

Bitcoin Well Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2022 and 2021

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

As at	Note	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 9,436,126	\$ 4,799,849
Accounts receivable		242,170	364,090
Current income tax receivable		600,904	20,692
Digital assets	5	8,479,267	8,596,949
Inventory	10	497,384	375,857
Due from related parties	8	60,725	99,770
Deposits and prepaid expenses		283,359	555,361
		19,599,935	14,812,568
Non-current assets			
Property and equipment	6	2,215,114	2,228,737
Right of use assets	15	109,356	134,835
Intangible assets	7	4,554,661	4,633,565
Goodwill		408,769	408,769
Deferred income tax receivable		409,492	413,087
Investments	4	1,000,000	929,000
Total assets		\$ 28,297,327	\$ 23,560,561
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 524,222	\$ 1,244,680
Lease liability	15	116,351	125,058
Contingent consideration - current	3	147,696	203,712
Unearned revenue	17	4,303,231	-
Line of credit	12	7,300,000	7,300,000
Loans payable - cryptocurrency	9	8,055,942	8,351,268
		20,447,442	17,224,718
Non-current liabilities			
Contingent consideration - long term	3	236,528	217,433
Lease liability - long term	15	10,001	28,771
Convertible debt	11	3,500,000	-
Loans payable		100,000	100,000
Total liabilities		24,293,971	17,570,922
Shareholders' equity			
Share capital	16	12,095,172	11,935,399
Contributed surplus	16	1,842,996	1,804,137
Warrants	16	1,636,581	1,636,581
Accumulated deficit		(18,763,601)	(16,702,268)
Accumulated other comprehensive income		7,192,208	7,315,790
Total shareholders' equity (deficit)		4,003,356	5,989,639
Total liabilities and shareholders' equity		\$ 28,297,327	\$ 23,560,561

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

Bitcoin Well Inc.

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

		Three months ended	
		March 31, 2022	March 31, 2021
Revenue			
Sales revenue	17	\$ 13,528,804	\$ 27,525,181
Cost of coins		12,564,014	25,222,020
Gross profit		964,790	2,303,161
Expenses			
Salaries and wages		1,135,846	609,522
General and administration	18	1,284,635	530,566
Depreciation and accretion	6,7,15	681,298	268,469
Professional fees		210,372	226,392
Marketing and advertising		247,024	116,586
Consulting fees		42,714	62,504
Rent and lease payments		54,126	15,159
Software		39,789	11,637
		(3,695,804)	(1,840,835)
(Loss) income before other items		(2,731,014)	462,326
Other items			
Fair value change - cryptocurrency inventory	10	(42,300)	4,903
Fair value change - cryptocurrency loans	9	180,703	(5,258,521)
Foreign exchange		(1,584)	2,481
Share based compensation	16	(72,556)	(75,181)
Gain on debt settlement	9	28,277	4,975
Loss before income taxes		(2,638,474)	(4,859,017)
Income tax expense (recovery)			
Current		(598,292)	109,178
Deferred		21,151	(604,730)
Net loss		(2,061,333)	(4,363,465)
Other comprehensive income			
Revaluation (loss) gain on digital assets, net of tax	5	(130,897)	6,913,166
Unrealized exchange loss on foreign subsidiaries		7,315	-
Total comprehensive loss		\$ (2,184,915)	\$ 2,549,701
Net loss per common share			
Basic		\$ (0.01)	\$ (0.02)
Diluted		\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding:			
Basic		173,657,371	116,981,990
Diluted		173,657,371	116,981,990

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Bitcoin Well Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

Three months ended March 31	2022	2021
Cash provided by (used in):		
Operating activities		
Net loss	\$ (2,061,333)	\$ (4,363,465)
Adjustments for:		
Depreciation and accretion	681,298	268,469
(Gain) loss on revaluation of cryptocurrency loans	(180,703)	5,258,521
Loss (gain) on revaluation of cryptocurrency inventory	42,300	(4,903)
Deferred income tax	21,151	(604,730)
Share based compensation	72,556	75,181
Gain on debt settlement	28,277	4,975
	(1,396,454)	634,048
Changes in non-cash working capital items:		
Accounts receivable	121,920	88,321
Deposits and prepaid expenses	272,002	(513,576)
Inventory	(79,227)	3,962,152
Digital assets	(13,215)	(3,231,110)
Obligation to issue shares	-	(10,897)
Current income tax receivable/payable	(615,645)	111,903
Unearned revenue	4,303,231	-
Accounts payable and accrued liabilities	(720,458)	(625,211)
Cash used in operating activities	1,872,154	415,630
Investing activities		
Purchase of property and equipment	(108,192)	(73,216)
Purchase of intangible assets	(439,257)	(176,469)
Purchase of investments	(71,000)	-
Cash used in investing activities	(618,449)	(249,685)
Financing activities		
Repayment of cryptocurrency loans	(89,243)	(1,667,788)
Payments of contingent consideration	(36,921)	-
Proceeds received from convertible debt	3,500,000	-
Repayment of lease liability	(31,264)	(24,096)
Payments to related parties	-	(333,450)
Proceeds received from line of credit	-	3,000,000
Proceeds received from issuance of shares, net of costs	-	22,321
Proceeds received from exercise of stock options	40,000	-
Cash provided by financing activities	3,382,572	996,987
Change in cash	4,636,277	1,162,932
Cash, beginning of period	4,799,849	4,054,551
Cash, end of period	\$ 9,436,126	\$ 5,217,483

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

Bitcoin Well Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars, except for number of shares)

	Note	Share Capital		Contributed Surplus	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
		Number of Common Shares	Amount					
Balance at December 31, 2020		116,314,560	\$ 1,924,168	\$ 303,095	\$ -	\$ (3,099,461)	\$ -	(872,198)
Shares issued - qualifying transaction		5,775,000	1,443,750	47,324	-	-	-	1,491,074
Shares issued - private placement		29,138,000	4,342,298	424,557	1,636,581	-	-	6,403,436
Shares issued - business acquisition (AlphaVend)		6,000,000	1,494,369	-	-	-	-	1,494,369
Shares issued - business acquisition (Ghostlab)		2,758,621	800,000	600,000	-	-	-	1,400,000
Shares issued - business acquisition (Equibytes)		397,059	135,000	-	-	-	-	135,000
Shares issued - debt conversions		5,443,330	766,394	-	-	-	-	766,394
Shares issued - services received		208,610	22,321	-	-	-	-	22,321
Shares issued - shareholder loan conversion		6,250,000	750,000	-	-	-	-	750,000
Shares issued - employment services received		124,136	36,000	-	-	-	-	36,000
Share based compensation		-	-	530,259	-	-	-	530,259
Stock options exercised		1,121,497	221,099	(101,098)	-	-	-	120,001
Net loss for the period		-	-	-	-	(13,602,807)	-	(13,602,807)
Revaluation gain on digital assets, net of tax		-	-	-	-	-	7,222,335	7,222,335
Unrealized exchange loss on foreign subsidiaries		-	-	-	-	-	93,455	93,455
Balance at December 31, 2021		173,530,813	\$ 11,935,399	\$ 1,804,137	\$ 1,636,581	\$ (16,702,268)	\$ 7,315,790	\$ 5,989,639
Shares issued - employment services received		478,244	86,076	-	-	-	-	86,076
Share based compensation		-	-	72,556	-	-	-	72,556
Stock options exercised		373,830	73,697	(33,697)	-	-	-	40,000
Net loss for the period		-	-	-	-	(2,061,333)	-	(2,061,333)
Revaluation loss on digital assets, net of tax		-	-	-	-	-	(130,897)	(130,897)
Unrealized exchange loss on foreign subsidiaries		-	-	-	-	-	7,315	7,315
Balance at March 31, 2022		174,382,887	\$ 12,095,172	\$ 1,842,996	\$ 1,636,581	\$ (18,763,601)	\$ 7,192,208	\$ 4,003,356

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

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

1. NATURE OF OPERATIONS

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

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

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

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

2. BASIS OF PRESENTATION

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

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with Company's annual financial statements for the year ended December 31, 2021.

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

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and effective as of March 31, 2022.

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

3. ACQUISITIONS

Contingent consideration

The Company's contingent consideration payable that arose from its business acquisitions consisted of the following components as at March 31, 2022:

	AlphaVend		CryptoKiosk		Equibytes		Total
Balance at December 31, 2020	\$	-	\$	-	\$	-	\$ -
Initial contingent consideration		3,210,165		369,575		135,000	3,714,740
Payments made		(42,739)		(66,563)		(16,867)	(126,169)
Expired contingent consideration		(3,167,426)		-		-	(3,167,426)
Balance at December 31, 2021	\$	-	\$	303,012	\$	118,133	\$ 421,145
Payments made		-		(32,845)		(4,076)	(36,921)
Balance at March 31, 2022	\$	-	\$	270,167	\$	114,057	\$ 384,224
Current liability		-		131,388		16,308	147,696
Non-current liability		-		138,779		97,749	236,528
Total contingent consideration payable	\$	-	\$	270,167	\$	114,057	\$ 384,224

4. INVESTMENTS

The Company is invested in private entities that are accounted for at fair value through profit or loss. The Company purchased investments in private entities of \$1,000,000, of which the Company had no significant influence in the investees. At March 31, 2022, the carrying value of these investments was \$1,000,000 (March 31, 2021 - \$nil).

5. DIGITAL ASSETS

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

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

aggregated price to be immaterial. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

As at March 31, 2022, the fair value of a bitcoin was \$56,932 which reflected an decrease from its fair value of \$59,019 at December 31, 2021. The Company recognized a revaluation loss, net of tax, of \$130,897 during the three months ended March 31, 2022 (March 31, 2021 – gain, net of tax, of \$6,913,166).

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

6. PROPERTY AND EQUIPMENT

		ATM	Computer Equipment	Furniture & Equipment	Leasehold Improvements	Total
Costs						
Balance at December 31, 2020	\$	1,212,524	\$ 59,612	\$ 36,182	\$ 339,843	\$ 1,648,161
Additions		1,076,915	-	99,933	419,730	1,596,578
Business acquisitions		198,144	2,556	-	-	200,700
Disposals		(167,028)	-	-	-	(167,028)
Balance at December 31, 2021	\$	2,320,555	\$ 62,168	\$ 136,115	\$ 759,573	\$ 3,278,411
Additions		86,581	-	12,705	13,125	112,411
Disposals		(8,968)	-	-	-	(8,968)
Balance at March 31, 2022	\$	2,398,168	\$ 62,168	\$ 148,820	\$ 772,698	\$ 3,381,854
Accumulated Amortization						
Balance at December 31, 2020	\$	278,101	\$ 54,445	\$ 15,762	\$ 178,047	\$ 526,355
Amortization		418,991	6,236	20,341	81,970	527,538
Disposals		(4,219)	-	-	-	(4,219)
Balance at December 31, 2021	\$	692,873	\$ 60,681	\$ 36,103	\$ 260,017	\$ 1,049,674
Amortization		95,870	109	4,478	21,466	121,923
Disposals		(4,857)	-	-	-	(4,857)
Balance at March 31, 2022	\$	783,886	\$ 60,790	\$ 40,581	\$ 281,483	\$ 1,166,740
Net Book Value						
Balance at December 31, 2021	\$	1,627,682	\$ 1,487	\$ 100,012	\$ 499,556	\$ 2,228,737
Balance at March 31, 2022	\$	1,614,282	\$ 1,378	\$ 108,239	\$ 491,215	\$ 2,215,114

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

7. INTANGIBLE ASSETS

	Host Agreements (i)		Software Applications		Internally generated Software (ii)		Total
Costs							
Balance at December 31, 2020	\$	768,032	\$	253,935	\$	-	\$ 1,021,967
Additions		-		20,651		1,016,329	1,036,980
Business acquisitions		1,543,007		-		3,054,729	4,597,736
Disposals		(968,145)		-		-	(968,145)
Balance at December 31, 2021	\$	1,342,894	\$	274,586	\$	4,071,058	\$ 5,688,538
Additions		-		-		439,257	439,257
Disposals		-		-		-	-
Balance at March 31, 2022	\$	1,342,894	\$	274,586	\$	4,510,315	\$ 6,127,795
Accumulated Amortization							
Balance at December 31, 2020	\$	214,001	\$	-	\$	-	\$ 214,001
Amortization		444,557		36,951		359,464	840,972
Disposals		-		-		-	-
Balance at December 31, 2021		658,558		36,951		359,464	1,054,973
Amortization		104,806		16,532		396,823	518,161
Disposals		-		-		-	-
Balance at March 31, 2022	\$	763,364	\$	53,483	\$	756,287	\$ 1,573,134
Net Book Value							
Balance at December 31, 2021		684,336		237,635		3,711,594	4,633,565
Balance at March 31, 2022	\$	579,530	\$	221,103	\$	3,754,028	\$ 4,554,661

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

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

8. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

During the three months ended March 31, 2022 and 2021, the Company had the following related party transactions with key management:

For the three months ended March 31	2022	2021
Salary, fees, and other short term benefits	\$ 208,177	\$ 366,509
Share based payments (Note 15)	26,472	75,181
Total	\$ 234,649	\$ 441,690

Due from Related Parties - Other

At March 31, 2022 a related company owned by the Chief Executive Officer of the Company, owed the Company \$60,725 (December 31, 2021 - \$58,028). Repayment of this entire obligation to the Company is expected in 2022.

9. LOAN PAYABLE – CRYPTOCURRENCY

The Company has entered into agreements (“Use of Coin Agreements”) whereby the Chief Executive Officer and a number of 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 between 2022 and 2023, and the Company has option to extend the loans.

The Company pays a fixed monthly fee for the use of these bitcoins. At the time the loans were issued, the fees were approximately 8%-10% of the principal value of the coins loaned to the Company. The total amount paid under these agreements for the three months ended March 31, 2022, was \$152,544 (three months ended March 31, 2021 - \$38,097) of which \$54,000 (three months ended March 31, 2021 - \$25,800) was paid to the Chief Executive Officer.

As at March 31, 2022, the total fair value of the bitcoin loaned to the Company was \$8,055,942 (December 31, 2021 - \$8,351,268), of which \$2,846,623 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer represents a reduction from the balance as at December 31, 2021, due to a decrease in the price of bitcoin during the three months ended March 31, 2022.

At period end, the Company revalues the outstanding loans based on current market price of bitcoin, using CoinMarketCap. For the three months ended March 31, 2022, the Company recognized an unrealized fair value gain of \$180,703 (March 31, 2021 - loss of \$5,258,521), as a result of the decrease in the price of bitcoin. Whenever any borrowed bitcoins are used in

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

operations, an equal amount of bitcoin is purchased and held on the Line of Credit (Note 11), which effectively allows the Company to eliminate away any price exposure to those borrowed coins once they have been used. Therefore, the \$180,703 in unrealized gain was completely offset by a portion of the \$130,897 unrealized loss recorded in Other Comprehensive Income (with the balance of the unrealized gain being attributable to the portion bitcoins held on which the company choses to have price exposure to).

The Company recognizes realized gains and losses arising from the settlement of loan advances from the Use of Coin Agreements. Accordingly, for the three months ended March 31, 2022, a gain of \$28,277 (March 31, 2021 – gain of \$4,975) 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.

10. INVENTORY

As at	March 31, 2022		December 31, 2021	
	\$ Value	Number of coins	\$ Value	Number of coins
Bitcoin	\$ 308,084	5	\$ 314,365	5
Ethereum	181,647	47	48,711	10
Litecoin	-	-	-	-
Bitcoin Cash	-	-	-	-
In office sales inventory	7,653	-	12,781	-
Total	\$ 497,384		\$ 375,857	

At period end, the Company revalues its cryptocurrency inventory balances at the lower of cost or net realizable value. Any reversal of amounts previously written down are recognized on the income statement in the period in which the reversal occurs. Reversals are limited to cost of the inventory, as previously stated. For the three months ended March 31, 2022, the Company recognized a fair value loss of \$42,300 (March 31, 2021 – gain of \$4,903).

11. CONVERTIBLE DEBT

On February 23, 2022, the Company entered into an agreement to issue up to \$5.0 million in secured convertible debentures (the “Convertible Debenture”), convertible into common shares of the Company at a conversion price of \$0.30. The Convertible Debenture may be issued in up to three tranches, the first of which was issued to Beyond The Rhode Corp. (“BTR”) 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 \$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 new products built for the online ecosystem of the Company and affiliates from February

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

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%. No royalties were paid on online revenues in Q1 2022.

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

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

12. LINE OF CREDIT

The Company has a line of credit with a cryptocurrency trading and technology firm which allows the Company to purchase cryptocurrency prior to funding its exchange account, in order to offset exposure from cryptocurrency sold to customers. 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.

13. 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 \$12,095,172 as at March 31, 2022 (December 31, 2021 - \$11,935,399).

The Company's objectives when managing capital are:

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

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.

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

14. RISK MANAGEMENT

14.1 Financial Risk Management

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

a) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. Assets that potentially subject the Company to a concentration of credit risk consist primarily of cash and digital assets. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. 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 March 31, 2022 the Company had a working capital deficit of \$847,507 (December 31, 2021 – deficit of \$2,412,150). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022, the Company had cash of \$9,436,126 (December 31, 2021 – \$4,799,849) and accounts payable and accrued liabilities of \$523,862 (December 31, 2021 - \$1,244,680), indicating sufficient short-term liquidity to satisfy short-term obligations. Of the \$9,436,126 in cash as at March 31, 2022, \$4,303,231 related to unearned revenue (see Note 16).

c) Foreign Currency Risk

The Company's functional currency 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

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. However, the Company holds loans denominated in bitcoin, which reduces the impact of changes in the market price of the bitcoin held as digital assets. The Company has not hedged the conversion of its inventory into sales. Cryptocurrencies have a limited history, and the fair value historically has been volatile. Historical performance of cryptocurrencies is not indicative of their future price performance. The Company's inventory consists primarily of bitcoin.

14.2 Fair Values

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

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

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

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

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

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

December 31, 2021		Level 1		Level 2		Level 3		Total
Fair value through profit and loss								
Cash	\$	4,799,849	\$	-	\$	-	\$	4,799,849
March 31, 2022								
Fair value through profit and loss								
Cash	\$	9,436,126	\$	-	\$	-	\$	9,436,126
Investments	\$	-	\$	-	\$	1,000,000	\$	1,000,000

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

Due within one year:	\$	116,351
Due within 2-5 years:		10,001
Total	\$	126,352

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, 2021	416,499
Additions	-
At March 31, 2022	\$ 416,499
Depreciation:	
At December 31, 2021	281,664
Charge for the period	25,479
At March 31, 2022	\$ 307,143
Net Book Value:	
At December 31, 2020	134,835
At March 31, 2022	109,356
	Lease Liabilities
At December 31, 2021	153,829
Additions	-
Lease payments made	(31,264)
Interest expense on lease liabilities	3,787
	126,352
Less: current portion	(116,351)
At March 31, 2022	\$ 10,001

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

16. EQUITY

16.1 Authorized Share Capital

The Company is authorized to issue the following:

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

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

16.2 Shares issued

As a result of the Transaction in 2021, all of the issued and outstanding shares of Old Bitcoin Well were exchanged for common shares of the Company on the basis of between 8.33 and 10.00 common shares for each issued and outstanding common and preferred share of Old Bitcoin Well. All share figures presented in these consolidated financial statements have been adjusted to reflect this share exchange as if it occurred effective December 31, 2019.

During the three months ended March 31, 2022, the Company issued the following common shares:

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

16.3 Incentive Plan

Long-term Incentive Plan ("LTIP")

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

Stock options issued are summarized below:

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

	Number of options	Weighted average exercise price
Balance, December 31, 2020	3,303,760	\$
Granted	3,206,084	0.26
Exercised	(1,121,497)	0.11
Forfeited	(346,140)	0.25
Options outstanding, December 31, 2021	5,042,207	\$ 0.21
Granted	4,413,509	0.18
Exercised	(373,830)	0.11
Forfeited	(733,888)	0.25
Options outstanding, March 31, 2022	8,347,998	\$ 0.12
Options exercisable, March 31, 2022		
	4,260,687	\$ 0.20

The Company had the following stock options outstanding and exercisable, at March 31, 2022:

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	1,308,423	\$ 0.11	40	\$ 0.11	1,308,423
0.12	500,010	0.12	40	0.12	500,010
0.20	150,000	0.20	46	0.20	-
0.30	200,000	0.30	46	0.30	-
0.10	275,000	0.10	4	0.10	275,000
0.25	1,000,002	0.25	40	0.25	1,000,002
0.25	288,450	0.25	2	0.25	288,450
0.34	588,237	0.34	40	0.34	588,237
0.31	300,565	0.31	54	0.31	300,565
\$ 0.18	3,737,311	0.18	57	0.18	-
	8,347,998	\$ 0.12	46	\$ 0.20	4,260,687

During the three months ended March 31, 2022, the Company recorded a total of \$72,556 (March 31, 2021 - \$75,181) 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:

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

As at	March 31, 2022	December 31, 2021
Expected life (years)	5	5
Expected volatility	120%	120%
Dividend rate	-	-
Risk-free interest rate	1.30%	0.37%
Weighted average fair value per option granted	\$ 0.16	\$ 0.16

16.4 Agent's Options

In connection with the Financing, the agent was granted Agent Options to acquire 1,960,000 Units of the Company. 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 March 31, 2022, all of the Agent Options remained outstanding.

16.5 Warrants

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

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At March 31, 2022, all of the Warrants remained outstanding.

17. 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.

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

Three months ended March 31	2022		2021	
Customers	\$	13,417,650	\$	21,056,580
Cryptocurrency exchanges		111,154		6,468,601
Total sales	\$	13,528,804	\$	27,525,181

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

For the three months ended March 31, 2022, there was unearned revenue of \$4,303,231 (March 31, 2021 - \$nil) that consisted of sales to customers where the coins had not yet been sent to the customers' wallets. The full amount in unearned revenue at March 31, 2022 was recognized in May 2022.

18. GENERAL AND ADMINISTRATION

Three months ended March 31	2022		2021	
Finance fees	\$	595,713	\$	165,906
Service costs		346,719		200,197
Office expenses		228,479		129,928
Travel and meals		34,370		6,244
Automobile		3,308		6,522
Other		76,046		21,769
Total	\$	1,284,635	\$	530,566

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

19. 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	\$	329,033
2023		401,333
2024		445,811
2025		521,121
2026		556,652
Thereafter		2,273,984
Total	\$	4,527,934

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 2023.