



**BITCOIN WELL**

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

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

As at	Note	March 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$	3,037,627	\$ 3,946,525
Accounts receivable		-	102,001
Current income tax receivable		521,718	266,238
Digital assets	6, 16	6,121,009	5,999,847
Inventory	11	491,718	710,693
Deposits and prepaid expenses		114,024	55,124
		<b>10,286,096</b>	<b>11,080,428</b>
<b>Non-current assets</b>			
Property and equipment	7	1,243,863	1,390,999
Right of use assets	16	102,431	32,917
Intangible assets	8	864,462	1,064,705
Goodwill		105,427	105,427
Investments	5	350,000	350,000
<b>Total assets</b>	<b>\$</b>	<b>12,952,279</b>	<b>\$ 14,024,476</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$	545,295	\$ 681,393
Lease liability	17	55,030	39,489
Contingent consideration - current	4	91,346	102,313
Line of credit	14	4,000,000	7,300,000
Loans payable	13	1,150,000	-
		<b>5,841,671</b>	<b>8,123,195</b>
<b>Non-current liabilities</b>			
Contingent consideration - long term	4	215,617	216,519
Loans payable - cryptocurrency	10	7,481,949	6,416,495
Lease liability - long term	17	48,858	-
Convertible debt	12	6,121,316	5,000,000
Loans payable		-	100,000
<b>Total liabilities</b>		<b>19,709,411</b>	<b>19,856,209</b>
<b>Shareholders' equity</b>			
Share capital	18	12,095,172	12,095,172
Contributed surplus	18	1,565,009	1,484,329
Warrants	18	1,636,581	1,636,581
Accumulated deficit		(26,217,137)	(22,693,769)
Accumulated other comprehensive income		4,163,243	1,645,954
<b>Total shareholders' equity (deficit)</b>		<b>(6,757,132)</b>	<b>(5,831,733)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>12,952,279</b>	<b>\$ 14,024,476</b>

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

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

Three months ended			March 31, 2023		March 31, 2022	
<b>Revenue</b>						
Sales revenue	19	\$	12,416,760	\$	13,528,804	
<b>Cost of coins</b>			<b>(11,331,006)</b>		<b>(12,564,014)</b>	
<b>Gross profit</b>			<b>1,085,754</b>		964,790	
<b>Expenses</b>						
General and administration	20		577,775		743,048	
Salaries and wages	9		565,092		1,135,846	
Financing fees	12, 13, 14		408,280		595,713	
Depreciation and accretion	7, 8, 17		385,133		681,298	
Professional fees			94,783		253,086	
Software			55,618		39,789	
Marketing and advertising			50,366		247,024	
			<b>(2,137,047)</b>		<b>(3,695,804)</b>	
<b>Loss before other items</b>			<b>(1,051,293)</b>		<b>(2,731,014)</b>	
<b>Other items</b>						
Fair value change - cryptocurrency loans	10		<b>(3,453,925)</b>		180,703	
Realized gain on digital assets, net of tax	6		405,502		-	
Share based compensation	18		<b>(80,680)</b>		(72,556)	
Foreign exchange loss			<b>(19,130)</b>		(1,584)	
Fair value change - cryptocurrency inventory	11		12,955		(42,300)	
Gain (loss) on debt settlement	10		<b>(3,924)</b>		28,277	
<b>Loss before income taxes</b>			<b>(4,190,495)</b>		<b>(2,638,474)</b>	
<b>Income tax expense (recovery)</b>						
Current			<b>(279,903)</b>		(598,292)	
Deferred			<b>(387,224)</b>		21,151	
<b>Net loss</b>			<b>(3,523,368)</b>		<b>(2,061,333)</b>	
<b>Other comprehensive income</b>						
Revaluation gain (loss) on digital assets, net of tax	6		2,498,175		(130,897)	
Unrealized exchange gain on foreign subsidiaries			19,113		7,315	
<b>Total comprehensive loss</b>			<b>\$ (1,006,079)</b>	<b>\$</b>	<b>(2,184,915)</b>	
<b>Net loss per common share</b>						
Basic		\$	<b>(0.02)</b>	\$	(0.01)	
Diluted		\$	<b>(0.02)</b>	\$	(0.01)	
<b>Weighted average number of common shares outstanding:</b>						
Basic			174,382,887		173,657,371	
Diluted			174,382,887		173,657,371	

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

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

Three months ended March 31	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (3,523,368)	\$ (2,061,333)
Adjustments for:		
Depreciation and accretion	385,379	681,298
Fair value change - cryptocurrency loans	3,453,925	(180,703)
Fair value change - cryptocurrency inventory	(12,955)	42,300
Realized gain on digital assets, net of tax	405,502	
Deferred income tax	(379,493)	21,151
Share based compensation	80,680	72,556
Foreign exchange loss	19,130	-
Gain on debt settlement	3,924	28,277
	<b>424,747</b>	<b>(1,396,454)</b>
Changes in non-cash working capital items:		
Accounts receivable	102,001	121,920
Deposits and prepaid expenses	(58,900)	272,002
Inventory	206,020	(79,227)
Digital assets	(332,681)	(13,215)
Current income tax receivable	(255,480)	(615,645)
Unearned revenue	-	4,303,231
Accounts payable and accrued liabilities	(136,098)	(720,458)
<b>Cash used in operating activities</b>	<b>(50,391)</b>	<b>1,872,154</b>
<b>Investing activities</b>		
Purchase of property and equipment	-	(108,192)
Purchase of intangible assets	-	(439,257)
Purchase of investments	-	(71,000)
<b>Cash used in investing activities</b>	<b>-</b>	<b>(618,449)</b>
<b>Financing activities</b>		
Proceeds of cryptocurrency loans	-	440,681
Repayment of cryptocurrency loans	(2,388,471)	(529,924)
Payments of contingent consideration	(11,869)	(36,921)
Proceeds received from convertible debt	1,121,316	3,500,000
Proceeds received from loans	1,050,000	-
Repayment of lease liability	(46,908)	(31,264)
Proceeds received from exercise of stock options	-	40,000
Proceeds received from digital assets sold	2,709,694	-
Repayment of line of credit	(3,300,000)	-
<b>Cash (used) provided by financing activities</b>	<b>(866,238)</b>	<b>3,382,572</b>
<b>Change in cash</b>	<b>(916,238)</b>	<b>4,636,277</b>
Cash, beginning of period	3,946,525	4,799,849
<b>Cash, end of year</b>	<b>\$ 3,037,896</b>	<b>\$ 9,436,126</b>

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

	Note	Share Capital		Contributed Surplus	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
		Number of Common Shares	Amount					
<b>Balance at December 31, 2021</b>		<b>173,530,813</b>	<b>\$ 11,935,399</b>	<b>\$ 1,804,137</b>	<b>\$ 1,636,581</b>	<b>\$ (16,702,268)</b>	<b>\$ 7,315,790</b>	<b>\$ 5,989,639</b>
Shares issued – employment services received	18	478,244	86,076	-	-	-	-	<b>86,076</b>
Contingent share consideration restructuring		-	-	(600,000)	-	-	-	<b>(600,000)</b>
Share based compensation	18	-	-	313,889	-	-	-	<b>313,889</b>
Stock options exercised	18	373,830	73,697	(33,697)	-	-	-	<b>40,000</b>
Net loss for the period		-	-	-	-	(5,991,501)	-	<b>(5,991,501)</b>
Revaluation gain on digital assets, net of tax		-	-	-	-	-	(5,682,094)	<b>(5,682,094)</b>
Unrealized exchange gain on foreign subsidiaries		-	-	-	-	-	12,258	<b>12,258</b>
<b>Balance at December 31, 2022</b>		<b>174,382,887</b>	<b>\$ 12,095,172</b>	<b>\$ 1,484,329</b>	<b>\$ 1,636,581</b>	<b>\$ (22,693,769)</b>	<b>\$ 1,645,954</b>	<b>\$ (5,831,733)</b>
Share based compensation	18	-	-	80,680	-	-	-	<b>80,680</b>
Net loss for the period		-	-	-	-	(3,928,870)	-	<b>(3,928,870)</b>
Revaluation loss on digital assets, net of tax		-	-	-	-	-	2,498,175	<b>2,902,677</b>
Unrealized exchange gain on foreign subsidiaries		-	-	-	-	-	19,114	<b>19,114</b>
<b>Balance at March 31, 2023</b>		<b>174,382,887</b>	<b>\$ 12,095,172</b>	<b>\$ 1,565,009</b>	<b>\$ 1,636,581</b>	<b>\$ (26,217,137)</b>	<b>\$ 4,163,243</b>	<b>\$ (6,757,132)</b>

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## 1. NATURE OF OPERATIONS

### Operating businesses

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

The first business unit is a fleet of 266 Bitcoin ATM machines placed and operating throughout Canada.

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

The third business unit is a non-custodial Online Portal. Launched in Q4 2022 this platform offers Canadians the fastest and safest way to buy, sell and use bitcoin online. This business unit is designed to offer bank-like functionality coupled with the benefits of bitcoin.

### Corporate administration

The address of the Company’s registered office is 2500 Stantec Tower, 10220 – 103 Avenue NW, Edmonton, Alberta. The Company’s common shares are traded on the TSX Venture Exchange (the “TSXV”) under the ticker symbol “BTCW”.

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

On June 11, 2021, the Company completed its QT with 1739001 Alberta Ltd. (“Old Bitcoin Well”). The Transaction constituted the Company’s “Qualifying Transaction” (as such term is defined in Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual). The Transaction was completed by way of a

three-cornered amalgamation, pursuant to which 2283971 Alberta Ltd., a wholly owned subsidiary of Red River, amalgamated with Old Bitcoin Well to form a newly amalgamated company, which now holds the assets of Bitcoin Well, as a wholly-owned subsidiary. Contemporaneous with the Transaction, Red River also changed its name to Bitcoin Well Inc.

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

## **2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS issued and effective as of March 31, 2023.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with Company's annual financial statements for the year ended December 31, 2022.

These consolidated financial statements have been prepared using the accrual basis of accounting, and fair value accounting where appropriate, except for cash flow information.

These consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the three months March 31, 2023, the Company incurred a comprehensive loss of \$1,006,079 (March 31, 2022 - loss of \$2,184,915) and accumulated deficit and

other comprehensive losses of \$22,053,894 (December 31, 2022 - deficit of \$21,047,815). Operations have been financed using a combination of cryptocurrency loans (Note 10) and convertible debt (Note 12) which had balances of \$7,481,949 and \$6,121,316 as at March 31, 2023, respectively, with no financial covenants attached. Management applied judgements in preparing forecasts to support the going concern assumption, including the expected demand for the Company's current and future products, as well as the expected operating expenses, which are based on these demands.

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

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

### **3. SEGMENTED INFORMATION**

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

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



Notes to the Consolidated interim Financial Statements  
For the three months ended March 31, 2023  
(Unaudited – Expressed in Canadian dollars, except where otherwise stated)

Three months ended March 31, 2023	In person	Online	Head office	Total
Sales	\$ 11,481,527	\$ 935,232	\$ -	\$ 12,416,760
Cost of coins	10,403,282	927,723	-	11,331,006
Gross profit	1,078,245	7,509	-	1,085,754
Gross profit margin %	9.39%	0.80%		8.74%
<b>Expenses</b>				
General and administration	415,519	8,699	153,557	577,775
Salaries and wages	128,869	144,190	292,034	565,092
Financing fees	-	-	408,280	408,280
Depreciation and accretion	-	-	385,133	385,133
Marketing and advertising	-	-	50,366	50,366
Professional fees	669	3,132	90,983	94,783
Software	7,620	35,996	12,002	55,618
<b>Other items</b>				
Fair value change – cryptocurrency loans	-	-	(3,453,925)	(3,453,925)
Realized gain (loss) on digital assets, net of tax	-	-	405,502	405,502
Share based compensation	-	-	(80,680)	(80,680)
Gain (loss) on debt settlement	-	-	(3,924)	(3,924)
Fair value change – cryptocurrency inventory	-	-	12,955	12,955
Foreign exchange loss	-	-	(19,130)	(19,130)
<b>Income tax expense (recovery)</b>				
Current income tax recovery	-	-	(279,903)	(279,903)
Deferred income tax recovery	-	-	(387,224)	(387,224)
Net income (loss)	\$ 525,569	\$ (184,508)	\$ (3,864,429)	\$ (3,523,368)
Revaluation gain (loss) on digital assets, net of tax	-	-	2,498,175	2,498,175
Unrealized exchange gain on foreign subsidiaries	-	-	19,114	19,114
<b>Total comprehensive income (loss)</b>	<b>\$ 525,569</b>	<b>\$ (184,508)</b>	<b>\$ (1,347,140)</b>	<b>\$ (1,006,079)</b>
Total assets	\$ 2,469,188	\$ 208,950	\$ 10,274,142	\$ 12,952,279
Total liabilities	\$ -	\$ 9,000,000	\$ 3,952,279	\$ 12,952,279

Notes to the Consolidated interim Financial Statements  
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(Unaudited – Expressed in Canadian dollars, except where otherwise stated)

Three months ended March 31, 2022	In person	Online	Head office	Total
Sales	\$ 13,066,426	\$ 462,378	\$ -	\$ 13,528,804
Cost of coins	12,122,708	441,306	-	12,564,014
Gross profit	943,718	21,072	-	964,790
Gross profit margin %	7.22%	4.56%	-	7.13%
Expenses				
General and administration	377,634	-	365,414	743,048
Salaries and wages	285,351	319,276	531,219	1,135,846
Financing fees	110,860	4,254	480,600	595,713
Depreciation and accretion	-	-	681,298	681,298
Marketing and advertising	-	-	247,024	247,024
Professional fees	-	35,873	217,214	253,086
Software	16,516	3,879	19,394	39,789
Other items				
Fair value change – cryptocurrency loans	-	-	180,703	180,703
Share based compensation	-	-	(72,556)	(72,556)
Gain (loss) on debt settlement	-	-	28,277	28,277
Fair value change – cryptocurrency inventory	-	-	(42,300)	(42,300)
Foreign exchange loss	-	-	(1,584)	(1,584)
Income tax expense (recovery)				
Current income tax recovery	-	-	(598,292)	(598,292)
Deferred income tax recovery	-	-	21,151	21,151
Net income	\$ 153,357	\$ (342,210)	\$ (1,872,480)	\$ (2,061,333)
Revaluation gain (loss) on digital assets, net of tax	-	-	(130,897)	(130,897)
Unrealized exchange gain on foreign subsidiaries	-	-	7,315	7,315
<b>Total comprehensive loss</b>	<b>\$ 153,357</b>	<b>\$ (342,210)</b>	<b>\$ (1,996,063)</b>	<b>\$ (2,184,915)</b>
Total assets	\$ 2,238,952	\$ 204,714	\$ 25,853,661	\$ 28,297,327
Total liabilities	\$ -	\$ 10,800,000	\$ 17,497,327	\$ 28,297,327

#### 4. BUSINESS ACQUISITIONS

##### Contingent consideration

The Company's contingent consideration payable that arose from its business acquisitions consisted of the following components as at March 31, 2023:

	CryptoKiosk	Equibytes	Ghostlab	Total
Balance at December 31, 2021	\$ 303,012	\$ 118,133	\$ 600,000	\$ 1,021,145
Current liability	153,864	49,848	-	203,712
Non-current liability	149,148	68,285	-	217,433
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)
<b>Balance at December 31, 2022</b>	<b>\$ 213,993</b>	<b>\$ 104,839</b>	<b>\$ -</b>	<b>\$ 318,832</b>
Payments made	(10,713)	(1,156)	-	(11,869)
<b>Balance at March 31, 2023</b>	<b>\$ 203,280</b>	<b>\$ 103,683</b>	<b>\$ -</b>	<b>\$ 306,963</b>
Current liability	79,786	11,560	-	91,346
Non-current liability	123,494	92,123	-	215,617
<b>Total contingent consideration payable</b>	<b>\$ 203,280</b>	<b>\$ 103,683</b>	<b>\$ -</b>	<b>\$ 306,963</b>

#### 5. INVESTMENTS

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

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

Notes to the Consolidated interim Financial Statements  
For the three months ended March 31, 2023  
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unobservable inputs used in the valuation included when Veriself's software would be operational, and the estimated savings the verification would save on the Company's future customers.

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

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

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

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

## 6. DIGITAL ASSETS

The Company classifies bitcoin holdings in excess of inventory required for operations as digital assets. As at March 31, 2023, the price of bitcoin was \$38,527 which reflected an increase from its price of \$22,454 on December 31, 2022. The Company recognized an unrealized revaluation gain, net of tax, of \$2,498,175 during the quarter ended March 31, 2023 (March 31, 2022 - unrealized loss of \$130,897). These unrealized gains or losses related to digital assets are offset by the unrealized gains or losses related to the cryptocurrency loans (Note 10).

Digital assets held are made up of bitcoin held as an investment, bitcoin held with liquidity partners in order to maintain the required minimum asset balance extended under the Line of Credit (Note 14), as well as used in operations to settle financial obligations from time to time. As at March 31, 2023, the Company held 155 bitcoins with the liquidity partners (December 31, 2022 - 267 bitcoins), and 15 bitcoins in a combination of Company controlled wallets (December 31, 2022 - 12 bitcoins). As at March 31, 2023, 159 of these bitcoins were classified as Digital Assets (December 31, 2022 - 267), with the balance classified as inventory (Note 11).

The Company reduced the balance of digital assets held in the three months ended March 31, 2023 due to a repayment of a portion of cryptocurrency denominated loans (Note 10), resulting in a realized gain of \$405,502, net of tax. This realized gain is offset by the realized loss related to the cryptocurrency denominated loans repaid (Note 10).

Notes to the Consolidated interim Financial Statements  
For the three months ended March 31, 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

	Bitcoin	CAD \$ Value
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
Additions	124	4,192,045
Transfers out	(232)	(6,963,701)
Revaluation - pretax	-	2,892,818
Balance at March 31, 2023	159 \$	6,121,009

The carrying value of digital assets, if they were measured using the cost model, was \$4,902,417 as of March 31, 2023.

Notes to the Consolidated interim Financial Statements  
For the three months ended March 31, 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

## 7. PROPERTY AND EQUIPMENT

		ATM		Furniture & Equipment		Leasehold Improvements		Total
<b>Costs</b>								
Balance at December 31, 2021	\$	2,320,555	\$	198,283	\$	759,573	\$	3,278,411
Additions		112,705		12,705		22,005		147,291
Disposals		(173,656)		(15,262)		-		(188,918)
Impairment		-		-		(420,803)		(420,803)
Balance at December 31, 2022	\$	2,259,480	\$	195,726	\$	360,775	\$	2,815,981
Additions		-		-		-		-
Disposals		-		-		-		-
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>2,259,480</b>	<b>\$</b>	<b>195,726</b>	<b>\$</b>	<b>360,775</b>	<b>\$</b>	<b>2,815,981</b>
<b>Accumulated Amortization</b>								
Balance at December 31, 2021	\$	692,873	\$	96,784	\$	260,017	\$	1,049,674
Amortization		434,792		18,935		76,140		529,867
Disposals		(152,465)		(2,094)		-		(154,559)
Balance at December 31, 2022	\$	975,200	\$	113,625	\$	336,157	\$	1,424,982
Amortization		122,668		11,898		12,570		147,137
Disposals		-		-		-		-
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>1,097,868</b>	<b>\$</b>	<b>125,523</b>	<b>\$</b>	<b>348,728</b>	<b>\$</b>	<b>1,572,119</b>
<b>Net Book Value</b>								
Balance at December 31, 2022	\$	1,284,280	\$	82,101	\$	24,618	\$	1,390,999
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>1,161,612</b>	<b>\$</b>	<b>70,203</b>	<b>\$</b>	<b>12,048</b>	<b>\$</b>	<b>1,243,863</b>

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## 8. INTANGIBLE ASSETS

		<b>Host Agreements (i)</b>	<b>Software Applications</b>	<b>Internally generated Software (ii)</b>	<b>Total</b>
<b>Costs</b>					
Balance at December 31, 2021	\$	1,342,894	\$ 274,586	\$ 4,071,058	\$ 5,688,538
Additions		-	25,366	400,047	425,413
Impairment		-	-	-	-
Balance at December 31, 2022	\$	1,342,894	\$ 299,952	\$ 4,471,105	\$ 6,113,951
Additions		-	-	-	-
Disposals		-	-	-	-
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>1,342,894</b>	<b>\$ 299,952</b>	<b>\$ 4,471,105</b>	<b>\$ 6,113,951</b>
<b>Accumulated Amortization</b>					
Balance at December 31, 2021	\$	658,558	\$ 36,951	\$ 359,464	\$ 1,054,973
Amortization		393,569	33,109	1,113,821	1,564,499
Disposals		-	(18,201)	(123,893)	(142,094)
Impairment		-	93,292	2,478,576	2,571,868
Balance at December 31, 2022	\$	1,052,127	\$ 145,151	\$ 3,851,968	\$ 5,049,246
Amortization		48,487	57,991	89,722	196,200
Disposals		-	4,043	-	4,043
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>1,110,614</b>	<b>\$ 207,614</b>	<b>\$ 3,941,690</b>	<b>\$ 5,249,489</b>
<b>Net Book Value</b>					
Balance at December 31, 2022	\$	290,767	\$ 154,801	\$ 619,137	\$ 1,064,705
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>242,280</b>	<b>\$ 92,767</b>	<b>\$ 529,415</b>	<b>\$ 864,462</b>

- i) Host agreements includes contracts purchased in order for the Company to operate ATM machines at specific locations.
- ii) Internally generated software includes the fair value of the software technology acquired in the acquisition of Ghostlab in 2021. Internally generated software additions consist of expenditures incurred to develop new software applications to enhance bitcoin transaction capabilities. These expenditures have met the criteria in IAS 38 to be capitalized as internally generated intangible.



## 9. RELATED PARTY TRANSACTIONS

### Key Management Compensation

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

During the three months ended March 31, 2023 and 2022, the Company had the following related party transactions with key management:

Three months Ended March 31		2023	2022
Salary, fees, and other short term benefits	\$	153,170 \$	208,177
Share based payments (Note 18)		60,017	26,472
<b>Total</b>	<b>\$</b>	<b>213,187 \$</b>	<b>234,649</b>

## 10. LOAN PAYABLE – CRYPTOCURRENCY

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

The Company pays a fixed monthly fee for the use of these cryptocurrencies. The total amount paid under these agreements for the three months ended March 31, 2023 was \$218,805 (three months ended March 31, 2022 - \$152,544) of which \$54,000 (three months ended March 31, 2022 - \$54,000) was paid to the Chief Executive Officer, and \$36,257 was paid to a director of the Company (March 31, 2022 - nil).

As at March 31, 2023, the total fair value of the cryptocurrency loaned to the Company was \$7,481,949, (December 31, 2022 - \$6,416,495), of which \$1,926,356 represents the amount owed to the Chief Executive Officer of the Company.

At each reporting period, the Company revalues the outstanding cryptocurrency loans based on current market price of the cryptocurrencies, using CoinMarketCap. For the three months ended March 31, 2023, the Company recognized an unrealized fair value loss of \$3,453,925 (three months ended March 31, 2022 - unrealized gain of \$180,703), as a result of the increase in the price of the cryptocurrencies. The unrealized loss was offset by the \$2,903,677 realized and unrealized gains on digital assets (Note 6), with the difference largely attributable to taxes.

The Company recognizes realized gains and losses arising from the settlement of loan advances from the cryptocurrency loans. Accordingly, for the three months ended March 31, 2023, a loss of \$3,924 (March 31, 2022 - gain of \$28,277) 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.

## 11. INVENTORY

As at	March 31, 2023		December 31, 2022	
	\$ Value	Number of coins	\$ Value	Number of coins
Bitcoin	\$ 424,166	11	\$ 310,710	10
Ethereum	39,591	18	370,791	229
Other	27,961		29,192	-
<b>Total</b>	<b>\$ 491,718</b>		<b>\$ 710,693</b>	

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 three months ended March 31, 2023, the Company recognized a reversal of previous write downs of \$12,955 (March 31, 2022 – loss of \$42,300).

## **12. CONVERTIBLE DEBT**

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

The Convertible Debenture provides for the payment of a monthly royalty to the holder equal to: (A) 20% of the gross profit, defined as the revenue generated less the cost of the coins generated from the new products built for the online ecosystem (Online Portal) of the Company and affiliates from February 23, 2022, until August 23, 2023; and (B) between 12-20% of gross profit from August 23, 2023 until the latter of three months after the most recent conversion date or the Maturity Date. No royalty payment shall be made if the aggregate amount of all interest payments, future interest payments and royalty payments would exceed 24%. During the three months ended March 31, 2023, the Company paid \$123,288 in interest and \$1,472 in royalties, compared to \$2,466 in the three months ended March 31, 2022. The Convertible Debenture is being used to fund

the enhancement of the existing Bitcoin Well online product, for user acquisition and general working capital.

In addition to the above, in the three months ending March 31, 2023, the Company entered into an agreement to issue \$1.1 million in secured convertible debentures, convertible into common shares of the Company at a conversion price of \$0.15. The Convertible Debentures were issued to arms length parties to the Company. The proceeds of this Convertible Debenture were used to repay prior cryptocurrency denominated loans (Note 10). The Convertible Debentures bear interest at a rate of Prime + 8% per annum and mature between February 16, and March 28, 2026, subject to two automatic one year extensions. The Company has the right to force conversion of the principal amount if the volume weighted average trading price for the common shares for ten trading days equals or exceeds \$0.30 per common share. The Company also has the option to repay any amounts of the Convertible Debentures with 30 days notice.

### **13. BRIDGE LOAN**

On January 6, 2023, the Company received a \$1.05 million bridge loan from an arms length party for a period of four (4) months (the "Bridge Loan"). The loan bears interest at a rate of 12.5%. The proceeds of this Bridge Loan were used to repay a portion of cryptocurrency denominated loans (Note 10) in the short term.

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

Whenever any borrowed cryptocurrencies (Note 10) are used in operations, an equal amount of cryptocurrency is purchased and held with the liquidity partner, which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. The line of credit bears interest at 8% per annum 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.

During the three months ended March 31, 2023, the Company's line of credit was reduced from \$7.3 million to \$4 million. The reduction was a direct result of the Company reducing its cryptocurrency loan balances (Note 10) in the period,

requiring less bitcoin price exposure to be held with the liquidity partners. As a result of this, the Company recorded a realized gain, net of tax, of \$405,502 (Note 6).

## **15. MANAGEMENT OF CAPITAL**

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

The Company's objectives when managing capital are:

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

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

The Company is subject to externally imposed capital requirements, see Note 14.

## **16. RISK MANAGEMENT**

### **16.1 Financial Risk Management**

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

**a) Credit Risk**

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. Assets that potentially subject the Company to a concentration of credit risk consist primarily of cash and digital assets. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. The Company has implemented rigorous levels of internal controls to ensure the safety and security of its digital assets, including but not limited to multi-signature wallets, the use of cold storage wallets, and signing authority limitations. The Company may, from time to time, hold a net asset position with its liquidity partners. The Company limits its exposure to potential credit loss by ensuring it is working with liquidity partners who have a high standard of care, and that a reasonable degree of oversight and review over their internal controls has been maintained, including the requirement of a current Systems and Organization Controls 2 (“SOC 2”) report in order for the Company to work with the liquidity partners.

**b) Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due. As at March 31, 2023 the Company had a working capital surplus of \$4,188,945 (December 31, 2022 – surplus of \$2,957,233). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or available at all. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2023, the Company had cash of \$3,037,627 (December 31, 2022 – \$3,946,525).

**c) Foreign Currency Risk**

Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transaction is recorded in operations for the period. The Company is not currently exposed to significant foreign exchange risk.

**d) Digital Asset and Market Risk**

Digital asset and market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to market risk on cryptocurrency held as digital assets, inventory, cryptocurrency loans, and its line of credit. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. The Company has not hedged the conversion of its inventory into sales. Cryptocurrencies have a limited history, and the fair value historically has been volatile. Historical performance of cryptocurrencies is not indicative of their future price performance. The Company's inventory consists primarily of bitcoin and ethereum.

With a 10% increase to the price of bitcoin, the Company's digital assets at March 31, 2023 would increase to \$6,733,110 (December 31, 2022 – \$6,599,832) and a 10% reduction in the price of bitcoin would cause the Company's digital assets to reduce to \$5,508,908 (December 31, 2022 – \$5,399,862).

**16.2 Fair Values**

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

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

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



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

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

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

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

  

<b>Year Ended March 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair value through profit and loss</b>				
Cash	\$ 3,037,627	\$ -	\$ -	\$ 3,037,627
Cryptocurrency loans	-	-	7,481,949	7,481,949
Investments	-	-	350,000	350,000
Convertible debentures	-	-	6,121,316	5,000,000
<b>Fair value through other comprehensive income</b>				
Digital assets	\$ -	\$ 6,121,009	\$ -	\$ 6,121,009
<b>Total</b>	<b>\$ 3,037,627</b>	<b>\$ 6,121,009</b>	<b>\$ 13,953,265</b>	<b>\$ 23,111,901</b>



## 17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Due within one year:	\$	55,030
Due within 2-5 years:		48,858
<b>Total</b>	<b>\$</b>	<b>103,888</b>

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

### Right-of-Use Assets

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

	<b>Right-of-Use Assets</b>
<b>Cost:</b>	
At December 31, 2022	416,499
Additions	-
Disposals	(222,444)
At March 31, 2023	\$ 194,055
<b>Depreciation:</b>	
At December 31, 2022	383,582
Charge for the period	38,310
Disposals	(330,268)
At March 31, 2023	\$ 91,624
<b>Net Book Value:</b>	
At December 31, 2022	32,917
<b>At March 31, 2023</b>	<b>102,431</b>

	<b>Lease Liabilities</b>
At December 31, 2022	39,489
Additions	107,824
Lease payments made	(46,908)
Interest expense on lease liabilities	3,483
	103,888
Less: current portion	(55,030)
<b>At March 31, 2023</b>	<b>\$ 48,858</b>

## 18. EQUITY

### 18.1 Authorized Share Capital

The Company is authorized to issue the following:

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

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

### 18.2 Shares issued

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

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

During the three months ended March 31, 2023, the Company issued no common shares.

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.

### 18.3 Incentive Plan

#### Long-term Incentive Plan ("LTIP")

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

Stock options issued are summarized below:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2021	5,042,207	
Granted	10,293,018 \$	0.11
Exercised	(373,830)	0.11
Forfeited	(4,910,056)	0.20
Options outstanding, December 31, 2022	10,051,339 \$	0.12
Granted	328,201	0.06
Exercised	-	-
Forfeited	-	-
<b>Options outstanding, March 31, 2023</b>	<b>10,379,540 \$</b>	<b>0.11</b>
<b>Options exercisable, March 31, 2023</b>	<b>2,441,812 \$</b>	<b>0.19</b>

The Company had the following stock options outstanding and exercisable, at March 31, 2023:

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Outstanding				Exercisable	
Exercise Price	Number of options outstanding	Weighted average exercise price	Weighted average remaining life (months)	Weighted average exercise price	Number of options exercisable
\$ 0.11	841,133	\$ 0.11	28	\$ 0.11	841,133
0.20	150,000	0.20	34	0.20	150,000
0.30	200,000	0.30	34	0.30	200,000
0.34	294,117	0.34	28	0.34	294,117
0.31	91,553	0.31	42	0.31	91,553
0.18	2,595,027	0.18	45	0.18	865,009
0.07	4,355,757	0.07	52	0.07	-
0.05	1,523,752	0.05	54	0.05	-
\$ 0.06	328,201	0.06	60	0.06	-
<b>10,379,540</b>		<b>\$ 0.11</b>	<b>48</b>	<b>\$ 0.19</b>	<b>2,441,812</b>

During the three months ended March 31, 2023, the Company recorded a total of \$80,680 (2022 - \$72,556) 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:

Three months ended March 31	2023	2022
Expected life (years)	5	5
Expected volatility	189%	120 - 177%
Dividend rate	-	-
Risk-free interest rate	3.02%	3.28%
<b>Weighted average fair value per option granted</b>	<b>\$ 0.09</b>	<b>\$ 0.09</b>

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

In connection with the Transaction in 2021, the agent was granted Agent Options to acquire 1,960,000 Units of the Company. The Agent Options expire on June 11, 2023, and were valued at \$424,557 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At March 31, 2023, all of the Agent Options remained outstanding, and no new issuances were made in fiscal year 2023.

#### **18.5 Warrants**

In connection with the Transaction in 2021, the Company issued 14,569,000 Warrants. Each Warrant is exercisable at an exercise price of \$0.375 per Warrant and expires on June 11, 2023. The Warrants were valued at \$1,636,581 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At March 31, 2023, all of the Warrants remained outstanding, and no new issuances were made in fiscal year 2023.

### **19. REVENUE**

The Company generates revenue through the sale of its inventory (cryptocurrency). These sales are transacted to customers, as well as to arms-length cryptocurrency exchanges. The below table summarizes both sources of revenue reported.

Three months ended March 31	2023	2022
Customers	\$ 11,497,635	\$ 13,417,650
Cryptocurrency exchanges	919,125	111,154
<b>Total sales</b>	<b>\$ 12,416,760</b>	<b>\$ 13,528,804</b>

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 amounts sold to and purchased from the Company's customers are recorded as revenue on a gross basis, and the inventory sold is the cost of coin, as the Company is the principal in the cryptocurrency sale transaction. The Company has been determined to be the principal because it controls the cryptocurrency before delivery to the customer, the Company is primarily responsible for the delivery of the cryptocurrency to the customer, from its own cryptocurrency wallets, the Company is exposed to risks arising from fluctuations in the market prices of cryptocurrencies before delivery to the customer, and the Company has discretion in setting prices charged to the customer. The Company replenishes bitcoin and other cryptocurrencies from cryptocurrency exchanges, after the above said sale is completed. Sales to cryptocurrency exchanges represents coins sold to exchanges as a function of managing the Company's coin inventory balance.

Cryptocurrency revenue may fluctuate as a result of changes in customer demand or the market price of the cryptocurrencies.

## 20. GENERAL AND ADMINISTRATION

Three months ended March 31	2023	2022
Service costs	\$ 427,396	\$ 346,719
Office expenses	90,658	228,479
Filing Fees	18,686	44,644
Travel and meals	5,594	34,370
Other	35,441	88,836

<b>Total</b>	<b>\$</b>	<b>577,775</b>	<b>\$</b>	<b>743,048</b>
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Service costs include cash logistics, ATM operating costs, and costs related to hosting ATMs.

## 21. SUBSEQUENT EVENTS

On May 1, 2023 the Company negotiated its Convertible Debenture (Note 12). Amendments include an adjustment to the conversion price, which is now \$0.25 (from \$0.30), an amended interest rate of Prime + 6.2% (formerly 10% per annum), and an amendment to the term of the loan, which now extends to five (5) years from the issue date (formerly three (3) years from the issue date). These amendments are subject to regulatory approval.