BITCOIN WELL

TSX.V:BTCW OTCQB:BCNWF

Consolidated Financial Statements

As at and for the years ended December 31, 2022 and 2021

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February 15, 2023
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 consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $11,661,337 during the year ended December 31, 2022 and, as of that date, the Company's accumulated deficit and other comprehensive losses was $21,047,815 As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Existence and ownership of digital assets and inventory

We draw attention to Notes 2, 3, 6 and 13 to the financial statements. The Company holds digital assets and inventory of $6,710,540, including $6,336,779 held with a third-party custodian.

We considered this a key audit matter due to the magnitude of the digital asset and inventory balances and the audit effort involved in testing the existence and ownership of the digital assets and inventory.

Our procedures included, but were not limited to, the following:

- We obtained confirmations of the quantities and ownership of digital assets and inventory directly from the third-party custodian.
- We assessed the Service Organization Controls Report (the "SOC Report") of the third-party custodian attesting to the appropriateness and effectiveness of the internal control systems established by the custodian and to assess the design and operating effectiveness of the Company's complementary user entity controls.
- We observed the performance of the transfer of a small amount of bitcoin from the Company's wallet with the custodian to a different wallet to test the rights and ownership of the digital assets.

Recognition of revenue

We draw attention to Notes 2, 3 and 20 to the financial statements.

Recognition of revenue is a key measure of financial performance and recognized at the point in time that transaction is processed. Revenue recognized for the year ended December 31, 2022 was $66,731,242.

We considered this a key audit matter due to the magnitude of the revenue balance and the audit effort involved in testing the completeness and accuracy of the revenue transactions.

Our procedures included, but were not limited to, the following:

- We tested the completeness and accuracy of information produced by the Company associated with revenue, which was used for purposes of recording in the Company's General Ledger.
- We tested a sample of transaction revenue consummated during the year by selecting detail transactional data and recalculating the revenue earned based on agreed pricing data and receipt of fiat currency in exchange for the delivery of inventory.

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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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 Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

(Expressed in Canadian dollars)

As at December 31	Note		2022		2021
Assets					
Current assets					
Cash		$	**3,946,525**	$	4,799,849
Accounts receivable			**102,001**		364,090
Current income tax receivable	24		**266,238**		20,692
Digital assets	6, 15		**5,999,847**		8,596,949
Inventory	13		**710,693**		375,857
Due from related parties	11		**-**		99,770
Deposits and prepaid expenses	7		**55,124**		555,361
			11,080,428		14,812,568
Non-current assets					
Property and equipment	8		**1,390,999**		2,228,737
Right of use assets	18		**32,917**		134,835
Intangible assets	9		**1,064,705**		4,633,565
Goodwill	23		**105,427**		408,769
Deferred income tax receivable	24		**-**		413,087
Investments	5		**350,000**		929,000
Total assets		**$**	**14,024,476**	$	23,560,561
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	10	$	**681,393**	$	1,244,680
Lease liability	18		**39,489**		125,058
Contingent consideration - current	4		**102,313**		203,712
Line of credit	15		**7,300,000**		7,300,000
Loans payable - cryptocurrency	12		**6,416,495**		8,351,268
			14,539,690		17,224,718
Non-current liabilities					
Contingent consideration - long term	4		**216,519**		217,433
Lease liability - long term	18		**-**		28,771
Convertible debt	14		**5,000,000**		-
Loans payable			**100,000**		100,000
Total liabilities			**19,856,209**		17,570,922
Shareholders' equity					
Share capital	19		**12,095,172**		11,935,399
Contributed surplus	19		**1,484,329**		1,804,137
Warrants	19		**1,636,581**		1,636,581
Accumulated deficit			**(22,693,769)**		(16,702,268)
Accumulated other comprehensive income			**1,645,954**		7,315,790
Total shareholders' equity (deficit)			**(5,831,733)**		5,989,639
Total liabilities and shareholders' equity		**$**	**14,024,476**	$	23,560,561

These consolidated financial statements were authorized for issue by the Board of Directors on February 15, 2023.

_/s/ _Mitchell Demeter____
Mitchell Demeter, Director

_/s/ Terry Rhode______________
Terry Rhode, Director

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

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			**2022**		**2021**
Revenue					
Sales revenue	20	**$**	**66,731,242**	$	99,612,760
Cost of coins			**(62,307,016)**		(94,440,131)
Gross profit			**4,424,226**		5,172,629
Expenses					
General and administration	21		**2,228,637**		2,552,200
Salaries and wages	11		**3,801,376**		4,078,817
Depreciation and accretion	8, 9, 18		**2,159,814**		1,384,217
Financing fees	12, 14		**1,729,785**		529,564
Marketing and advertising			**643,894**		943,424
Professional fees			**630,533**		1,679,270
Software			**197,423**		163,862
Rent and lease payments			**149,036**		116,007
Consulting fees			**49,058**		260,174
			(11,589,556)		(11,707,535)
Loss before other items			**(7,165,330)**		(6,534,906)
Other items					
Fair value change - cryptocurrency loans	12		**5,954,260**		(4,421,180)
Impairment	23		**(3,163,599)**		(1,305,549)
Fair value change - investments	5		**(585,066)**		-
Share based compensation	19		**(313,889)**		(530,259)
Gain on debt settlement	12		**118,993**		11,133
Fair value change - cryptocurrency inventory	13		**(58,703)**		126,084
Listing expense	26		**-**		(1,476,742)
Loss before income taxes			**(5,213,334)**		(14,131,419)
Income tax expense (recovery)					
Current	24		**(266,238)**		(20,692)
Deferred	24		**1,044,405**		(507,920)
Net loss			**(5,991,501)**		(13,602,807)
Other comprehensive income					
Revaluation gain (loss) on digital assets, net of tax	6		**(5,682,094)**		7,222,335
Unrealized exchange gain on foreign subsidiaries			**12,258**		93,455
Total comprehensive loss		**$**	**(11,661,337)**	$	(6,287,017)
Net loss per common share					
Basic		**$**	**(0.03)**	$	(0.09)
Diluted		**$**	**(0.03)**	$	(0.09)
Weighted average number of common shares outstanding:					
Basic			**174,203,993**		146,811,422
Diluted			**174,203,993**		146,811,422

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

(Expressed in Canadian dollars)

Year ended December 31		2022		2021
Cash provided by (used in):				
Operating activities				
Net loss	**$**	**(5,991,501)**	$	(13,602,807)
Adjustments for:				
Depreciation and accretion		**2,159,814**		1,384,217
Fair value change - cryptocurrency loans		**(5,954,260)**		4,421,180
Fair value change - cryptocurrency inventory		**58,703**		(126,084)
Fair value change - investments		**585,066**		-
Deferred income tax		**631,318**		51,921
Goodwill impairment loss		**303,342**		1,305,549
Restructuring		**2,339,112**		-
Listing expense		**-**		1,476,742
Share based compensation		**313,889**		530,259
Gain on debt settlement		**(118,993)**		(11,133)
		(5,673,510)		(4,570,156)
Changes in non-cash working capital items:				
Accounts receivable		**262,089**		(34,211)
Deposits and prepaid expenses		**500,237**		(378,601)
Inventory		**(276,133)**		4,682,619
Digital assets		**(3,080,314)**		(1,828,254)
Current income tax receivable		**(245,546)**		(426,941)
Accounts payable and accrued liabilities		**(563,287)**		124,397
Cash used in operating activities		**(9,076,464)**		(2,431,147)
Investing activities				
Purchase of property and equipment		**(147,291)**		(1,591,468)
Purchase of intangible assets		**(567,507)**		(1,036,980)
Business combinations, net of cash acquired		**-**		435,849
Purchase of investments		**(71,000)**		(929,000)
Sales of investments		**64,934**		-
Cash used in investing activities		**(720,864)**		(3,121,599)
Financing activities				
Proceeds of cryptocurrency loans		**4,574,789**		6,045,838
Repayment of cryptocurrency loans		**(529,490)**		(7,059,864)
Payments of contingent consideration		**(102,313)**		(126,169)
Proceeds received from convertible debt		**5,000,000**		-
Shares payment for employment services received		**86,076**		-
Proceeds received from loans		**-**		20,000
Repayment of lease liability		**(125,058)**		(113,834)
Proceeds received from exercise of stock options		**40,000**		120,001
Payments to related parties		**-**		(1,291,364)
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		**8,944,004**		6,298,044
Change in cash		**(853,324)**		745,298
Cash, beginning of period		**4,799,849**		4,054,551
Cash, end of year	**$**	**3,946,525**	$	4,799,849

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

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

	Note	Share Capital: Number of Common Shares	Share Capital: 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 gain 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	19	478,244	86,076	-	-	-	-	**86,076**
Contingent share consideration restructuring	23	-	-	(600,000)	-	-	-	**(600,000)**
Share based compensation	19	-	-	313,889	-	-	-	**313,889**
Stock options exercised	19	373,830	73,697	(33,697)	-	-	-	**40,000**
Net loss for the period		-	-	-	-	(5,991,501)	-	**(5,991,501)**
Revaluation loss on digital assets, net of tax		-	-	-	-	-	(5,682,094)	**(5,682,094)**
Unrealized exchange gain on foreign subsidiaries		-	-	-	-	-	12,258	**12,258**
Balance at December 31, 2022		**174,382,887**	**$ 12,095,172**	**$ 1,484,329**	**$ 1,636,581**	**$ (22,693,769)**	**$ 1,645,954**	**$ (5,831,733)**

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

1. NATURE OF OPERATIONS

The principal business of Bitcoin Well Inc. ("Bitcoin Well" or the "Company") is to create an ecosystem that gives customers the convenience of modern banking with the benefits of bitcoin. Bitcoin Well achieves this through its existing portfolio of online products, as well as operating an established network of over 260 Bitcoin 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 TSX Venture Exchange (the "TSXV") under the ticker symbol "BTCW".

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 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.

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, 2022.

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 entity (Paradime) is Great British Pounds. The presentation currency for the Company is the Canadian dollar.

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 using the accrual basis of accounting, and fair value accounting where appropriate, except for cash flow information.

These consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the year ended December 31, 2022, the Company incurred a comprehensive loss of $11,661,337 (December 31, 2021 - loss of $6,287,807) and accumulated deficit and other comprehensive losses of $21,047,815 (December 31, 2021 - deficit of $9,386,478). Operations have been financed using a combination of cryptocurrency loans (Note 12) and convertible debt (Note 14) which had balances of $6,416,495 and $5,000,000 as at December 31, 2022, respectively, with no financial covenants attached. Management applied judgements in preparing forecasts to support the going concern assumption, including the expected demand for the Company's current and future products, as well as the expected operating expenses, which are based on these demands.

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

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.

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

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 of 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 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.

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:

<u>Useful life of property and equipment, and intangible assets</u>

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.

<u>Digital asset and inventory valuation</u>

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.

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.

<u>Deferred tax assets & liabilities</u>

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.

<u>Convertible debt</u>

The Company determines if convertible debt is a compound financial instrument in accordance with IAS 32. The Company uses split accounting for compound financial instruments. In that the Company uses judgement to identify the various components of the convertible debt. Then the Company uses estimates to determine the fair value of the liability component of convertible debt, with any residual value allocated to the equity component of the financial instrument.

<u>Earnings per share</u>

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.

<u>Share based compensation</u>

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.

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 valuators. 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., a cryptocurrency ATM operator incorporated in Quebec, Canada, 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.

b) Inventory

Inventory consists of bitcoin and other cryptocurrencies, as described in Note 13. 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. 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

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 expenses.

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 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 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, and amounts due from related parties are measured at amortized cost. The Company has designated investments as financial assets as 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.

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 and cryptocurrency loans 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 designated its convertible debt 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.

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, OTC, and online 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 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 are recycled to retained earnings.

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) 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 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

r) Reclassification

Certain amounts in prior periods have been reclassified to conform to current year's presentation. This includes reclassification of the Company's Finance Fees, previously in General and Administration, as a separate line item on the Company's Statement of Comprehensive Loss.

s) Cash Flow Statement

The Company displays its cash flow statement using the indirect method.

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. There was no significant impact of new guidance applicable for the fiscal year 2022.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded.

<u>IAS 1 - Presentation of Financial Statements</u>

In February 2021, the IASB issued an amendment to IAS 1 to defer the effective date of the January 2020 Classification of Liabilities as Current or Non-current (Amendments to IAS 1) by one year to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continue to be permitted. In June 2021, the IASB issued an amendment to IAS 1 to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are to be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

<u>IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors</u>

In February 2021, the IASB issued an amendment to IAS 8 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

<u>IAS 12 - Income Taxes</u>

In May 2021, the IASB issued an amendment to IAS 12 to narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

<u>IFRS 10 Consolidated Financial Statements (“IFRS 10”) and IAS 28 - Investments in Associates and Joint Ventures (“IAS 28”)</u>

In September 2014, IFRS 10 and IAS 28 were amended to address a conflict between the requirements of the standards and 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.

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

4. BUSINESS ACQUISITIONS

During 2021, the Company completed the following business acquisitions, as described below.

AlphaVend

In 2021, the Company acquired 100% of the issued and outstanding shares of Paradime Ltd., operating as Alphavend, which was a cryptocurrency ATM operator in the United Kingdom. In 2022, the Financial Conduct Authority (“FCA”) revoked AlphaVend’s temporary license and denied its application for a permanent license. Operations since have ceased.

CryptoKiosk

In 2021, the Company acquired the business and assets of CryptoKiosk Inc. (“CryptoKiosk”), a cryptocurrency ATM operator in northern Ontario. The assets consist of 11 cryptocurrency ATMs. This acquisition included 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 any balance payable in July 2024.

Equibytes

In 2021, the Company acquired 100% of the issued and outstanding shares of Enterprises Equibytes Inc. ("Equibytes"), a bitcoin ATM operator based in Montreal, Quebec. This acquisition 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.

Ghostlab

In 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. The above contingent consideration expired in 2022, concurrent with the impairment of this acquisition, see Note 23.

Contingent consideration

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

(Expressed in Canadian dollars, except where otherwise stated)

	AlphaVend	CryptoKiosk	Equibytes	Ghostlab	Total
Balance at December 31, 2020	$ -	$ -	$ -	$ -	$ -
Initial contingent consideration	3,210,165	369,575	135,000	600,000	4,314,740
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	$ 600,000	$ 1,021,145
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
Payments made	-	(89,019)	(13,294)	-	(102,313)
Expired contingent consideration	-	-	-	(600,000)	(600,000)
Balance at December 31, 2022	**$ -**	**$ 213,993**	**$ 104,839**	**$ -**	**$ 918,832**
Current liability	-	89,019	13,294	-	102,313
Non-current liability	-	124,974	91,545	-	216,519
Total contingent consideration payable	**$ -**	**$ 213,993**	**$ 104,839**	**$ -**	**$ 318,832**

5. INVESTMENTS

The Company is invested in private entities that are accounted for at fair value through profit or loss. As at December 31, 2022, the Company holds a 16% ownership in Veriself after a $71,000 investment in 2022, a 5% ownership in Imperium Digital, and has no ownership of JustCash. The Company has no significant influence in any of these entities. At December 31, 2022, the fair value of these investments was $350,000 (December 31, 2021 - $929,000).

(Expressed in Canadian dollars, except where otherwise stated)

		JustCash		Veriself		Imperium Digital		Total
Balance at December 31, 2020	$	-		-		-		-
Additions		650,000		179,000		100,000		929,000
Payments		-		-		-		-
Fair value adjustments		-		-		-		-
Fair value at December 31, 2021	$	650,000	$	179,000	$	100,000	$	929,000
Additions		-		71,000		-		71,000
Payments		(64,934)		-		-		(64,934)
Fair value adjustments		(585,066)		-		-		(585,066)
Fair value at December 31, 2022	**$**	**-**	**$**	**250,000**	**$**	**100,000**	**$**	**350,000**

6. DIGITAL ASSETS

Due to operational developments, during the 2021 fiscal year, 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, 2022, the price of bitcoin was $22,454 which reflected an decrease from its price of $59,019 on January 1, 2022. The Company recognized a revaluation loss, net of tax, of $5,682,094 during the year ended December 31, 2022.

	Bitcoin		CAD $ Value
Balance at December 31, 2020	-	$	-
Additions	284		10,984,488
Transfers out	(138)		(9,141,384)
Revaluation - pretax	-		6,753,845
Balance at December 31, 2021	146	$	8,596,949
Additions	147		4,769,098
Transfers out	(26)		(1,351,192)
Revaluation - pretax	-		(6,015,008)
Balance at December 31, 2022	267	$	5,999,847

(Expressed in Canadian dollars, except where otherwise stated)

7. DEPOSITS AND PREPAID EXPENSES

Year ended December 31		2022		2021
Current				
Deposit on ATM machines	$	-	$	102,750
Prepaid expenses		14,437		311,582
Office lease deposit		40,687		141,029
Total current deposits and prepaid expenses	**$**	**55,124**	**$**	**555,361**

(Expressed in Canadian dollars, except where otherwise stated)

8. PROPERTY AND EQUIPMENT

	ATM	Furniture & Equipment	Leasehold Improvements	Total
Costs				
Balance at December 31, 2020	$ 1,212,524	$ 95,794	$ 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	$ 198,283	$ 759,573	$ 3,278,411
Additions	112,581	12,705	22,005	147,291
Disposals	(173,656)	(15,262)	-	(188,918)
Impairment (Note 23)	-	-	(420,803)	(420,803)
Balance at December 31, 2022	**$ 2,259,480**	**$ 195,726**	**$ 360,775**	**$ 2,815,981**
Accumulated Amortization				
Balance at December 31, 2020	$ 278,101	$ 70,207	$ 178,047	$ 526,355
Amortization	418,991	26,577	81,970	527,538
Disposals	(4,219)	-	-	(4,219)
Balance at December 31, 2021	$ 692,873	$ 96,784	$ 260,017	$ 1,049,674
Amortization	434,792	18,935	76,140	529,867
Disposals	(152,465)	(2,094)	-	(154,559)
Balance at December 31, 2022	**$ 975,200**	**$ 113,625**	**$ 336,157**	**$ 1,424,982**
Net Book Value				
Balance at December 31, 2021	$ 1,627,682	$ 101,499	$ 499,556	$ 2,228,737
Balance at December 31, 2022	$ **1,284,280**	**$ 82,101**	**$ 24,618**	**$ 1,390,999**

(Expressed in Canadian dollars, except where otherwise stated)

9. 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		400,047		425,413
Impairment (Note 23)		-		(93,292)		(2,478,576)		(2,571,868)
Balance at December 31, 2022	**$**	**1,342,894**	**$**	**206,660**	**$**	**1,992,529**	**$**	**3,542,083**
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		393,569		33,109		1,137,821		1,564,499
Disposals		-		(18,201)		(123,893)		(142,094)
Balance at December 31, 2022	**$**	**1,052,127**	**$**	**51,859**	**$**	**1,373,392**	**$**	**2,477,378**
Net Book Value								
Balance at December 31, 2021	$	684,336	$	237,635	$	3,711,594	$	4,633,565
Balance at December 31, 2022	**$**	**290,767**	**$**	**154,801**	**$**	**619,137**	**$**	**1,064,705**

i) Host agreements includes contracts purchased in order for the Company to operate ATM machines at specific locations.

ii) Internally generated software includes the fair value of the software technology acquired in the acquisition of Ghostlab in 2021. Internally generated software additions consist of expenditures incurred to develop new software applications to enhance bitcoin transaction capabilities. These expenditures have met the criteria in IAS 38 to be capitalized as internally generated intangible.

(Expressed in Canadian dollars, except where otherwise stated)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Year ended December 31		**2022**		**2021**
Accounts payable	$	278,533	$	665,245
Accrued liabilities		402,860		579,435
Total	**$**	**681,393**	**$**	**1,244,680**

11. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

During the years ended December 31, 2022 and 2021, the Company had the following related party transactions with key management:

Year Ended December 31		**2022**		**2021**
Salary, fees, and other short term benefits	$	871,027	$	804,061
Share based payments (Note 19)		191,367		524,549
Termination benefits		-		380,000
Total	**$**	**1,062,394**	**$**	**1,708,610**

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. Repayment of this entire obligation to the Company occurred in 2022.

12. 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 and ethereum to the Company. These Use of Coin Agreements were entered into to help meet new customer demand for cryptocurrency, allowing the Company to secure its Line of Credit (Note 15) to help facilitate this demand. As per the terms of the agreements, the loans are repayable in bitcoin, cancellable with 45 days notice, mature between 2023 and 2024, and are extendible at the option of the Company.

The Company pays a fixed monthly fee for the use of these cryptocurrencies. 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, 2022 was $760,866 (2021 - $348,984) of which $216,000 (2021 - $70,346) was paid to the Chief Executive Officer. This expense has been recorded in Finance Fees, within General and Administrative expenses, see Note 21.

As at December 31, 2022, the total fair value of the cryptocurrency loaned to the Company was $6,416,495, $6,073,839 in bitcoin & $342,656 in ethereum (2021 - $8,351,268), of which $1,122,706 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer represents a reduction from $2,950,978 as at December 31, 2021, as a result of the decrease in the price of bitcoin during the year ended December 31, 2022.

At each reporting period, the Company revalues the outstanding loans based on current market price of the cryptocurrencies, using CoinMarketCap. For the year ended December 31, 2022, the Company recognized an unrealized fair value gain of $5,954,260 (2021 - loss of $4,421,180), as a result of the decrease in the price of the cryptocurrencies. Whenever any borrowed cryptocurrencies are used in operations, an equal amount of cryptocurrency is purchased and held on the Line of Credit (Note 15), which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. Therefore, the $5,954,260 in unrealized gain (2021 - $4,421,180 unrealized loss) was offset by a portion of the $5,682,094 unrealized loss (2021 - $7,222,335 unrealized gain) recorded in Other Comprehensive Income, with the balance of the unrealized gain being attributable to the portion of cryptocurrencies held with which the company chooses to have price exposure to, and due to the unrealized loss being net of tax.

(Expressed in Canadian dollars, except where otherwise stated)

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, 2022, a loss of $118,993 (2021 – gain of $11,133) 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.

13. INVENTORY

As at		**December 31, 2022**			**December 31, 2021**	
		$ Value	**Number of coins**		**$ Value**	**Number of coins**
Bitcoin	$	310,710	10	$	314,365	5
Ethereum		370,791	229		48,711	10
Other		29,192			12,781	-
Total	**$**	**710,693**		$	**375,857**	

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. Write-downs are limited to the cost of the inventory, as previously stated. For the year ended December 31, 2022, the Company recognized a fair value loss of $58,703 (2021 - gain of $126,084).

14. CONVERTIBLE DEBT

On February 23, 2022, the Company entered into an agreement to issue up to $5.0 million in secured convertible debentures (the "Convertible Debenture"), convertible into common shares of the Company at a conversion price of $0.30. The Convertible Debenture may be issued in up to three tranches, the first of which was issued to Beyond The Rhode Corp. ("BTR"), a related party to the Company, on February 23, 2022 in the principal amount of $1.5 million, the second of which was issued on March 17, 2022 in the amount of $2.0 million, and the third of which was issued on July 4, 2022 in the amount of $1.5 million. The Convertible Debenture bears interest at a rate of 10% per annum and matures on February 23, 2025, subject to two automatic one year extensions (the “Maturity Date”). The Company has the right to force conversion of the principal amount if the volume weighted average trading price for the common shares for ten trading days equals or exceeds $0.60 per common share. The Company also has the option to repay any amounts of the Convertible Debenture with no penalty, at any time after February 23, 2023.

The Convertible Debenture provides for the payment of a monthly royalty to the holder equal to: (A) 20% of the gross profit, defined as the revenue generated less the cost of the coins generated from the new products built for the online ecosystem 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%. The Company paid $319,041 in interest and $1,055 in royalties. The implied interest rate, over the life of the Convertible Debenture is 11.5%.

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

15. LINE OF CREDIT

The Company has a line of credit with a trading and technology firm. The line of credit 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 and has no repayment terms. 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 December 31, 2022, assets held with the lender were less than the debt owed, with the value of these assets exceeding the debt owed shortly after December 31, 2022.

See Note 27, for an update on the Company's Line of Credit, subsequent to year end.

16. MANAGEMENT OF CAPITAL

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

The Company's objectives when managing capital are:

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

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

The Company is subject to externally imposed capital requirements, see Note 15.

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. The Company has implemented rigorous levels of internal controls to ensure the safety and security of its digital assets, including but not limited to multi-signature wallets, the use of cold storage wallets, and signing authority limitations. The Company may, from time to time, hold a net asset position with its liquidity partners. The Company limits its exposure to potential credit loss by ensuring it is working with liquidity partners who have a high standard of care, and that a reasonable degree of oversight and review over their internal controls has been maintained, including the requirement of a current Systems and Organization Controls 2 ("SOC 2") report in order for the Company to work with the liquidity partner.

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, 2022 the Company had a working capital deficit of $3,459,262 (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 December 31, 2022, the Company had cash of $3,946,525 (December 31, 2021 – $4,799,849) and short term liabilities in the table below:

(Expressed in Canadian dollars, except where otherwise stated)

Year ended December 31	**2022**	**2021**
Accounts payable	$ 278,533	$ 665,245
Accrued liabilities	402,860	579,435
Lease Liability	39,489	125,058
Contingent consideration - current	102,313	203,712
Line of credit	7,300,000	7,300,000
Loans payable - cryptocurrency	6,416,495	8,351,268
Total	**$ 14,539,690**	**$ 17,224,718**

Accounts payable, accrued liabilities, lease liabilities, and contingent consideration will be paid in fiscal year 2023, as they become due. The line of credit has no repayment terms, see Note 15. Cryptocurrency loans have varying repayment terms, and can be extended at the option of the Company.

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, cryptocurrency loans, and its line of credit. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. The Company has not hedged the conversion of its inventory into sales. Cryptocurrencies have a limited history, and the fair value historically has been volatile.

Historical performance of cryptocurrencies is not indicative of their future price performance. The Company's inventory consists primarily of bitcoin and ethereum.

With a 10% increase to the price of bitcoin, the Company's digital assets at December 31, 2022 would increase to $6,599,832 (December 31, 2021 - $9,456,644) and a 10% reduction in the price of bitcoin would cause the Company's digital assets to reduce to $5,399,862 (December 31, 2021 - $7,737,254).

17.2 Fair Values

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

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

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

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

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

(Expressed in Canadian dollars, except where otherwise stated)

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

Year Ended December 31, 2021		**Level 1**		**Level 2**		**Level 3**		**Total**
Fair value through profit and loss								
Cash	$	4,799,849	$	-	$	-	$	4,799,849
Cryptocurrency loans		-		-		8,351,268		8,351,268
Investments		-		-		929,000		929,000
Fair value through other comprehensive income								
Digital assets	$	-	$	8,596,949	$	-	$	8,596,949
Total	**$**	**4,799,849**	**$**	**8,596,949**	**$**	**9,280,268**	**$**	**22,677,066**

Year Ended December 31, 2022		**Level 1**		**Level 2**		**Level 3**		**Total**
Fair value through profit and loss								
Cash	$	3,946,525	$	-	$	-	$	3,946,525
Cryptocurrency loans		-		-		6,416,495		6,416,495
Investments		-		-		350,000		350,000
Convertible debentures		-		-		5,000,000		5,000,000
Fair value through other comprehensive income								
Digital assets	$	-	$	5,999,847	$	-	$	5,999,847
Total	**$**	**3,946,525**	**$**	**5,999,847**	**$**	**11,766,495**	**$**	**21,712,867**

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:	$	39,489
Due within 2-5 years:		-
Total	**$**	**39,489**

(Expressed in Canadian dollars, except where otherwise stated)

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

Right-of-Use Assets

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

		Right-of-Use Assets
Cost:		
At December 31, 2021		416,499
Additions		-
At December 31, 2022	$	416,499
Depreciation:		
At December 31, 2021		281,664
Charge for the period		101,918
At December 31, 2022	$	383,582
Net Book Value:		
At December 31, 2021		134,835
At December 31, 2022		**32,917**

		Lease Liabilities
At December 31, 2021		153,829
Additions		-
Lease payments made		- 125,058
Interest expense on lease liabilities		10,718
		39,489
Less: current portion		- 39,489
At December 31, 2022	**$**	**-**

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

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

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

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

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

III. 5,775,000 common shares, with a value of $1,443,750, were issued as part of the Qualifying Transaction described in Note 4;
IV. 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;
V. 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;
VI. 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;

VII. 6,250,000 common shares were issued upon the conversion of a shareholder loan in the amount of $750,000;
VIII. 2,000,000 common shares were issued upon the extinguishment of a cryptocurrency loan with a third party in the amount of $500,000;
IX. 1,583,330 common shares were issued upon the conversion of a convertible debenture in the amount of $190,000;
X. 208,610 common shares were issued for services received from a third party vendor in the amount of $22,321;
XI. 124,136 common shares were issued to an employee for services received in the amount of $36,000;
XII. 1,860,000 common shares were issued upon the conversion of a convertible debenture in the amount of $76,394.
XIII. 1,121,497 common shares were issued upon the exercise of stock options.

19.3 Incentive Plan

Long-term Incentive Plan ("LTIP")
The Company periodically grants stock options to purchase common shares of the Company to certain officers, directors, and employees. Options vest within two to three years of the grant date, and expire after a term of 5 years.

Stock options issued are summarized below:

(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	10,293,018		0.11
Exercised	(373,830)		0.11
Forfeited	(4,910,056)		0.20
Options outstanding, December 31, 2022	**10,051,339**	**$**	**0.12**
Options exercisable, December 31, 2022	**1,576,803**	**$**	**0.20**

The Company had the following stock options outstanding and exercisable, at December 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	841,133	$	0.11	31	$	0.11		841,133
	0.20	150,000		0.20	37		0.20		150,000
	0.30	200,000		0.30	37		0.30		200,000
	0.34	294,117		0.34	31		0.34		294,117
	0.31	91,553		0.31	45		0.31		91,553
	0.18	2,595,027		0.18	48		0.18		-
	0.07	4,355,757		0.07	55		0.07		-
$	0.05	1,523,752		0.05	57		0.05		-
		10,051,339	**$**	**0.12**	**50**	**$**	**0.20**		**1,576,803**

(Expressed in Canadian dollars, except where otherwise stated)

During the year ended December 31, 2022, the Company recorded a total of $313,889 (2021 - $530,259) 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		**2022**		**2021**
Expected life (years)		5		5
Expected volatility		120 - 177%		120%
Dividend rate		-		-
Risk-free interest rate		3.28%		0.37%
Weighted average fair value per option granted	**$**	**0.09**	**$**	**0.16**

19.4 Agent's Options

In connection with the Transaction in 2021, see Note 26, 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, 2022, all of the Agent Options remained outstanding, and no new issuances were made in fiscal year 2022.

19.5 Warrants

In connection with the Transaction in 2021, see Note 26, 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:

(Expressed in Canadian dollars, except where otherwise stated)

Risk-free interest rate: 0.32%
Dividend yield: nil
Volatility factor: 120%
Expected life: 2 years

At December 31, 2022, all of the Warrants remained outstanding, and no new issuances were made in fiscal year 2022.

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		**2022**		**2021**
Customers	$	60,124,078	$	78,970,408
Cryptocurrency exchanges		6,607,164		20,642,352
Total sales	$	**66,731,242**	$	**99,612,760**

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.

(Expressed in Canadian dollars, except where otherwise stated)

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 of revenue from one customer.

21. GENERAL AND ADMINISTRATION

Year ended December 31		**2022**		**2021**
Service costs	$	**1,520,125**	$	1,482,084
Office expenses		**604,728**		870,364
Travel and meals		**84,743**		142,870
Automobile		**17,190**		22,400
Other		**1,851**		34,482
Total	**$**	**2,228,637**	**$**	**2,552,200**

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

22. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2022 and 2021.

Year ended December 31		**2022**		**2021**
Numerator				
Net loss for the period	$	(5,991,501)	$	(13,602,807)
Denominator				
Basic - weighted average number of shares outstanding		174,203,993		146,811,422
Effective dilution - nil as loss position for 2022 and 2021		-		-
Diluted - weighted average number of shares outstanding		174,203,993		146,811,422
Earnings (loss) per share - basic	$	(0.03)	$	(0.09)
Earnings (loss) per share - diluted	$	(0.03)	$	(0.09)

(Expressed in Canadian dollars, except where otherwise stated)

23. IMPAIRMENT AND RESTRUCTURING

Halfway through 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 $3.2 million, after tax, that were not in the normal course of business, and were recorded in the net loss. Previous goodwill recognized in 2021, was fully impaired, in the amount of $303,342. 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 260 ATMs, resulting in significant continued cost savings when compared to the cost of using a competitor's ATM software.

24. INCOME TAXES

The Company provision for income taxes is as follows:

Year ended December 31		**2022**		**2021**
Income tax expense (recovery) comprised of:				
Current income tax	$	(266,238)	$	(20,692)
Deferred income tax		1,044,405		(507,919)
	$	778,167	$	(528,611)

A reconciliation of income tax rates is as follows:

Year ended December 31	**2022**	**2021**
Combined federal and provincial income tax rate	23.78%	23.41%
Impact of change of tax rates during year	0.00%	0.00%
Impact of small business rate	0.00%	0.00%
	23.78%	23.41%

(Expressed in Canadian dollars, except where otherwise stated)

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 increase in the statutory rate reflects the increase in the Alberta corporate income tax rate in 2022.

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

Year ended December 31		**2022**		**2021**
(Loss) income before taxes as per the financial statements	$	(5,213,334)	$	(14,131,419)
Effective tax rate		23.78%		23.41%
Expected income tax (recovery)	$	(1,239,510)	$	(3,308,286)
Change in statutory, foreign tax, foreign exchange rates		-		-
Small business deduction tax savings		-		-
Revaluation gain on digital assets included in other comprehensive income		1,303,156		1,439,334
Permanent differences		(1,139,908)		263,726
Non-Capital losses carried forward		1,652,028		1,265,490
Change in unrecognized deductible temporary difference		202,401		20,318
Total income tax expense	$	778,167	$	(319,418)

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

Year ended December 31		**2022**		**2021**
Property and equipment	$	56,350	$	(185,519)
Intangible assets		126,333		179,491
Digital assets				(567,873)
Loss carried forward		2,695,652		1,445,166
		2,878,335		871,265
Unrecognized deferred tax asset		(2,878,335)		(458,178)
Net deferred tax	$	-	$	413,087

(Expressed in Canadian dollars, except where otherwise stated)

The company's Canadian non-capital losses available to carry forward are $11,417,280. Tax attributes are subject to review and potential adjustment, by tax authorities.

25. 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, 2022:

		Leases
2023	$	100,352
2024		240,000
2025		180,000
2026		-
Thereafter		-
Total	**$**	**520,352**

26. 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.

(Expressed in Canadian dollars, except where otherwise stated)

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)
		14,332
Listing expense		1,476,742
	$	**1,491,074**
Fair value of consideration given		
Common shares	$	1,443,750
Stock options		47,324
	$	**1,491,074**

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.

27. SUBSEQUENT EVENTS

On January 6, 2023, the Company received a $1,050,000 bridge loan, which accrues monthly interest and is repayable to the lender April 6, 2023. The proceeds of this loan were used to repay some existing Use of Coin Agreements.

On January 13, 2023, the Company's line of credit (described in Note 15) was reduced to $6 million, and was further reduced to $5 million on January 26, 2023. The reduction was a result of less capacity required on the line of credit for operations.