cash provided by financing activities	6,298,044	6,662,295
Change in cash	745,298	2,880,601
Cash, beginning of period	4,054,551	1,173,950
Cash, end of period	\$ 4,799,849	\$ 4,054,551

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

Bitcoin Well Inc.

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

		Share Capital											
	Note	Number of Common Shares	Amount	Contributed Surplus	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income	Total					
Balance at December 31, 2019		98,332,917	\$ 10	\$ 202	\$ -	\$ (181,681)	\$ -	\$ (181,469)					
Income tax refund		-	-	-	-	36,584	-	36,584					
Dividends paid		-	-	-	-	(210,853)	-	(210,853)					
Share based compensation		-	-	303,095	-	-	-	303,095					
Fair value change in shareholder loan		-	-	(202)	-	-	-	(202)					
Shares issued		17,981,643	1,924,158	-	-	-	-	1,924,158					
Net loss for the period		-	-	-	-	(2,743,511)	-	(2,743,511)					
Balance at December 31, 2020		116,314,560	\$ 1,924,168	\$ 303,095	\$ -	\$ (3,099,461)	\$ -	\$ (872,198)					
Shares issued - qualifying transaction	19	5,775,000	1,443,750	47,324	-	-	-	1,491,074					
Shares issued - private placement	19	29,138,000	4,342,298	424,557	1,636,581	-	-	6,403,436					
Shares issued - business acquisition (AlphaVend)	19	6,000,000	1,494,369	-	-	-	-	1,494,369					
Shares issued - business acquisition (Ghostlab)	19	2,758,621	800,000	600,000	-	-	-	1,400,000					
Shares issued - business acquisition (Equibytes)	19	397,059	135,000	-	-	-	-	135,000					
Shares issued - debt conversions	19	5,443,330	766,394	-	-	-	-	766,394					
Shares issued - services received	19	208,610	22,321	-	-	-	-	22,321					
Shares issued - shareholder loan conversion	19	6,250,000	750,000	-	-	-	-	750,000					
Shares issued - employment services received	19	124,136	36,000	-	-	-	-	36,000					
Share based compensation	19	-	-	530,259	-	-	-	530,259					
Stock options exercised	19	1,121,497	221,099	(101,098)	-	-	-	120,001					
Net loss for the period		-	-	-	-	(13,602,807)	-	(13,602,807)					
Revaluation gain on digital assets, net of tax		-	-	-	-	-	7,222,335	7,222,335					
Unrealized exchange loss on foreign subsidiaries		-	-	-	-	-	93,455	93,455					
Balance at December 31, 2021		173,530,813	\$ 11,935,399	\$ 1,804,137	\$ 1,636,581	\$ (16,702,268)	\$ 7,315,790	\$ 5,989,639					

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

Bitcoin Well Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, except where otherwise stated)

1. NATURE OF OPERATIONS

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

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

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

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

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 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 as of January 1, 2021.

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21. The functional currency for the Company and its Canadian subsidiaries is the Canadian dollar. The functional currency for the United Kingdom division (AlphaVend) is Great British Pounds. The presentation currency for the Company is the Canadian dollar.

Bitcoin Well Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, except where otherwise stated)

Foreign currency transactions are translated into the functional currency of the respective entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in profit or loss.

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

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

a) Basis of measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense.

b) Significant judgments, estimates, and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

As described above in Note 2, due to the outbreak of the novel coronavirus ("COVID-19") and the resulting impact on the economy, the estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

Accounting policy choices that have the most significant effect on the amounts recognized in these audited consolidated financial statements are as follows:

Bitcoin Well Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, except where otherwise stated)

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Digital assets and inventory

The Company accounts for the majority its bitcoin as Intangible Assets, which are recorded at fair value using the revaluation model under IAS 38 with changes in fair value recorded in other comprehensive income. There was significant judgement applied by the Company in making this assessment as accounting for cryptocurrencies depends on the nature of the asset, the use of the asset including the expected timeline or use, and how the asset is held. This judgement included consideration of the operations, strategy and intent of management. The Company classifies the majority of its bitcoin holdings as an intangible asset, with the remaining designated as Inventory under IAS 2, as these are the coins required for the Company to complete an operating cycle. As the Company's operations mature together with the industry, the accounting and classification of cryptocurrencies continue to be sources of critical judgement and estimation.

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

Revenue recognition

The Company recognizes revenue from the facilitation of ATM transactions, over the counter (OTC) transactions, online transactions, and sales to cryptocurrency exchanges. Management exercises minimal judgement in revenue recognition, as revenue is only recognized once cash is received and cryptocurrency is sent.

Contingencies

The Company accrues for estimated loss contingencies related to legal and regulatory matters when available information indicates that is probable a liability has been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued, it is often not possible to reasonably estimate the size of the possible loss or range of loss possible or additional losses.

Bitcoin Well Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, except where otherwise stated)

Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its asset and discharge its liabilities in the normal course of business for the foreseeable future. At December 31, 2021, the Company had total equity of \$6.0 million (December 31, 2020 – deficit of \$0.9 million). Management estimates that, based on the financial support (described in Note 25), the Company has the ability to maintain its operations and activities for the upcoming year.

Impairment of non-financial assets

The Company performs impairment testing annually for non-financial assets, as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, as well as identifying cash generating unit (“CGU”) for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Useful life of property and equipment, and intangible assets

Property and equipment, and intangible assets are depreciated over their estimated useful lives. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations. Accordingly, these estimates are subject to measurement uncertainty.

Digital asset and inventory valuation

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

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The Company estimates the amount of cryptocurrency inventory on hand that may not be recoverable and will allow for a write down of such amounts, as applicable.

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income, prior to the expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize a higher or lower level of deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated on the treasury stock basis. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Share based compensation

Estimating fair value for granted stock options, warrants, agent options, and other equity instruments, requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The company utilizes the Black-Scholes options pricing model. This estimate also requires determining the most appropriate input to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. As such, management's assessment of the above inputs could be affected, if material changes in assumptions occurred. Accordingly, these estimates are subject to measurement uncertainty.

Leases

The Company applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Company must use their best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option. The lease term must be reassessed if a significant event or change in circumstance occurs.

Bitcoin Well Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, except where otherwise stated)

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the right of use ("ROU") asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net earnings that reflects the proportionate decrease in scope.

Lease liabilities recognized have been estimated using a discount rate equal to the Company's estimated incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Business Combinations

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

c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Paradime, a cryptocurrency ATM operator incorporated in London, United Kingdom, and Ghostlab Inc. a software development company incorporated in Alberta, Canada, Enterprises Equibytes Inc., Bitcoin Well Canada Ltd., and 1196302 BC Ltd. . Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash is comprised of cash held at major financial institutions, exchanges, and cash in transit.

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b) Inventory

Inventory consists of bitcoin and other cryptocurrencies, as described in Note 14. Cryptocurrency inventory assets meet the definition of inventory in IAS 2 Inventories, as they are assets held for sale in the ordinary course of business. They are initially recorded at cost and are subsequently measured at the lower of cost and net realizable value under the general inventory model required by IAS 2. As a result, decreases in net realizable value from a decreasing market price of cryptocurrency would be recorded in the statement of profit or loss, while increases in net realizable value in excess of previously recorded decreases would not be recorded. The Company's inventory cost formula used is weighted average cost, of the cryptocurrency.

As required, the Company may reverse previous write downs in cryptocurrency inventory, if the net realizable value of the cryptocurrency increased. These reversals are recognized as a reduction of expense in the statement of profit or loss. Write down reversals are limited by the ceiling of the cryptocurrency inventory cost, as in accordance with IAS 2 that inventory is recorded at the lower of cost and net realizable value.

c) Digital Assets

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

d) Property and Equipment

The Company's property and equipment consists of computer equipment, ATM machines, furniture and equipment, and leasehold improvements. Items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the following annual rates:

Computer equipment	Declining-Balance	55%
ATM Machines	Straight-Line	20%
Furniture and equipment	Straight-Line	over lease term
Leasehold improvements	Straight-Line	over lease term

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Property and equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

e) Intangible Assets

Intangible assets consist of the host agreements (exclusive right to operate cryptocurrency ATMs at specific host locations) and technology platforms, both purchased and internally generated technology. The host agreements and technology platforms meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the cost model is used to measure the intangible assets subsequently. After their initial recognition, the host agreement asset is carried at its cost less any accumulated amortization and any accumulated impairment losses (no impairment losses recorded to date), while technology platforms are amortized on a straight-line basis over the useful life. Amortization rates are reviewed annually to ensure they are aligned with estimates of the remaining economic useful lives of the associated intangible assets.

The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights obtained. The Company has determined that the useful life of the host agreement assets are the periods contained in the contracts that allows the Company to operate exclusively in a host location. This ranges from 12-24 months, depending on the specific host. The depreciable amount of the host agreement is allocated on a systematic basis over its specific useful life (12-24 months).

f) Business Acquisitions

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

g) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed in a business combination. If this

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consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Goodwill is allocated as of the business combination date to the Company's cash-generating units (CGUs) expected to benefit from the business combination, irrespective of whether the assets and liabilities of the acquired business are assigned to the same CGUs. If a business unit is disposed of, associated goodwill is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

h) Foreign Currency Translation

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

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

i) Non-Monetary Transactions

Where the Company is settling a liability for the purchase of goods and services where the price was established in a fiat currency, the difference between the liability settled and the fair value of the digital assets transferred is recognized as a gain or loss on settlement. Otherwise, the transaction is measured based on the fair value of the digital assets exchanged. Any difference between the fair value of the digital assets exchanged and the carrying amount of the digital assets is recognized in profit and loss.

j) Financial Instruments

Financial Assets

On initial recognition, financial assets are recognized at fair value and are classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow

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characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows to another party.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Cash, accounts receivable, convertible and non-convertible notes receivable, and amounts due from related parties are measured at amortized cost. The Company has designated investments as financial assets at fair value through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A substantial modification to the terms of an existing financial asset results in the derecognition of the financial asset and the recognition of a new financial asset at fair value. In the event that the modification to the terms of an existing financial asset do not result in a substantial difference in the contractual cash flows the gross carrying amount of the financial asset is recalculated and the difference resulting from the adjustment in the gross carrying amount is recognized in earnings or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on the lifetime expected credit losses on the asset. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the year. IFRS 9 permits that expected credit losses be calculated using a simplified approach, granted the assets are trade receivables or assets which do not contain a significant financing component. The Company has selected the simplified approach to calculate expected credit losses, as its applicable assets are trade receivables and other assets that do not contain a significant financing component.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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Financial Liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are initially measured at their fair value less any directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, accrued liabilities, related party loan payable, crypto currency loan payable, line of credit loan payable, convertible debentures, obligation to issue shares, and lease obligations are classified as and measured at amortized cost and carried on the statement of financial position at amortized cost. The Company has not designated any financial liabilities under FVTPL.

Financial liabilities are derecognized when the liability is extinguished. A substantial modification of the terms of an existing financial liability is recorded as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in earnings or loss. Where a financial liability is modified in a way that does not constitute an extinguishment (generally when there is a change of less than 10% in the present value of cash flows discounted at the original effective interest rate), the modified cash flows are discounted at the liability's original effective interest rate. Transaction costs paid to third parties in a modification are amortized over the remaining term of the modified debt.

k) Provisions (Contingent Consideration)

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

l) Revenue Recognition

The Company recognizes revenue when it has persuasive evidence of a contract, performance obligations have been identified and satisfied, payment items have been identified, and it is probable that the Company will collect.

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The Company recognizes revenue from the facilitation of ATM transactions, over the counter (OTC) transactions, and sales to cryptocurrency exchanges. The Company charges the following fees for ATM and OTC transactions:

- a) A flat fee per transaction;
- b) A percent spread based on transaction size for buying and selling cryptocurrency.

Revenue is recognized when funds for the transactions are received and the cryptocurrency is sent.

m) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

n) Share Based Transactions

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to

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vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reserved. The fair value of any vested share options that expire remain in reserves.

o) Income Taxes

Income tax on profit and loss for the year is comprised of current and deferred taxes. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment of tax paid or payable in respect to previous years. Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

p) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

q) Reclassification

Certain amounts in prior periods have been reclassified to conform to current year's presentation.

r) Leases

The Company assesses whether a contract is or contains a lease, which is the right to control the leased asset's use, at the inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected

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not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are presented separately from property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

The length of the leases at inception were as follows:

Office building:	5 years
Vehicle:	2.5 years

s) Cash Flow Statement

The Company displays its cash flow statement using the indirect method, which is permissible as per IAS 7.

t) Standards, amendments, and interpretations not yet effective

As at the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective. The Company does not expect that the adoption of the following standards will have a material impact on the financial statements in future periods.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The extent of the impact on the Company of adopting these amendments has not yet been determined.

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IFRS 3, Business Combinations

In October 2018, IFRS 3 – Business Combinations (“IFRS 3”) was amended to clarify the definition of a business. The amended definition states that a business must include input and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition, it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added. Test that makes it easier to conclude that a company has acquired a group of assets, rather than a business. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The extent of the impact on the Company adopting these amendments has not yet been determined.

IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 to clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

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IAS 37, Provisions, Contingent Liabilities, and Contingent Assets

IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all the costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16, Property, Plant and Equipment

IAS 16 - Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

The Company is currently assessing the impact of adopting these pronouncements.

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4. QUALIFYING TRANSACTION

On June 11, 2021, the Company completed its QT with Old Bitcoin Well. The details of this transaction are outlined in Note 1.

Upon completion of the Transaction, Bitcoin Well Inc. had 159,436,170 shares issued and outstanding on a non-diluted basis, with approximately 96% held by former Old Bitcoin Well shareholders and approximately 4% held by Red River shareholders. Therefore, in substance, the Transaction involved Old Bitcoin Well shareholders obtaining control of the Company.

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

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

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

	Red River
Net assets acquired	
Cash	\$ 21,635
Accounts payable and accrued liabilities	(7,303)
	<u>14,332</u>
Listing expense	1,476,742
	<u>\$ 1,491,074</u>
Fair value of consideration given	
Common shares	\$ 1,443,750
Stock options	47,324
	<u>\$ 1,491,074</u>

The common share consideration consisted of 5,775,000 common shares deemed to have been issued to the shareholders of Red River in conjunction with the Transaction. The stock options consideration consisted of 275,000 stock options deemed to have been issued to the officers and directors of Red River in conjunction with the Transaction. These stock options consisted of the outstanding stock options of Red River as of the date of the Transaction and were remeasured at their fair value on the Transaction date using the Black-Scholes option pricing model, see Note 19.

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5. BUSINESS ACQUISITIONS

During the year ended December 31, 2021, the Company completed four business acquisitions, as described below. The fair value of the net assets acquired, and consideration given was as follows:

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

Paradime Ltd.

On May 7, 2021, the Company acquired 100% of the issued and outstanding shares of Paradime Ltd, operating as AlphaVend, a cryptocurrency ATM operator in the United Kingdom. AlphaVend's assets included 26 Bitcoin ATM machines located across England, Scotland and Wales.

The aggregate consideration paid at closing consisted of (i) a cash payment of £100,000 (CAD \$169,850) and the issuance of 6,000,000 common shares valued at £879,817 (CAD \$1,494,369 or \$0.25 per share) (collectively the "Completion Consideration"). The aggregate purchase price also included contingent consideration, which is payable as follows:

- A cash payment of £711,000 (CAD \$1,207,634 at May 7, 2021), payable upon the satisfaction of the following conditions:

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

Included in the consideration above was contingent consideration payable valued at \$3,210,165 which represented the estimated fair value of the contingent consideration on the acquisition date. The maximum contingent consideration payable is £3,711,000 (CAD \$6,303,134 at May 7, 2021) should all of the conditions for the payment of the contingent consideration be met in the future. As at December 31, 2021, contingent consideration of £24,894 (CAD \$42,739) has been paid pursuant to this acquisition.

AlphaVend was conducting its operations under a temporary registration from the FCA. Subsequent to year-end, the FCA revoked AlphaVend’s temporary license and denied its application for a permanent license. Given the ruling, the Company was undergoing an assessment on the next steps, including the consideration on the option to appeal this decision. Management made the decision not to pursue the appeal process. As such, any and all of the previously described contingent considerations payable as related to this acquisition has been effectively extinguished; therefore, the Company has no continuing obligation to the sellers. In light of the FCA ruling, AlphaVend’s operations have ceased. This has resulted in the derecognition of all intangible assets, goodwill, deferred income tax payable, and contingent consideration related to AlphaVend. After derecognizing these assets, and offsetting deferred considerations payable, the Company has recorded an impairment of \$1,305,549. This impairment effectively represents the initial cash consideration of \$169,850, and the 6,000,000 shares issued at \$0.25/share less issuance costs for consideration of the shares of AlphaVend, less any operating assets of AlphaVend assumed on the acquisition date.

CryptoKiosk Inc.

On July 29, 2021, the Company acquired the business and assets of Crypto Kiosk Inc. (“Crypto Kiosk”), a cryptocurrency ATM operator in northern Ontario. The assets acquired consisted of 11 cryptocurrency ATMs plus associated proprietary accounts and all social media and other digital representations. The aggregate consideration paid at closing consisted of (i) a cash payment of \$114,881 and (ii) deferred cash consideration of \$369,575, which is payable on a monthly basis in an amount equal to 4% of gross revenues generated from Crypto Kiosk’s ATM machines with the balance, if any, payable in July 2024. As of December 31, 2021, deferred consideration of \$66,563 had been paid to the vendors.

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

Enterprises Equibytes Inc.

On September 8, 2021, the Company acquired 100% of the issued and outstanding shares of Enterprises Equibytes Inc. ("Equibytes"), a bitcoin ATM operator based in Montreal, Quebec. The aggregate consideration paid at closing consisted of (i) a cash payment of \$30,000 and (ii) the issuance of 397,059 common shares valued at \$135,000 or \$0.34 per share. The aggregate purchase price also included contingent consideration of up to \$135,000 in cash, which is payable on a monthly basis in an amount equal to 25% of the gross profits earned from ATM machines that are operated in the Province of Quebec. As of December 31, 2021, contingent consideration of \$16,867 has been paid to the vendors.

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

Ghostlab Inc.

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

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

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

Each of Adam O'Brien, Chief Executive Officer of the Company and Dave Bradley, Chief Revenue Officer of the Company, previously owned 100% of the common shares of Ghostlab. As such, the

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acquisition was a related party transaction under Multilateral Instrument 61-101. Bitcoin Well relied on the exemptions contained in sections 5.5(a) and 5.7(a), respectively, of Multilateral Instrument 61-101 from the valuation and minority shareholder requirements of that instrument as they apply to related party transactions, since the fair market value of the acquisition was significantly less than 25% of the market capitalization of Bitcoin Well. The acquisition was approved by the Board upon recommendation of an independent special committee in accordance with the Company's related-party transaction policy.

At the time of the acquisition, Ghostlab did not generate significant revenue from third parties other than from Bitcoin Well. Please see Note 12 for additional discussion regarding transactions with Ghostlab prior to the date of acquisition.

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

Overall disclosure

If all of the above business acquisitions had taken place effective January 1, 2021, consolidated revenue for the year ended December 31, 2021 would have approximated \$103.7 million. During the year ended December 31, 2021, business acquisition-related costs of \$406,505 were included in professional fees.

Contingent consideration

The Company's contingent consideration payable that arose from the above business acquisitions consisted of the following components as at December 31, 2021:

	AlphaVend		CryptoKiosk		Equibytes		Total
Balance at December 31, 2020	\$	-	\$	-	\$	-	\$ -
Initial contingent consideration		3,210,165		369,575		135,000	3,714,740
Payments made		(42,739)		(66,563)		(16,867)	(126,169)
Expired contingent consideration		(3,167,426)		-		-	(3,167,426)
Balance at December 31, 2021	\$	-	\$	303,012	\$	118,133	\$ 421,145
Current liability		-		153,864		49,848	203,712
Non-current liability		-		149,148		68,285	217,433
Total contingent consideration payable	\$	-	\$	303,012	\$	118,133	\$ 421,145

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6. INVESTMENTS

The Company is invested in private entities that are accounted for at fair value through profit or loss. During fiscal 2021, the Company purchased investments in private entities of \$929,000, of which the Company had no significant influence in the investees. At December 31, 2021, the carrying value of these investments was \$929,000 (December 31, 2020 - \$nil). As of December 31, 2021, no impairments have been recorded to these investments.

7. DIGITAL ASSETS

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

As at December 31, 2021, the price of bitcoin was \$59,020 which reflected an increase from its price of \$37,441 at January 1, 2021. The Company recognized a revaluation gain, net of tax, of \$7,222,335 during the twelve months ended December 31, 2021.

During the year ended December 31, 2021, the Company sold 38 bitcoins held within digital assets for net proceeds of \$2,617,624.

8. DEPOSITS AND PREPAID EXPENSES

As at	December 31, 2021	December 31, 2020
Current		
Deposit on ATM machines	\$ 102,750	\$ -
Prepaid expenses	311,582	136,010
Office lease deposit	141,029	38,987
Total current deposits and prepaid expenses	\$ 555,361	\$ 174,997

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9. PROPERTY AND EQUIPMENT

		ATM	Computer Equipment	Furniture & Equipment	Leasehold Improvements	Total
Costs						
Balance at December 31, 2019	\$	551,124	\$ 59,612	\$ 27,782	\$ 333,507	\$ 972,025
Additions		669,647	-	8,400	6,336	684,383
Disposals		(8,247)	-	-	-	(8,247)
Balance at December 31, 2020		1,212,524	59,612	36,182	339,843	1,648,161
Additions		1,076,915	-	99,933	419,730	1,596,578
Business acquisitions (Note 5)		198,144	2,556	-	-	200,700
Disposals		(167,028)	-	-	-	(167,028)
Balance at December 31, 2021	\$	2,320,555	\$ 62,168	\$ 136,115	\$ 759,573	\$ 3,278,411
Accumulated Amortization						
Balance at December 31, 2019	\$	136,422	\$ 48,129	\$ 9,260	\$ 104,999	\$ 298,810
Amortization		146,151	6,316	6,502	73,048	232,017
Disposals		(4,472)	-	-	-	(4,472)
Balance at December 31, 2020		278,101	54,445	15,762	178,047	526,355
Amortization		418,991	6,236	20,341	81,970	527,538
Disposals		(4,219)	-	-	-	(4,219)
Balance at December 31, 2021	\$	692,873	\$ 60,681	\$ 36,103	\$ 260,017	\$ 1,049,674
Net Book Value						
Balance at December 31, 2020	\$	934,423	\$ 5,167	\$ 20,420	\$ 161,796	\$ 1,121,806
Balance at December 31, 2021	\$	1,627,682	\$ 1,487	\$ 100,012	\$ 499,556	\$ 2,228,737

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10. INTANGIBLE ASSETS

		Host Agreements (i)	Software Applications	Internally generated Software (ii)	Total
Costs					
Balance at December 31, 2019	\$	-	\$ -	\$ -	-
Additions		768,032	253,935	-	1,021,967
Disposals		-	-	-	-
Balance at December 31, 2020		768,032	253,935	-	1,021,967
Additions		-	20,651	1,016,329	1,036,980
Business acquisitions (Note 5)		1,543,007	-	3,054,729	4,597,736
Disposals		(968,145)	-	-	(968,145)
Balance at December 31, 2021	\$	1,342,894	\$ 274,586	\$ 4,071,058	\$ 5,688,538
Accumulated Amortization					
Balance at December 31, 2019	\$	-	\$ -	\$ -	-
Amortization		214,001	-	-	214,001
Disposals		-	-	-	-
Balance at December 31, 2020		214,001	-	-	214,001
Amortization		444,557	36,951	359,464	840,972
Disposals		-	-	-	-
Balance at December 31, 2021		658,558	36,951	359,464	1,054,973
Net Book Value					
Balance at December 31, 2020		554,031	253,935	-	807,966
Balance at December 31, 2021	\$	684,336	\$ 237,635	\$ 3,711,594	\$ 4,633,565

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, see Note 4. Internally generated software additions consist of expenditures incurred to develop new software applications to enhance bitcoin transaction capabilities. These expenditures have met the criteria in IAS 38 to be capitalized as internally generated intangible

Bitcoin Well Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Canadian dollars, except where otherwise stated)****11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Year ended December 31	2021	2020
Accounts payable	\$ 665,245	\$ 408,447
Accrued liabilities	579,435	559,783
Total	\$ 1,244,680	\$ 968,230

12. RELATED PARTY TRANSACTIONS**Key Management Compensation**

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

During the years ended December 31, 2021 and 2020, the Company had the following related party transactions with key management:

Year ended December 31	2021	2020
Salary, fees, and other short term benefits	\$ 974,785	\$ 702,540
Share based payments (Note 19)	464,577	51,244
Termination benefits	396,250	-
Total	\$ 1,835,612	\$ 753,784

Ghostlab

The Company entered into a Software License Agreement with Ghostlab in 2020, a company previously controlled by the Chief Executive Officer and Chief Revenue Officer of the Company. In September 2021, the Company acquired 100% of the issued and outstanding shares of Ghostlab, see Note 5.

Prior to the acquisition of Ghostlab, the related party transactions with Ghostlab for the years ended December 31, 2021 and 2020 were as follows:

Year ended December 31	2021	2020
Opening balance	\$ 749,189	\$ -
Expenses paid on behalf of Ghostlab	895,866	1,208,695
Support & licensing fees provided by Ghostlab	(84,351)	(251,058)
Capitalized software costs provided by Ghostlab	(263,412)	(208,448)
Prepaid software retainer	614,699	-
Debt assumed upon acquisition (Note 5)	(1,911,991)	-
Ending balance	\$ -	\$ 749,189

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

Due from Related Parties - Other

At December 31, 2021 a related company owned by the Chief Executive Officer of the Company, owed the Company \$99,770 (December 31, 2020 - \$58,028). Repayment of this entire obligation to the Company is expected in 2022.

Due to Related Parties

The Company had a \$750,000 shareholder loan due to the Chief Executive Officer of the Company. During fiscal 2021, the shareholder loan was converted into common shares, see Note 19.

13. LOAN PAYABLE – CRYPTOCURRENCY

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

The Company pays a fixed monthly fee for the use of these bitcoins. At the time the loans were issued, the fees were approximately 8%-10% of the principal value of the coins loaned to the Company. The total amount paid under these agreements for the year ended December 31, 2021 was \$348,984 (2020 - \$70,212) of which \$70,346 (2020 - \$45,813) was paid to the Chief Executive Officer.

As at December 31, 2021, the total fair value of the bitcoin loaned to the Company was \$8,351,268 (2020 - \$5,456,667), of which \$2,950,978 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer represents a reduction from \$3,717,081 as at December 31, 2020, as a result of a partial repayment of the Use of Coin Agreement of \$3,059,614, offset by the increase price of bitcoin during the year ended December 31, 2021.

At year end, the Company revalues the outstanding loans based on current market price of bitcoin, using CoinMarketCap. For the year ended December 31, 2021, the Company recognized an unrealized fair value loss of \$4,421,180 (2020 - loss of \$3,750,628), as a result of the increase in the price of bitcoin. Whenever any borrowed bitcoins are used in operations, an equal amount of bitcoin is purchased and held on the Line of Credit (Note 15), which effectively allows the Company to eliminate away any price exposure to those borrowed coins once they have been used. Therefore, the \$4,421,180 in unrealized loss was completely offset by a portion of the \$7,222,335 unrealized gain recorded in Other Comprehensive Income (with the balance of the unrealized gain being attributable to the portion bitcoins held on which the company chooses to have price exposure to).

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The Company recognizes realized gains and losses arising from the settlement of loan advances from the Use of Coin Agreements. Accordingly, for the year ended December 31, 2021, a gain of \$11,133 (2020 – loss of \$184,270) has been realized due to settlement of loan advances. Gains or losses arising from settlement of the above loans are offset by gains or losses realized on the digital assets used to extinguish these loans.

14. INVENTORY

As at December 31	2021		2020	
	\$ Value	Number of coins	\$ Value	Number of coins
Bitcoin	\$ 314,365	5	\$ 4,845,197	182
Ethereum	48,711	10	40,552	53
Litecoin	-	-	7,031	47
Bitcoin Cash	-	-	30,683	90
In office sales inventory	12,781	-	3,065	-
Total	\$ 375,857		\$ 4,926,528	

At year end, the Company revalues its cryptocurrency inventory balances at the lower of cost or net realizable value. Any reversal of amounts previously written down are recognized on the income statement in the period in which the reversal occurs. Reversals are limited to cost of the inventory, as previously stated. For the year ended December 31, 2021, the Company recognized a fair value gain of \$126,084 (2020 - \$29,178).

The decline in inventory during the year ended December 31, 2021 was due to the reclassification of the Company's excess bitcoin holdings from inventory to digital assets, see Note 7.

15. LINE OF CREDIT

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

On June 21, 2021, the Company increased its line of credit with the trading and technology firm described above, to \$7,300,000 (December 31, 2020 - \$5,000,000). This increase allowed the Company to facilitate larger customer transactions.

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16. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its shareholders' equity, loans payable - cryptocurrency, and line of credit. This includes share capital, which was \$11,935,399 as at December 31, 2021 (December 31, 2020 - \$1,924,168).

The Company's objectives when managing capital are:

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

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

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

17. RISK MANAGEMENT

17.1 Financial Risk Management

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

a) Credit Risk

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

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due. As at December 31, 2021 the Company had a working capital deficit of \$2,412,150 (December 31, 2020 – deficit of \$2,936,197). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in

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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 December 31, 2021, the Company had cash of \$4,799,849 (December 31, 2020 – \$4,054,551) and accounts payable and accrued liabilities of \$1,244,680 (December 31, 2020 - \$968,230), indicating sufficient short-term liquidity to satisfy short-term obligations.

c) Foreign Currency Risk

The Company's functional currency (other than the UK subsidiary – Paradime) and the reporting currency is the Canadian dollar. Periodically the Company incurs changes 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, loans, and its line of credit. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. However, the Company holds loans denominated in bitcoin, which reduces the impact of changes in the market price of the bitcoin held as digital assets. The Company has not hedged the conversion of its inventory into sales. Cryptocurrencies have a limited history, and the fair value historically has been volatile. Historical performance of cryptocurrencies is not indicative of their future price performance. The Company's inventory consists primarily of bitcoin.

17.2 Fair Values

The carrying values of accounts receivable, notes receivable, related party loans, convertible debentures, accounts payable and accrued liabilities, and obligation to issue shares approximate their fair values due to their short-term nature. Investments are measured at fair value through profit and loss, using level 3 valuation techniques.

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

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

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

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

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Fair value through profit and loss				
Cash	\$ 4,054,551	\$ -	\$ -	\$ 4,054,551
December 31, 2021	Level 1	Level 2	Level 3	Total
Fair value through profit and loss				
Cash	\$ 4,799,849	\$ -	\$ -	\$ 4,799,849
Investments	-	-	929,000	929,000

18. 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:	\$ 125,058
Due within 2-5 years:	28,771
Total	\$ 153,829

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

Right-of-Use Assets

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

	Right-of-Use Assets
Cost:	
At December 31, 2020	276,021
Additions	140,478
At December 31, 2021	\$ 416,499
Depreciation:	
At December 31, 2020	134,587
Charge for the period	147,077
At December 31, 2021	\$ 281,664
Net Book Value:	
At December 31, 2020	141,434
At December 31, 2021	134,835

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	Lease Liabilities
At December 31, 2020	167,203
Additions	86,231
Lease payments made	(119,302)
Interest expense on lease liabilities	19,697
	153,829
Less: current portion	(125,058)
At December 31, 2021	\$ 28,771

19. EQUITY

19.1 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.

19.2 Shares issued

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

Private placement

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

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

The gross proceeds have been allocated between share capital and Warrants in the amounts of \$4,342,298 (net of share issue costs of \$754,121), and \$1,636,581 (net of issue costs of \$267,000).

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The net proceeds allocated to Warrants represents the fair value of the Warrants issued in connection with the Financing, calculated using the Black-Scholes option pricing model.

During the year ended December 31, 2021, the Company also issued the following common shares:

- i) 5,775,000 common shares, with a value of \$1,443,750, were issued as part of the Qualifying Transaction described in Note 4;
- ii) 6,000,000 common shares, with a value of \$1,494,369, were issued as part of the consideration in the acquisition of AlphaVend described in Note 5;
- iii) 2,758,621 common shares, with a value of \$800,000, were issued as part of the consideration in the acquisition of Ghostlab described in Note 5;
- iv) 397,059 common shares, with a value of \$135,000, were issued as part of the consideration in the acquisition of Equibytes described in Note 5;
- v) 6,250,000 common shares were issued upon the conversion of a shareholder loan in the amount of \$750,000;
- vi) 2,000,000 common shares were issued upon the extinguishment of a cryptocurrency loan with a third party in the amount of \$500,000;
- vii) 1,583,330 common shares were issued upon the conversion of a convertible debenture in the amount of \$190,000;
- viii) 208,610 common shares were issued for services received from a third party vendor in the amount of \$22,321;
- ix) 124,136 common shares were issued to an employee for services received in the amount of \$36,000;
- x) 1,860,000 common shares were issued upon the conversion of a convertible debenture in the amount of \$76,394.
- xi) 1,121,497 common shares were issued upon the exercise of stock options.

19.3 Incentive Plan

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

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	Number of options	Weighted average exercise price
Balance, January 1, 2020	-	\$
Granted	3,303,760	0.11
Options outstanding and exercisable, December 31, 2020	3,303,760	\$ 0.11
Granted	3,206,084	0.26
Exercised	(1,121,497)	0.11
Forfeited	(346,140)	0.25
Options outstanding, December 31, 2021	5,042,207	\$ 0.21
Options exercisable, December 31, 2021	4,547,982	\$ 0.19

The Company had the following stock options outstanding and exercisable, at December 31, 2021:

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	1,682,253	\$ 0.11	43	\$ 0.11	1,682,253
0.12	500,010	0.12	43	0.12	500,010
0.20	150,000	0.20	49	0.20	-
0.30	200,000	0.30	49	0.30	-
0.10	275,000	0.10	7	0.10	275,000
0.25	1,000,002	0.25	43	0.25	1,000,002
0.25	346,140	0.25	52	0.25	201,915
0.34	588,237	0.34	43	0.34	588,237
\$ 0.31	300,565	0.31	57	0.31	300,565
	5,042,207	\$ 0.21	43	\$ 0.19	4,547,982

During the year ended December 31, 2021, the Company recorded a total of \$530,259 (2020 - \$303,095) 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:

Year ended December 31	2021	2020
Expected life (years)	5	5
Expected volatility	120%	126%
Dividend rate	-	-
Risk-free interest rate	0.37%	0.31%
Weighted average fair value per option granted	\$ 0.16	\$ 0.08

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19.4 Agent's Options

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

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At December 31, 2021, all of the Agent Options remained outstanding.

19.5 Warrants

In connection with the Financing, the company issued 14,569,000 Warrants. Each Warrant is exercisable at an exercise price of \$0.375 per Warrant and expires on June 11, 2023. The Warrants were valued at \$1,636,581 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At December 31, 2021, all of the Warrants remained outstanding.

20. 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.

Year ended December 31	2021		2020	
Customers	\$	78,970,408	\$	36,490,738
Cryptocurrency exchanges		20,642,352		15,479,844
Total sales	\$	99,612,760	\$	51,970,582

The Company recognizes revenue when customers purchase cryptocurrency and it is transferred to the customer's account. The Company's performance obligation is the confirmed transfer of the purchased cryptocurrency to the customer's wallet. The Company purchases bitcoin and other cryptocurrencies from cryptocurrency exchanges and applies a margin before selling it to customers. The amounts sold to and purchased from the Company's customers are recorded as

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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.

Revenue for the year ended December 31, 2021, included \$22,012,641 (2020 - \$nil) of revenue from one customer.

21. GENERAL AND ADMINISTRATION

Year ended December 31	2021	2020
Finance fees	\$ 529,564	\$ 448,811
Service costs	1,482,084	1,166,931
Office expenses	870,364	287,653
Travel and meals	142,870	38,985
Automobile	22,400	31,025
Other	41,038	42,669
Total	\$ 3,088,320	\$ 2,016,074

22. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2021 and 2020.

Year ended December 31	2021	2020
Numerator		
Net loss for the period	\$ (13,602,807)	\$ (2,743,019)
Denominator		
Basic - weighted average number of shares outstanding	146,811,422	106,055,566
Effective dilution - nil as loss position for 2021 and 2020	-	-
Diluted - weighted average number of shares outstanding	146,811,422	106,055,566
Earnings (loss) per share - basic	\$ (0.09)	\$ (0.03)
Earnings (loss) per share - diluted	\$ (0.09)	\$ (0.03)

Bitcoin Well Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Canadian dollars, except where otherwise stated)****23. INCOME TAXES**

The Company provision for income taxes is as follows:

Year ended December 31	2021	2020
Income tax expense (recovery) comprised of:		
Current income tax	\$ (20,692)	\$ 230,698
Deferred income tax	(507,919)	94,832
	\$ (528,611)	\$ 325,530

A reconciliation of income tax rates is as follows:

Year ended December 31	2021	2020
Combined federal and provincial income tax rate	23.41%	24.04%
Impact of change of tax rates during year	0.00%	1.50%
Impact of small business rate	0.00%	-1.54%
Effective tax rate	23.41%	24.00%

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates. The year-over-year decline in the statutory rate reflects the decline in the Alberta corporate income tax rate in 2020.

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Year ended December 31	2021	2020
(Loss) income before taxes as per the financial statements	(14,131,419)	(2,417,489)
Effective tax rate	23.41%	24.00%
Expected income tax (recovery)	(3,308,286)	(580,197)
Change in statutory, foreign tax, foreign exchange rates and other		
Small business deduction tax savings	-	(63,922)
Revaluation gain on digital assets included in other comprehensive income	1,439,334	-
Permanent differences	263,726	973,260
Non-Capital losses carried forward	1,265,490	-
Change in unrecognized deductible temporary difference	20,318	(98,442)
Total income tax expense	(319,418)	230,699

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The significant components of the Company's deferred tax liabilities and assets are as follows:

Year ended December 31	2021	2020
Deferred income tax assets (liabilities):		
Property and equipment	(185,519)	(15,007)
Intangible assets	179,491	(79,825)
Digital assets	(567,873)	-
Loss carried forward	1,445,166	-
	871,265	(94,832)
Unrecognized deferred tax asset	(458,178)	-
Net deferred tax asset (liability)	413,087	(94,832)

The company's Canadian non-capital losses available to carry forward are \$6,172,414. Tax attributes are subject to review and potential adjustment, by tax authorities.

24. COMMITMENTS & CONTINGENCIES

The Company's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. The Company had the following lease commitments as at December 31, 2021:

	Leases
2022	\$ 364,647
2023	401,333
2024	445,811
2025	521,121
2026	556,652
Thereafter	2,273,984
Total	\$ 4,563,548

On February 16, 2021, the Company signed a lease for a new Company headquarters located in Edmonton, Alberta. The lease term is eight years, with an option to extend the term of the lease for two further terms of five years each. Commitments and contingencies consist of the future obligation related to lease payments which are expected to commence in 2022.

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25. SUBSEQUENT EVENTS

On February 23, 2022, the Company entered into a secured convertible debenture for up to CDN\$5.0 million (the “Convertible Debenture”), convertible into common shares of the Corporation 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”) on February 23, 2022 in the principal amount of CDN\$1.5 million, and the second of which was issued on March 17, 2022 in the amount of CDN\$2.0 million. The Convertible Debenture bears interest at a rate of 10% per annum and matures on February 23, 2025, subject to two automatic one year extensions (the “Maturity Date”).

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

Additionally, subject to TSX Venture Exchange approval and the consent of BTR, the Corporation may request a third tranche in one or more advances not to exceed the principal amount of CDN\$1.5 million on or before June 30, 2022.