

Bitcoin Well Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2022 and 2021

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

| As at | Note | June 30, 2022 | December 31, 2021 |
|---|-------------|----------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 3,955,791 | \$ 4,799,849 |
| Accounts receivable | | 235,923 | 364,090 |
| Current income tax receivable | | 880,772 | 20,692 |
| Digital assets | 5 | 4,335,214 | 8,596,949 |
| Inventory | 10 | 192,967 | 375,857 |
| Due from related parties | 8 | 20,915 | 99,770 |
| Deposits and prepaid expenses | | 115,709 | 555,361 |
| | | 9,737,291 | 14,812,568 |
| Non-current assets | | | |
| Property and equipment | 6 | 1,678,024 | 2,228,737 |
| Right of use assets | 15 | 83,876 | 134,835 |
| Intangible assets | 7 | 1,524,182 | 4,633,565 |
| Goodwill | | 105,427 | 408,769 |
| Deferred income tax receivable | | 689,394 | 413,087 |
| Investments | 4 | 1,000,000 | 929,000 |
| Total assets | | \$ 14,818,194 | \$ 23,560,561 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 1,244,926 | \$ 1,244,680 |
| Lease liability | 15 | 98,149 | 125,058 |
| Contingent consideration - current | 3 | 147,696 | 203,712 |
| Line of credit | 12 | 7,300,000 | 7,300,000 |
| Loans payable - cryptocurrency | 9 | 4,215,063 | 8,351,268 |
| | | 13,005,834 | 17,224,718 |
| Non-current liabilities | | | |
| Contingent consideration - long term | 3 | 205,673 | 217,433 |
| Lease liability - long term | 15 | - | 28,771 |
| Convertible debt | 11 | 3,500,000 | - |
| Loans payable | | 100,000 | 100,000 |
| Total liabilities | | 16,811,507 | 17,570,922 |
| Shareholders' equity | | | |
| Share capital | 16 | 12,095,172 | 11,935,399 |
| Contributed surplus | 16 | 1,281,283 | 1,804,137 |
| Warrants | 16 | 1,636,581 | 1,636,581 |
| Accumulated deficit | | (19,858,325) | (16,702,268) |
| Accumulated other comprehensive income | | 2,851,976 | 7,315,790 |
| Total shareholders' equity (deficit) | | (1,993,313) | 5,989,639 |
| Total liabilities and shareholders' equity | | \$ 14,818,194 | \$ 23,560,561 |

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

Bitcoin Well Inc.

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

| | | Three months ended | | Six months ended | |
|--|--------|--------------------|----------------|------------------|----------------|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Revenue | | | | | |
| Sales revenue | 17 | \$ 20,586,354 | \$ 41,733,509 | \$ 34,115,158 | \$ 69,258,690 |
| Cost of coins | | (19,520,595) | (40,576,682) | (32,084,609) | (65,798,702) |
| Gross profit | | 1,065,759 | 1,156,827 | 2,030,549 | 3,459,988 |
| Expenses | | | | | |
| Salaries and wages | | 1,322,663 | 701,555 | 2,458,509 | 1,311,077 |
| General and administration | 18 | 879,368 | 836,565 | 2,164,003 | 1,367,131 |
| Depreciation and accretion | 6,7,15 | 713,700 | 273,936 | 1,394,998 | 542,405 |
| Professional fees | | 93,292 | 633,907 | 303,664 | 860,299 |
| Marketing and advertising | | 242,367 | 186,296 | 489,391 | 302,882 |
| Consulting fees | | 5,468 | 49,755 | 48,182 | 112,259 |
| Rent and lease payments | | 60,983 | 13,634 | 115,109 | 28,793 |
| Software | | 48,394 | 47,338 | 88,183 | 58,975 |
| | | (3,366,235) | (2,742,986) | (7,062,039) | (4,583,821) |
| (Loss) income before other items | | (2,300,476) | (1,586,159) | (5,031,490) | (1,123,833) |
| Other items | | | | | |
| Fair value change - cryptocurrency inventory | 10 | (3,863) | 3,904 | (46,163) | 8,807 |
| Fair value change - cryptocurrency loans | 9 | 4,780,602 | 3,312,599 | 4,961,305 | (1,945,922) |
| Listing expense | | - | (1,476,742) | - | (1,476,742) |
| Foreign exchange | | 416 | - | (1,168) | 2,481 |
| Share based compensation | 16 | (38,287) | (207,279) | (110,843) | (282,460) |
| Gain on debt settlement | 9 | 58,487 | 1,008 | 86,764 | 5,983 |
| Restructuring | 20 | (3,308,022) | - | (3,308,022) | - |
| Income (loss) before income taxes | | (811,143) | 47,331 | (3,449,617) | (4,811,686) |
| Income tax expense (recovery) | | | | | |
| Current | | (275,988) | (109,178) | (874,280) | - |
| Deferred | | 559,569 | 126,440 | 580,720 | (478,290) |
| Net income (loss) | | (1,094,724) | 30,069 | (3,156,057) | (4,333,396) |
| Other comprehensive income | | | | | |
| Revaluation (loss) gain on digital assets, net of tax | 5 | (4,348,780) | (3,936,772) | (4,479,677) | 2,976,394 |
| Unrealized exchange gain on foreign subsidiaries | | 8,548 | 1,313 | 15,863 | 1,313 |
| Total comprehensive loss | | \$ (5,434,956) | \$ (3,905,390) | \$ (7,619,871) | \$ (1,355,689) |
| Net loss per common share | | | | | |
| Basic | | \$ (0.01) | \$ 0.00 | \$ (0.02) | \$ (0.03) |
| Diluted | | \$ (0.01) | \$ 0.00 | \$ (0.02) | \$ (0.03) |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | | 174,382,887 | 131,029,537 | 174,022,133 | 124,025,616 |
| Diluted | | 174,382,887 | 139,209,551 | 174,022,133 | 124,025,616 |

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

Bitcoin Well Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

| Six months ended June 30 | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss | \$ (3,156,057) | \$ (4,333,396) |
| Adjustments for: | | |
| Depreciation and accretion | 1,394,998 | 542,405 |
| Loss (gain) on revaluation of cryptocurrency loans | (4,961,305) | 1,945,922 |
| Loss (gain) on revaluation of cryptocurrency inventory | 46,163 | (8,807) |
| Deferred income tax | 4,216 | (478,290) |
| Restructuring | 2,571,868 | - |
| Listing expense | - | 1,476,742 |
| Share based compensation | 110,843 | 282,460 |
| Gain on debt settlement | (86,764) | (5,983) |
| | (4,076,038) | (578,947) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 128,167 | 35,429 |
| Deposits and prepaid expenses | 439,652 | (461,197) |
| Inventory | 229,053 | 4,494,892 |
| Digital assets | (217,942) | (4,806,199) |
| Current income tax receivable/payable | (874,280) | (305,388) |
| Accounts payable and accrued liabilities | 246 | (82,395) |
| Cash used in operating activities | (4,371,142) | (1,703,805) |
| Investing activities | | |
| Purchase of property and equipment | (127,358) | (712,903) |
| Purchase of intangible assets | (535,169) | (227,194) |
| Business combinations, net of cash acquired | - | 361,558 |
| Purchase of investments | (71,000) | (136,000) |
| Cash used in investing activities | (733,527) | (714,539) |
| Financing activities | | |
| Repayment of cryptocurrency loans | 850,915 | (315,693) |
| Payments of contingent consideration | (67,776) | - |
| Proceeds received from convertible debt | 3,500,000 | - |
| Repayment of lease liability | (62,528) | (46,357) |
| Proceeds received from exercise of stock options | 40,000 | - |
| Payments to related parties | - | (512,986) |
| Proceeds received from line of credit | - | 2,300,000 |
| Proceeds received from issuance of shares, net of costs | - | 6,403,436 |
| Cash provided by financing activities | 4,260,611 | 7,828,400 |
| Change in cash | (844,058) | 5,410,056 |
| Cash, beginning of period | 4,799,849 | 4,054,551 |
| Cash, end of period | \$ 3,955,791 | \$ 9,464,607 |

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

Bitcoin Well Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars, except for number of shares)

| Share Capital | | | | | | | | | |
|--|------|----------------------------|----------------------|------------------------|---------------------|------------------------|---|-----------------------|--|
| | Note | Number of Common Shares | Amount | Contributed Surplus | Warrants | Accumulated Deficit | Accumulated Other Comprehensive Income | Total | |
| Balance at December 31, 2020 | | 116,314,560 | \$ 1,924,168 | \$ 303,095 | \$ - | \$ (3,099,461) | \$ - | \$ (872,198) | |
| Shares issued - qualifying transaction | | 5,775,000 | 1,443,750 | 47,324 | - | - | - | 1,491,074 | |
| Shares issued - private placement | | 29,138,000 | 4,342,298 | 424,557 | 1,636,581 | - | - | 6,403,436 | |
| Shares issued - business acquisition (AlphaVend) | | 6,000,000 | 1,494,369 | - | - | - | - | 1,494,369 | |
| Shares issued - business acquisition (Ghostlab) | | 2,758,621 | 800,000 | 600,000 | - | - | - | 1,400,000 | |
| Shares issued - business acquisition (Equibytes) | | 397,059 | 135,000 | - | - | - | - | 135,000 | |
| Shares issued - debt conversions | | 5,443,330 | 766,394 | - | - | - | - | 766,394 | |
| Shares issued - services received | | 208,610 | 22,321 | - | - | - | - | 22,321 | |
| Shares issued - shareholder loan conversion | | 6,250,000 | 750,000 | - | - | - | - | 750,000 | |
| Shares issued - employment services received | | 124,136 | 36,000 | - | - | - | - | 36,000 | |
| Share based compensation | | - | - | 530,259 | - | - | - | 530,259 | |
| Stock options exercised | | 1,121,497 | 221,099 | (101,098) | - | - | - | 120,001 | |
| Net loss for the period | | - | - | - | - | (13,602,807) | - | (13,602,807) | |
| Revaluation gain on digital assets, net of tax | | - | - | - | - | - | 7,222,335 | 7,222,335 | |
| Unrealized exchange loss on foreign subsidiaries | | - | - | - | - | - | 93,455 | 93,455 | |
| Balance at December 31, 2021 | | 173,530,813 | \$ 11,935,399 | \$ 1,804,137 | \$ 1,636,581 | \$ (16,702,268) | \$ 7,315,790 | \$ 5,989,639 | |
| Shares issued - employment services received | | 478,244 | 86,076 | - | - | - | - | 86,076 | |
| Contingent share consideration restructuring | 20 | - | - | (600,000) | - | - | - | (600,000) | |
| Share based compensation | 16 | - | - | 110,843 | - | - | - | 110,843 | |
| Stock options exercised | 16 | 373,830 | 73,697 | (33,697) | - | - | - | 40,000 | |
| Net loss for the period | | - | - | - | - | (3,156,057) | - | (3,156,057) | |
| Revaluation loss on digital assets, net of tax | | - | - | - | - | - | (4,479,677) | (4,479,677) | |
| Unrealized exchange gain on foreign subsidiaries | | - | - | - | - | - | 15,863 | 15,863 | |
| Balance at June 30, 2022 | | 174,382,887 | \$ 12,095,172 | \$ 1,281,283 | \$ 1,636,581 | \$ (19,858,325) | \$ 2,851,976 | \$ (1,993,313) | |

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022

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

1. NATURE OF OPERATIONS

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

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

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

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

2. BASIS OF PRESENTATION

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

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

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

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

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

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

3. ACQUISITIONS

Contingent consideration

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

| | AlphaVend | CryptoKiosk | Equibytes | Total |
|--|-------------|-------------|------------|-------------|
| Balance at December 31, 2020 | \$ - | \$ - | \$ - | \$ - |
| Initial contingent consideration | 3,210,165 | 369,575 | 135,000 | 3,714,740 |
| Payments made | (42,739) | (66,563) | (16,867) | (126,169) |
| Expired contingent consideration | (3,167,426) | - | - | (3,167,426) |
| Balance at December 31, 2021 | \$ - | \$ 303,012 | \$ 118,133 | \$ 421,145 |
| Payments made | - | (60,574) | (7,202) | (67,776) |
| Balance at June 30, 2022 | \$ - | \$ 242,438 | \$ 110,931 | \$ 353,369 |
| Current liability | - | 131,388 | 16,308 | 147,696 |
| Non-current liability | - | 111,050 | 94,623 | 205,673 |
| Total contingent consideration payable | \$ - | \$ 242,438 | \$ 110,931 | \$ 353,369 |

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 June 30, 2022, the carrying value of these investments was \$1,000,000 (June 30, 2021 - \$nil).

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

5. DIGITAL ASSETS

Due to operational developments, during the quarter ended June 30, 2021, the Company reassessed the amount of bitcoin required to be held for sale within its normal business operations. This change in estimate resulted in a reclassification of the Company's excess bitcoin holdings from inventory to digital assets, and was accounted for on a prospective basis. The Company classifies its excess bitcoin holdings as digital assets. The Company holds bitcoin as an investment for the foreseeable future, and also holds bitcoin with its trading and technology firm in order to maintain the required minimum asset balance extended under the Line of Credit (Note 12). As at June 30, 2022, the Company held 167 bitcoins with the trading and technology firm (December 31, 2021 - 120 bitcoins), and eight bitcoins in a combination of Company controlled hot and cold wallets (December 30, 2021 - 31 bitcoins). As at June 30, 2022, 171 of these bitcoins were classified as Digital Assets (December 31, 2021 - 146), with the balance classified as inventory (Note 10).

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

As at June 30, 2022, the fair value of bitcoin was \$25,469 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 \$4,348,780 and \$4,479,677 for the three and six months ended June 30, 2022, respectively (\$3,936,772 loss and \$2,976,394 gain for the three and six months ended June 30, 2021).

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

6. PROPERTY AND EQUIPMENT

| | ATM | Computer Equipment | Furniture & Equipment | Leasehold Improvements | Total |
|---------------------------------|---------------------|-----------------------|--------------------------|---------------------------|------------------|
| Costs | | | | | |
| Balance at December 31, 2020 | \$ 1,212,524 | \$ 59,612 | \$ 36,182 | 339,843 | 1,648,161 |
| Additions | 1,076,915 | - | 99,933 | 419,730 | 1,596,578 |
| Business acquisitions | 198,144 | 2,556 | - | - | 200,700 |
| Disposals | (167,028) | - | - | - | (167,028) |
| Balance at December 31, 2021 | \$ 2,320,555 | \$ 62,168 | \$ 136,115 | 759,573 | 3,278,411 |
| Additions | 112,581 | - | 12,705 | 22,005 | 147,291 |
| Disposals | (135,910) | (2,556) | - | - | (138,466) |
| Impairment | - | - | - | (420,803) | (420,803) |
| Balance at June 30, 2022 | \$ 2,297,226 | \$ 59,612 | \$ 148,820 | 360,775 | 2,866,433 |
| 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 | 199,955 | 109 | 9,414 | 41,876 | 251,354 |
| Disposals | (111,441) | (1,178) | - | - | (112,619) |
| Balance at June 30, 2022 | \$ 781,387 | \$ 59,612 | \$ 45,517 | 301,893 | 1,188,409 |
| Net Book Value | | | | | |
| Balance at December 31, 2021 | \$ 1,627,682 | \$ 1,487 | \$ 100,012 | 499,556 | 2,228,737 |
| Balance at June 30, 2022 | \$ 1,515,839 | \$ - | \$ 103,303 | 58,882 | 1,678,024 |

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

7. INTANGIBLE ASSETS

| | | Host Agreements (i) | Software Applications | Internally generated Software (ii) | Total |
|---------------------------------|-----------|------------------------|--------------------------|---------------------------------------|---------------------|
| Costs | | | | | |
| Balance at December 31, 2020 | \$ | 768,032 | \$ 253,935 | \$ - | \$ 1,021,967 |
| Additions | | - | 20,651 | 1,016,329 | 1,036,980 |
| Business acquisitions | | 1,543,007 | - | 3,054,729 | 4,597,736 |
| Disposals | | (968,145) | - | - | (968,145) |
| Balance at December 31, 2021 | \$ | 1,342,894 | \$ 274,586 | \$ 4,071,058 | \$ 5,688,538 |
| Additions | | - | 25,366 | 509,803 | 535,169 |
| Disposals | | - | - | - | - |
| Balance at June 30, 2022 | \$ | 1,342,894 | \$ 299,952 | \$ 4,580,861 | \$ 6,223,707 |
| 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 |
| Additions | | 209,613 | 33,121 | 829,950 | 1,072,684 |
| Impairment | | - | 93,292 | 2,478,576 | 2,571,868 |
| Balance at June 30, 2022 | \$ | 868,171 | \$ 163,364 | \$ 3,667,990 | \$ 4,699,525 |
| Net Book Value | | | | | |
| Balance at December 31, 2021 | | 684,336 | 237,635 | 3,711,594 | 4,633,565 |
| Balance at June 30, 2022 | \$ | 474,723 | \$ 136,588 | \$ 912,871 | \$ 1,524,182 |

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, and were capitalized up until the Company's restructuring that took place (see Note 20).

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

8. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

During the six months ended June 30, 2022 and 2021, the Company had the following related party transactions with key management:

| For the six months ended June 30 | 2022 | | 2021 | |
|---|-----------|----------------|-----------|----------------|
| Salary, fees, and other short term benefits | \$ | 446,672 | \$ | 559,689 |
| Share based payments (Note 15) | | 52,943 | | 234,577 |
| Total | \$ | 499,615 | \$ | 794,266 |

Due from Related Parties - Other

At June 30, 2022 a related company owned by the Chief Executive Officer of the Company, owed the Company \$20,915 (June 30, 2021 - \$58,028). Repayment of this entire obligation to the Company is expected in 2022. In addition, see Note 9 below for details on the Chief Executive Officer's cryptocurrency loan to the Company

9. LOAN PAYABLE – CRYPTOCURRENCY

The Company has entered into agreements ("Use of Coin Agreements") whereby the Chief Executive Officer and a number of other arm's length parties have loaned their bitcoin to the Company. These Use of Coin Agreements were entered into to help meet new customer demand for bitcoin, allowing the company to secure a larger Line of Credit (Note 12) to help facilitate this demand. 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 three and six months ended June 30, 2022, was \$156,924 and \$309,467, respectively (three and six months ended June 30, 2021 - \$38,174 and \$76,272) of which \$54,000 and \$108,000, respectively (three and six months ended June 30, 2021 - \$18,056 and \$43,856) was paid to the Chief Executive Officer.

As at June 30, 2022, the total fair value of the bitcoin loaned to the Company was \$4,215,063 (December 31, 2021 - \$8,351,268), of which \$1,273,433 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer represents a

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

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

At period end, the Company revalues the outstanding loans based on current market price of bitcoin, using CoinMarketCap. For the three months ended June 30, 2022, the Company recognized an unrealized fair value gain of \$4,780,602 (June 30, 2021 - gain of \$3,312,599), as a result of the decrease in the price of bitcoin. For the six months ended June 30, 2022, the Company recognized a gain of \$4,961,305 (June 30, 2021 - loss of \$1,945,922). Whenever any borrowed bitcoins are used in operations, an equal amount of bitcoin is purchased and held on the Line of Credit (Note 12), which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. Therefore, the \$4,780,602 in unrealized gain was offset by a portion of the \$4,348,780 unrealized loss, net of tax, recorded in Other Comprehensive Income, with the balance of the unrealized loss being attributable to the portion of bitcoins held on which the company chooses to have price exposure to and due to the unrealized loss being net of tax.

The Company recognizes realized gains and losses arising from the settlement of loans advanced from the Use of Coin Agreements. Accordingly, for the three and six months ended June 30, 2022, a gain of \$58,487 and \$86,764, respectively (June 30, 2021 – gain of \$1,008 and \$5,983) has been realized due to settlement of these loans. Gains or losses arising from settlement of the above loans are offset by gains or losses realized on the digital assets used to extinguish these loans.

10. INVENTORY

| As at | June 30, 2022 | | December 31, 2021 | |
|------------------------|-------------------|-----------------|-------------------|-----------------|
| | \$ Value | Number of coins | \$ Value | Number of coins |
| Bitcoin | \$ 171,655 | 4 | \$ 314,365 | 5 |
| Ethereum | 13,770 | 10 | 48,711 | 10 |
| Retail sales inventory | 7,542 | - | 12,781 | - |
| Total | \$ 192,967 | | \$ 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 and six months ended June 30, 2022, the Company recognized a fair value loss of \$3,863 and \$46,163, respectively (June 30, 2021 – gain of \$3,904 and \$8,807).

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,

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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 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 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. On July 4, 2022, the Company received the third tranche, of \$1.5 million from BTR.

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

12. LINE OF CREDIT

During 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 digital assets with delayed settlement. This allows the Company to gain exposure to the price movement of the purchased digital assets, while awaiting any funds to be credited to the exchange account in order to settle the trade. 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 June 30, 2022 (December 31, 2021 - \$11,935,399).

The Company's objectives when managing capital are:

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

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

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

14. RISK MANAGEMENT

14.1 Financial Risk Management

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

a) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. Assets that potentially subject the Company to a concentration of credit risk consist primarily of cash and digital assets. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. 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 June 30, 2022 the Company had a working capital deficit of \$3,268,543 (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 June 30, 2022 the Company had cash of \$3,955,791 (December 31, 2021 – \$4,799,849) and accounts payable and accrued liabilities of \$1,244,926 (December 31, 2021 - \$1,244,680), indicating sufficient short-term liquidity to satisfy short-term obligations.

c) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges for settlement in currencies other than its functional currency and any gain or loss arising on such transaction is recorded in

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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.

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).

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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 |
| June 30, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Fair value through profit and loss | | | | |
| Cash | \$ 3,955,791 | \$ - | \$ - | \$ 3,955,791 |
| Investments | - | - | 1,000,000 | 1,000,000 |
| Total | \$ 3,955,791 | \$ - | \$ 1,000,000 | \$ 4,955,791 |

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

| | |
|-----------------------|------------------|
| Due within one year: | \$ 98,149 |
| Due within 2-5 years: | - |
| Total | \$ 98,149 |

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:

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and six months ended June 30, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)****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 June 30, 2022 | \$ 416,499 |
| Depreciation: | |
| At December 31, 2021 | 281,664 |
| Charge for the period | 50,959 |
| At June 30, 2022 | \$ 332,623 |
| Net Book Value: | |
| At December 31, 2020 | 134,835 |
| At June 30, 2022 | 83,876 |
| | Lease Liabilities |
| At December 31, 2021 | 153,829 |
| Additions | - |
| Lease payments made | (62,528) |
| Interest expense on lease liabilities | 6,848 |
| | 98,149 |
| Less: current portion | (98,149) |
| At June 30, 2022 | \$ - |

16. EQUITY**16.1 Authorized Share Capital**

The Company is authorized to issue the following:

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

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

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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 six months ended June 30, 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 grant date, and expire after a term of 5 years.

Stock options issued are summarized below:

| | Number of options | Weighted average exercise price |
|--|----------------------|------------------------------------|
| Balance, December 31, 2020 | 3,303,760 | |
| Granted | 3,206,084 | \$ 0.26 |
| Exercised | (1,121,497) | 0.11 |
| Forfeited | (346,140) | 0.25 |
| Options outstanding, December 31, 2021 | 5,042,207 | \$ 0.21 |
| Granted | 4,413,509 | 0.18 |
| Exercised | (373,830) | 0.11 |
| Forfeited | (2,141,734) | 0.19 |
| Options outstanding, June 30, 2022 | 6,940,152 | \$ 0.19 |
| Options exercisable, June 30, 2022 | 3,878,777 | \$ 0.20 |

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

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| Outstanding | | | | Exercisable | |
|-----------------------|--------------------------------------|--|---|--|--------------------------------------|
| Exercise Price | Number of options outstanding | Weighted average exercise price | Weighted average remaining life (months) | Weighted average exercise price | Number of options exercisable |
| \$ 0.11 | 1,214,963 | \$ 0.11 | 37 | \$ 0.11 | 1,214,963 |
| 0.12 | 500,010 | 0.12 | 37 | 0.12 | 500,010 |
| 0.20 | 150,000 | 0.20 | 43 | 0.20 | - |
| 0.30 | 200,000 | 0.30 | 43 | 0.30 | - |
| 0.10 | 275,000 | 0.10 | 1 | 0.10 | 275,000 |
| 0.25 | 1,000,002 | 0.25 | 37 | 0.25 | 1,000,002 |
| 0.34 | 588,237 | 0.34 | 37 | 0.34 | 588,237 |
| 0.31 | 300,565 | 0.31 | 51 | 0.31 | 300,565 |
| \$ 0.18 | 2,711,375 | 0.18 | 54 | 0.18 | - |
| | 6,940,152 | \$ 0.19 | 43 | \$ 0.20 | 3,878,777 |

During the three and six months ended June 30, 2022, the Company recorded \$38,287 and \$110,843, respectively (June 30, 2021 - \$207,279 and \$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:

| As at | June 30, 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, at an exercise price of \$0.25 per Agent Option. The Agent Options expire on June 11, 2023, and were valued at \$424,557 using the Black-Scholes option pricing model with the following assumptions:

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Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

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

16.5 Warrants

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

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At June 30, 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.

| | Three months ended | | Six months ended | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Customers | \$ 18,520,515 | \$ 9,790,563 | \$ 31,938,165 | \$ 24,621,218 |
| Cryptocurrency exchanges | 2,065,839 | 31,942,946 | 2,176,993 | 44,637,472 |
| Total sales | \$ 20,586,354 | \$ 41,733,509 | \$ 34,115,158 | \$ 69,258,690 |

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

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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.

18. GENERAL AND ADMINISTRATION

| | Three months ended | | Six months ended | |
|------------------|--------------------|-------------------|---------------------|---------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Finance fees | \$ 312,551 | \$ 172,687 | \$ 908,264 | \$ 338,593 |
| Service costs | 331,718 | 417,098 | 678,437 | 617,295 |
| Office expenses | 216,159 | 174,040 | 444,638 | 303,968 |
| Travel and meals | 11,176 | 54,851 | 45,546 | 61,095 |
| Automobile | 6,564 | 6,080 | 9,872 | 12,602 |
| Other | 1,200 | 11,809 | 77,246 | 33,578 |
| Total | \$ 879,368 | \$ 836,565 | \$ 2,164,003 | \$ 1,367,131 |

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 June 30, 2022:

| | Leases |
|-------------------|-------------------|
| 2022 | \$ 86,366 |
| 2023 | 24,753 |
| 2024 | - |
| 2025 | - |
| 2026 | - |
| Thereafter | - |
| Total | \$ 111,119 |

The commitments and contingencies above reflect the current lease on Company headquarter space in Edmonton, Alberta. This lease ends April 2023, after which the lease term is monthly.

Bitcoin Well Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and six months ended June 30, 2022****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

20. RESTRUCTURING & OTHER COSTS

During the three months ended June 30, 2022, the Company has streamlined operations, and implemented cost cutting decisions, including a reduction in the number of employees. As a result of these strategic decisions, in the second quarter of 2022, the Company recorded restructuring and other costs of \$3.3 million, after tax, that were not in the normal course of business. These costs mainly relate to staff reductions and associated severance costs, costs related to decisions to cancel certain leases in Edmonton, Alberta, as well as costs associated with a pause in the ghostATM product development. As a result of pausing the ghostATM product development, the Company recognized a non-cash impairment charge related to the decrease in value of the Ghostlab investment in the amount of \$2.6 million. The Company will continue to use the ghostATM software on its fleet of over 240 ATMs, resulting in significant continued cost savings when compared to the cost of using a competitor's ATM software.