BITCOIN WELL

TSX.V:BTCW OTCQB:BCNWF

Management's Discussion and Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Bitcoin Well Inc. ("Bitcoin Well", the "Company", "we", "us", or "our") was prepared as of November 8, 2024 to assist readers in understanding our financial performance for the three and nine months ended September 30, 2024. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2024 (the "Interim Financial Statements") and the audited annual consolidated financial statements for the year ended December 31, 2023 (the "Annual Financial Statements"). The Interim Financial Statements were prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) using accounting policies consistent with International Financial Reporting standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements. Please see "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking statements. Accounting principles applied under IFRS require us to make certain estimates and assumptions that affect the reported amount of assets, liabilities, revenue, expenses. and related disclosures, We believe our estimates and assumptions are reasonable based on the information available at the time that these estimates and assumptions are made. Actual results may differ from these estimates.

This MD&A refers to non—IFRS financial measures such as "Adjusted EBITDA" and "Adjusted Cash Flow" that we present to assist users in assessing our performance. Adjusted EBITDA and Adjusted Cash Flow do not have any standard meaning under IFRS and may not be comparable to similar measures presented by other issuers. These measures are further described under "Non-IFRS Financial Measures".

The address of the Company's registered office is 1700, 10175 - 101 Street NW, Edmonton, Alberta T5J 0H3. The Company's common shares are traded on the TSXV under the ticker symbol "**BTCW**", and on the OTCQB under the ticker symbol "**BCNWF**".

Additional information about Bitcoin Well, including our most recently filed audited consolidated financial statements and Annual Information Form, is available on the SEDAR+ website at www.sedarplus.ca.

The Board of Directors of the Company approved this MD&A on November 8, 2024.

KEY HIGHLIGHTS OF THE 3RD QUARTER ENDED SEPTEMBER 30, 2024

- Revenue of $21.0 million for the 3-months ended September 30 , 2024 (Q3 2023: $13.4 million, +57%); and $60.5 million for the 9-months ended September 30, 2024 (2023: $40.9 million, +48%)
    - Revenue growth driven by continuing significant growth on the Bitcoin Portal (+209% in Q3 2024 and +148% year-to-date).
    - Over 25,000 unique users in the Bitcoin Portal as of September 30, 2024 (+23% from June 30, 2024 and +127% from December 31, 2023).
    - Currently over 27,000 unique registrations on the Bitcoin Portal as of November 1, 2024.
- Gross profit of $0.9 million for the 3-months ended September 30 , 2024 (Q3 2023: $1.1 million, -18%) and $2.8 million for the 9-months ended September 30, 2024 (2023: $3.4 million, -19%).
    - Lower gross margin due to shifting sales mix towards the lower margin, but highly scalable Bitcoin Portal.
    - Current strategy in place to increase gross margin on the Bitcoin Portal through additional high margin products such as Cash Vouchers and Gift Cards .
- Adjusted EBITDA of negative $0.6 million for the 3-months ended September 30, 2024 (Q3 2023: negative $0.1 million) and negative $1.7 million for the 9-months ended September 30, 2024 (2023: negative $0.6 million).
    - Decline in Adjusted EBITDA primarily due to significant investments in marketing and advertising initiatives to promote growth of the Bitcoin Portal.

- Total comprehensive loss of $1.4 million for the 3-months ended September 30, 2024 (Q3 2023: loss of $2.2 million) and total comprehensive loss of $4.6 million for the 9-months ended September 30, 2024 (2023: loss of $4.0 million).

BUSINESS OVERVIEW

The Company is on a mission to enable independence. We do this by making bitcoin useful to everyday people to give them the convenience of modern banking and the benefits of bitcoin. We like to think of it as "**future-proofing money**". In the future, people will replace their bank with Bitcoin Well. We make bitcoin useful by coupling the convenience of modern banking with the benefits of bitcoin. Bitcoin Well has two (2) unique business units including:

- Bitcoin ATM business (ATMs)
  - Started in 2014
  - Approximately 190 Bitcoin ATMs across Canada
  - Highest margin business unit

- Non-custodial bitcoin platform (Online Bitcoin Portal)
  - Launched in Q4 2022
  - Includes Bitcoin Well Infinite (bitcoin OTC sales)
  - Live in Canada and USA
  - Automatic self-custody (no bitcoin held on platform, safer for the customer)
  - High growth business unit

Bitcoin Well is the intersection (and problem solver) of three key focus areas of both traditional finance and the emerging cryptocurrency sector.

1. The Bitcoin protocol allows for the ability to self-custody money, but its infrastructure is slow and dependent on adoption. It can also be challenging to use.
2. Custodial exchanges are an excellent source to get access to bitcoin (and other cryptocurrencies), but due to their custodial nature are risky to the consumers and don't allow for the use of the newly acquired assets.
3. Banks make it very easy to use fiat money, but have taken an "anti-crypto" approach and actively prevent individuals from utilizing bitcoin or cryptocurrency from their accounts.

Bitcoin Well has a product ecosystem designed to allow people to interact with the complicated Bitcoin protocol, with the same ease and convenience they are used to from modern banking platforms.

BUSINESS OUTLOOK AND STRATEGY

The Bitcoin super company vision

Our vision for Bitcoin Well is a company that is so much more than just buying and selling bitcoin. We truly are on a mission to **enable independence**. Since the beginning, we have believed that Bitcoin ATMs play a key role in the Bitcoin industry. The ability to spend cash at a kiosk (Bitcoin ATM) adds an element of privacy unrivalled by any other way to buy bitcoin. Privacy is an important part of enabling independence, but not the full picture.

With our mission driving our actions, we knew that Bitcoin ATMs alone were not enough. That's why, in 2022, we started building and launched the Bitcoin Portal. This offered the same safety offered at a Bitcoin ATM (non custodial, direct to consumer experience) but with a level of convenience and a customer experience not possible when transacting in person.

This also allowed us to incorporate other functions such as dollar cost average products, the ability to sell bitcoin instantly, and even pay your bills and credit cards with bitcoin. The Bitcoin Portal takes us another step closer to offering the convenience of modern banking, but with the benefits of bitcoin.

We envision a world where people can put cash into one of our Bitcoin ATMs in Canada and have it show up in their friend's bank account in the USA. Or a foreign worker can send an e-Transfer through the Bitcoin Portal in Canada and have it received by their family in their local currency in their home country. Our vision for Bitcoin Well isn't just to allow people to buy and sell bitcoin, but rather that Bitcoin Well will give people an opportunity to gain all the benefits that bitcoin offers, but with as few barriers as possible.

Online Portal Growth Execution

As we expect our Bitcoin ATMs business to remain relatively stable with nominal yearly growth going forward, our focus continues to transition to the more scalable and growth oriented Bitcoin Portal in both Canada and the USA.

Highlights of our recent growth on the Bitcoin Portal include:

- Total Users as of November 4, 2024: Over 27,000 unique users signed up
    - Q3 2024: Addition of over 4,800 new user sign ups
    - Q2 2024: Addition of over 5,300 new user sign ups
    - Q1 2024: Addition of over 3,900 new user sign ups
    - Q4 2023: Addition of over 2,100 new user sign ups
- Effective February 2024, the Bitcoin Portal became live in all 50 states in the USA and continues to serve all of Canada.
- Effective September 2024, the Bitcoin Portal became fully Lightning Network enabled with customers in Canada now being able to buy, sell and use bitcoin on the Lightning Network. This includes via e-transfer, recurring buy and cash vouchers.

- Effective October 2024, we expanded the Bitcoin Well Infinite services (our OTC desk) internationally to now serve customers with large bitcoin transactions in multiple countries.

Our significant growth on the Bitcoin Portal is expected to continue for the remainder of fiscal 2024 and in 2025 alongside a bolstered marketing program.

SELECTED FINANCIAL INFORMATION

	Three months ended		Nine months ended	
	Sept 30, 2024	**Sept 30, 2023**	**Sept 30, 2024**	**Sept 30, 2023**
Revenue	**$ 21,010,424**	$ 13,412,337	**$ 60,454,337**	$ 40,941,790
Cost of coins	**20,105,126**	12,302,012	**57,704,119**	37,543,425
Gross profit	**905,298**	1,110,325	**2,750,218**	3,398,365
Gross profit margin	**4%**	8%	**5%**	8%
Operating expenses	**1,516,665**	1,184,019	**4,431,781**	4,015,267
Financing fees	**633,995**	621,964	**1,955,175**	1,601,669
Depreciation and accretion	**134,310**	350,136	**554,775**	1,119,798
Loss before other items and taxes	**(1,379,672)**	(1,045,794)	**(4,191,513)**	(3,338,369)
Other items	**430,446**	466,494	**(3,757,452)**	(3,239,659)
Income tax expense	**-**	(1,263,808)	**-**	(241,707)
Net loss	**$ (949,226)**	$ (1,843,108)	**$ (7,948,965)**	$ (6,819,735)
Adjusted EBITDA[1]	**$ (611,367)**	$ (69,489)	**$ (1,681,563)**	$ (616,901)
Adjusted Cash Flow[1]	**(806,613)**	(490,260)	**(2,243,400)**	(1,962,839)

Note 1: See "Non-IFRS Financial Measures".

As at	**Sept 30, 2024**	**Dec 31, 2023**
Cash	**$ 1,560,520**	$ 1,668,922
Working capital	**2,302,825**	6,649,030
Total assets	**17,205,513**	14,906,196
Shareholders' deficit	**(11,188,534)**	(9,150,586)
Long-term financial liabilities	**$ 14,182,419**	$ 17,046,705

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

Overall revenue in the third quarter of 2024 was $21.0 million, compared to $13.4 million in Q3 2023 (+57%). The increase was driven by higher transaction volumes on the Bitcoin Portal. Revenue from our Online segment grew to $15.1 million in Q3 2024 from $4.9 million in Q3 last year, an improvement of 209%. Revenue from the Online segment in the comparative Q3 quarter in 2023 also included revenue from Bitcoin Well Infinite (OTC) sales, which were transitioned into the Bitcoin Portal in Q3 2023. Offsetting a portion of the increase was a decline in ATM sales, which declined to $6.0 million in Q3 2024 from $8.5 million in Q3 2023 (-30%).

Despite the higher revenue, gross profit declined to $0.9 million in Q3 2024 from $1.1 million last year (-18%) due to a lower overall gross margin. The decline is primarily driven by a change in our sales mix, with lower margin online transactions now making up a larger proportion relative to the high margin Bitcoin ATM sales. Our fees earned from online transactions are lower than the fees charged on ATM sales.

As we transition towards a scalable high growth Bitcoin Portal with lower fees and higher usability, we expect our online business unit to see a gross profit margin between 1.0% and 5.0% in the future. With the changing landscape, increased competition, and our focus to make bitcoin usable through a modern-banking feel, we believe attracting more customers at a smaller margin will give us more room for growth as well the ability to introduce paid premium product enhancements down the road. Our gross margin within the online segment was 1.3% in Q3 2024 compared to 0.3% in the third quarter of 2023.

Our efforts to continue to increase the gross profit margin in the Bitcoin Portal have been successful, and we will continue these initiatives. This includes building products such as our Lite Accounts, Cash Vouchers and Gift Cards that we expect will contribute to higher gross margins in the future. That said, we do not expect the Bitcoin Portal gross margins to match that of the Bitcoin ATMs. Notably, the Bitcoin ATMs have also seen a reduction across the industry (not just in our business).

Total operational expenses (excluding depreciation and accretion and financing fees) increased to $1.5 million in Q3 2024 from $1.2 million last year due to significant investments in marketing and advertising initiatives to promote usage of the Bitcoin Portal. Marketing and advertising expenses in Q3 2024 were $0.5 million, reflecting a $0.3 million increase from Q3 2023.

Adjusted EBITDA declined to negative $0.6 million in Q3 2024 from negative $0.1 million in Q3 2023. The $0.5 million decline was primarily due to higher marketing and advertising expenses as noted above, as well as lower gross profit..

Financing fees of $0.6 million in Q3 2024 was similar to the expense reported in the prior year. Financing fees primarily consist of interest costs associated with our convertible debentures, loans payable - crypto currency, and line of credit.

In Q3 2024, we reported a net loss of $0.9 million compared to a net loss of $0.6 million in the prior year. Loss before other items increased to $1.4 million from a loss of $1.0 million in Q3 2023. Higher investments in marketing and advertising initiatives to drive growth on the Bitcoin Portal contributed to the majority of the higher loss.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

Revenue for the nine months ended September 30, 2024 increased to $60.5 million, compared to $40.9 million in 2023 (+48%). The increase was driven by higher transaction volumes in the Online segment in 2024, which grew to $41.4 million for the nine-month period from $16.6 million last year (+148%). Partially offsetting this was a decline in ATM sales, which declined to $19.1 million for the nine months ended September 30, 2024 from $24.3 million in 2023 (-21%).

Gross profit declined to $2.8 million year-to-date in 2024 from $3.4 million last year (-19%) due to a lower overall gross margin. Changes in sales mix, including higher revenue from the Bitcoin Portal and lower revenue from ATM sales, caused the decline.

Total operational expenses (excluding depreciation and accretion and financing fees) year-to-date in 2024 increased to $4.4 million from $4.0 million last year. The increase was primarily due to higher investments in marketing and advertising initiatives to promote growth of the Bitcoin Portal and higher professional fees, offset by lower salaries and wages. The savings in salaries and wages was due to significant reductions in overhead expenditures over the past 18 months with the Company re-routing these expenditures to focus on its marketing and advertising initiatives in 2024.

The higher professional fees in 2024 was due to non-recurring legal fees associated with the Company's litigation against Rapid Cash ATM Ltd. ("Rapid Cash") and preparatory filings related to potential future capital raises. As previously disclosed, in Q4 2023, the Company initiated litigation against Rapid Cash due to their alleged breach of contract in October 2023.

Adjusted EBITDA declined to negative $1.7 million for the nine months ended September 30, 2024 from negative $0.6 million last year. The $1.1 million decline was primarily due to lower gross profit and higher marketing expenses and professional fees, as noted above.

Financing fees increased to $2.0 million in 2024 from $1.6 million in the first nine months of 2023 due to both higher debt balances outstanding throughout 2024 as well as increased interest rates applicable to our debt obligations that incur interest at variable market rates.

During the nine months ended September 30, 2024, we recorded a $5.9 million loss related to the revaluation of cryptocurrency loans (2023 - loss of $3.1 million). These non-cash gains and losses are a result of IFRS requiring that we revalue our cryptocurrency loans at fair value at the end of each reporting period with the change recognized in the Statement of Income (Loss) and Comprehensive Loss. While this mark-to-market accounting treatment recognizes the unrealized gain or loss at a specific moment in time, it does not reflect a realized gain or loss nor does it have an impact on cash, nor is it a reflection on the business performance.

Conversely, our accounting policy under IFRS also requires we revalue our digital assets at fair value at the end of each reporting period with increases in value recognized in other comprehensive income (unlike the revaluations of the cryptocurrency loans, which IFRS dictates we recognize in profit or loss). As a result, changes in the unrealized value of our cryptocurrency loans and digital assets may result in significant swings in net income (loss) which are not indicative of the underlying operational performance of the business. We present Adjusted EBITDA to exclude the variability caused by the revaluations and show what we believe to be a better measure of business performance.

During the nine months ended September 30, 2024, we recognized an unrealized gain on digital assets of $3.3 million in other comprehensive income and a realized gain of $2.2 million within income.

Due to these revaluation adjustments, we generated a net loss of $7.9 million for the nine months ended September 30, 2024, compared to a net loss of $6.6 million last year. Excluding other items, our loss before other items increased to $4.2 million for the nine months ended September 30, 2024 from a loss of $3.3 million in 2023.

SUMMARY OF QUARTERLY RESULTS

	2022 - Q4	2023 - Q1	2023 - Q2	2023 - Q3
Revenue	$ 18,262,082	$ 12,416,760	$ 15,112,693	$ 13,412,337
Gross profit	1,215,897	1,085,755	1,202,286	1,110,325
Gross profit %	7%	9%	8%	8%
Net loss	(1,851,952)	(3,523,368)	(1,453,259)	(1,843,108)
Adjusted EBITDA	(173,201)	(215,105)	(332,307)	(69,489)
EPS - basic	(0.01)	(0.02)	(0.01)	(0.01)
EPS - diluted	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)
Common shares outstanding				
Basic	174,382,887	174,382,887	174,382,887	183,130,373
Diluted	174,382,887	174,382,887	174,382,887	183,130,373

	2023 - Q4	2024 - Q1	2024 - Q2	2024 - Q3
Revenue	$ 13,590,048	$ 16,181,120	$ 23,262,793	$ 21,010,424
Gross profit	1,427,803	802,811	1,042,109	905,298
Gross profit %	9%	5%	4%	4%
Net income (loss)	(5,204,590)	(8,124,693)	1,124,954	(949,226)
Adjusted EBITDA	177,360	(430,080)	(640,116)	(611,367)
EPS - basic	(0.03)	(0.04)	0.01	(0.00)
EPS - diluted	$ (0.03)	$ (0.04)	$ 0.01	$ (0.00)
Common shares outstanding				
Basic	199,174,971	201,538,615	214,530,625	215,239,994
Diluted	199,174,971	201,538,615	221,544,953	215,239,994

Our revenue in Q3 2024 decreased to $21.0 million from $23.3 million in the prior quarter primarily due to lower ATM transaction volumes. Our gross profit declined to $0.9 million from $1.0 million in Q2 2023 due to the lower ATM sales noted above. Offsetting a portion of the gross profit decline was continuing growth in gross profit from our Online segment.

Revenue in Q2 2024 increased to $23.3 million from $16.2 million in the prior quarter, driven by significant growth on the Bitcoin Portal. Gross profit grew to $1.0 million from $0.8 million in Q1 2024 (+30%) due to the revenue increase.

Revenue in Q1 2024 increased to $16.2 million from $13.6 million in the prior quarter, driven by growth from the Bitcoin Portal, partially offset by lower ATM transaction volumes. Our gross profit declined to $0.8 million from $1.4 million in Q4 2023 due to lower ATM sales.

Revenue in Q4 2023 increased slightly to $13.6 million from $13.4 million in the prior quarter, driven by growth on the Bitcoin Portal, offset by lower OTC sales (with such services integrated into the Bitcoin Portal in Q3 2023). Our gross profit grew to $1.4 million from $1.1 million in Q3 2023 (+29%) due to strong margins on ATM sales.

Revenue in Q3 2023 decreased by 11%, and gross profit decreased by 8% compared to Q2 2023. The decrease in revenue was primarily caused by a reduction in OTC sales as this revenue stream was wound down and integrated into the Bitcoin Portal.

Adjusted EBITDA declined over the three most recent quarters in fiscal 2024 due to (i) lower revenue from ATM sales, which generate a higher gross margin than online sales; and (ii) increased investments in marketing and advertising initiatives to drive growth on the Bitcoin Portal.

We showcase Adjusted EBITDA as net income (loss) in each quarter which includes mark to market gains or losses the revaluation of cryptocurrency loans and are not always a good reflection of our business.

LIQUIDITY & CAPITAL RESOURCES

We define the capital that we manage as our shareholders' equity, loans payable – cryptocurrency, convertible debt and line of credit. Our objectives when managing capital are:

- Maintaining healthy liquidity reserves and access to capital.
- Ensuring sufficient liquidity to support our 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.

We manage our 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. However, there can be no assurances that we will be able to obtain debt or equity capital in the future.

We had a working capital surplus of $2.3 million at September 30, 2024 compared to a surplus of $6.6 million at December 31, 2023. The reduction in working capital was primarily due to a portion ($6.4 million) of our crypto currency loans being potentially cancellable by the holders in March 2025 and therefore, have been classified as a current liability at September 30, 2024. The Company believes that it is highly likely that these loans will be extended by the parties, as contemplated in the respective agreements. However, there is no guarantee that these loans will be extended.

The remainder of our crypto currency loans are only cancellable by the holder with 12 months advance notice, and are extendible at the option of the Company. As such, the remainder of the loans have been classified as non-current liabilities as at September 30, 2024.

Cash balances of $1.6 million at September 30, 2024 was consistent with our cash position at December 31, 2023.

Our ability to continue as a going concern and realize our assets and discharge our liabilities in the normal course of business is dependent upon maintaining a positive level of cash and working capital as well as keeping our convertible debt, line of credit and cryptocurrency loans in good standing. A portion of our cryptocurrency loans and convertible debt are from the Chief Executive Officer and members of the Board of Directors of the Company, and the risk of the Company defaulting on the loans, or the loans being called by these creditors, are low. Our crypto currency loans and convertible debt also do not contain any financial covenants.

There are various risks and uncertainties affecting our operations including, but not limited to our ability to keep our digital assets and physical machine assets secure, and our ability to maintain the host relationships required to execute our business plan. These risk factors could negatively impact our financial condition and liquidity in the future.

The prices of most cryptocurrencies are expected to remain volatile, due to continued speculation, conflicting media coverage, potential regulatory actions, and lawsuits against industry participants. Our business gives our investors exposure to the transactional side of the bitcoin industry, which could provide stability against any volatile swings of cryptocurrency. This has proved advantageous to us, as volatility can lead to increased speculative buying and selling of bitcoin which provides us with additional revenue opportunities. We are non-custodial in that all inventory held is owned by us, and once bitcoin and other cryptocurrencies are sold to the consumer, we immediately transfer ownership of those bitcoin or other cryptocurrencies to the consumer.

Equity Private Placement - March 2024

In March 2024, we completed a private placement of an aggregate of 13,352,797 units of the Company ("Units") at a price of $0.175 per unit for aggregate gross proceeds of $2.3 million. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole warrants, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share at a price of $0.275 per share, subject to adjustment in certain events, at any time until March 22, 2027.

In connection with the private placement, we paid to the agent, Haywood Securities Inc., (i) a cash commission of $156,556; (ii) non-transferrable compensation options of the Company exercisable at any time prior to March 22, 2027 to acquire up to 894,603 Units of the Company ("Agent Options"); and (iii) a corporate finance fee of $100,000 (plus applicable taxes), which was paid 25% in cash and 75% by the issuance of 428,571 Units of the Company (the "Corporate Finance Fee Units"). The Agent Option Units and the Corporate Finance Fee Units have the same terms as the Units sold in the private placement.

The net proceeds from the private placement, which approximated $2.0 million after deducting issuance costs, were utilized for sales and marketing, working capital and for general corporate purposes.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

RISK MANAGEMENT

We are exposed to various financial risks, which could affect our ability to achieve our strategic objectives. The main objectives of our risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which we are 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 are subject to credit risk consist primarily of cash, digital assets, and accounts receivable.

We limit our exposure to credit loss related to cash by placing our cash with high quality financial institutions. We are also exposed to the risk of loss from theft of cash held in ATM machines or in transit from ATM machines to financial institutions. This risk is mitigated by having no concentration of cash in any one location, the regular collection of cash from ATM machines and by using reputable service organizations to transport cash from our ATM machines to financial institutions.

Credit risks related to our digital assets include that a portion of these assets are held by third parties, including lenders and liquidity partners. We are also exposed to the risk of loss associated with digital assets held in our controlled wallets. To mitigate these risks, we have implemented rigorous levels of internal controls to ensure the safety and security of our digital assets, including but not limited to multi-signature wallets, the use of cold storage wallets, and signing authority limitations.

We may, from time to time, hold a net asset position with our liquidity partners. We limit this exposure to potential credit loss by ensuring we are 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 us to work with the liquidity partner.

A significant portion of our digital assets are also held by a lender as collateral for the line of credit. We do not hold, or have rights to the potential economic benefits of the cryptocurrency assets that comprise the collateral for the duration of the line of credit. The lender is also not required to deposit the collateral with a custodial service for safekeeping, and the lender can pledge, sell, lend, or transfer the collateral to third parties.

As disclosed in the annual consolidated financial statements for the year ended December 31, 2023, in October 2023, Rapid Cash suddenly uninstalled and removed the Company's software from Rapid Cash's ATMs that were operating in our partner program. As a result, We terminated our hosting agreement with Rapid Cash who previously operated approximately 100 ATM machines under our partner program. We are vigorously pursuing our rights under the contract and have commenced an action against Rapid Cash before the Alberta Court of King's Bench.

The amount included in accounts receivable at September 30, 2024 and December 31, 2023 primarily consists of the Company's cash in ATM machines that was withheld by Rapid Cash. We believe we will be successful in recovering our cash from Rapid Cash, but there can be no certainty of this, and therefore, the Company's accounts receivable is also subject to credit risk.

b) Liquidity Risk

Liquidity risk is the risk that we are not able to meet our financial obligations as they fall due. As at September 30, 2024 we had a positive working capital balance of $2.3 million (December 31, 2023 – $6.6 million). As at September 30, 2024, we had cash of $1.6 million (December 31, 2023 – $1.7 million) and short term liabilities of $14.2 million (December 31, 2023 - $7.0 million).:

Accounts payable, accrued liabilities, lease liabilities, and acquisition consideration payable are expected to be paid within the next 12 months, as they become due.

The line of credit is expected to continue to be extended as required by the Company and agreed to by the lender. However, there is no guarantee the tranches advanced under the line of credit will be extended by the lender in the future. Our line of credit is also subject to minimum collateral covenants, which if insufficient, could result in default, and the requirement to immediately repay any balances outstanding. Should such an event occur, the lender may also dispose of the digital assets that it currently holds as collateral for the line of credit.

Subsequent to September 30, 2024, we borrowed an additional USD $321,000 on our line of credit and renewed all of our existing tranches. With the renewals, the full balance of the line of credit will now mature in October 2025 and incur interest at a rate of 13.4% per annum.

We also anticipate that we will renew and extend any cryptocurrency loans that are potentially redeemable by holders within the next 12 months. However, there is no guarantee these loans will be extended.

Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to meet liabilities when due. During the nine months ended September 30, 2024, we improved our liquidity by completing an equity offering for gross proceeds of $2.3 million.

We 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 our shareholders and may result in dilution to the value of such interests.

c) Foreign Currency Risk

We are exposed to foreign currency risk in relation to our line of credit, which is denominated in USD. Based on the balance of the line of credit denominated in USD at September 30, 2024, a 5% increase or decrease in the exchange rate would result in a gain or loss of $0.3 million. We are not currently exposed to any other 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. We are exposed to market risk on cryptocurrency held as digital assets, inventory, and cryptocurrency loans.

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 our future operations. We have not hedged the conversion of our 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. Our inventory consists primarily of Bitcoin and Ethereum.

With a 10% increase to the price of bitcoin, our digital assets at September 30, 2024 would increase to $14.7 million and a 10% reduction in the price of bitcoin would cause our digital assets to reduce to $12.1 million.

With a 10% increase to the price of bitcoin, our crypto currency loans at September 30, 2024 would increase to $15.9 million, and a 10% reduction in the price of bitcoin would cause our crypto currency loans to reduce to $13.0 million.

RELATED PARTY TRANSACTIONS

Our related party balances and transactions include:

- Loans payable in cryptocurrency consisting of 43.4 bitcoins, valued at $3,721,436, outstanding at September 30, 2024 with the Chief Executive Officer of the Company. Interest incurred on this cryptocurrency loan for the nine months ended September 30, 2024 was $156,554 (2023 - $162,000). During the nine months ended September 30, 2024, the Company repaid loans payable from the Chief Executive Officer of 6.6 bitcoin;
- Loans payable in cryptocurrency consisting of 10 bitcoins valued at $856,684 outstanding at September 30, 2024 with a director of the Company. Interest incurred on this cryptocurrency loan for the nine months ended September 30, 2024 was $69,707 (2023 - $83,157);
- Interest incurred related to a convertible debenture in the principal amount of $5,000,000 owing to Beyond the Rhode Corp ("BTR"), a company controlled by a director of Bitcoin Well, for the nine months ended September 30, 2024 was $502,503 (2023 - $480,354). Royalties payable related to this convertible debenture was $66,558 for the nine months ended September 30, 2024 (2023 - $6,548).
- Salaries, fees, and other short term benefits paid to executive officers and directors for the nine months ended September 30, 2024 was $440,040 (2023 - $289,887); and
- Share based payments expense related to executive officers and directors for the nine months ended September 30, 2024 was $53,864 (2023 - $380,266).

RISKS AND UNCERTAINTIES

Our business is subject to risks and uncertainties. Prior to making any investment decisions regarding Bitcoin Well, investors should carefully consider, among other things, the risks described herein and in the "Risk Factors" section of our MD&A and Annual Information Form for the year ended December 31, 2023, which are incorporated by reference herein.

These risks and uncertainties are not exhaustive. Additional risks presently known or currently deemed immaterial may also impair our business operations. If any of the events described in our risk factors actually occur, our overall business, operating results and financial condition could be materially adversely affected.

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, we have issued and outstanding 218,014,362 common shares. In addition, we had the following securities potentially convertible into common shares:

i) 15,450,776 stock options, exercisable to acquire common shares at prices ranging from $0.05 to $0.34 per option;
ii) 23,291,985 warrants exercisable to acquire common shares at a price of $0.18 per warrant, expiring on September 1, 2026;
iii) 6,540,000 warrants, exercisable to acquire common shares at a price of $0.05 per warrant, expiring on September 7, 2028;
iv) 6,890,684 warrants, exercisable to acquire common shares at a price of $0.275 per warrant, expiring on March 22, 2027; and
v) 894,603 agent options, exercisable to acquire 894,603 common shares at a price of $0.175 per share and 447,302 common shares at a price of $0.275 per share, expiring on March 22, 2027.

NON-IFRS FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. These financial measures may, therefore, not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net income or to cash provided by or used in operating, investing, and financing activities determined in accordance with IFRS, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate income and cash provided by operating activities. We list and define these measures below:

Adjusted EBITDA

Adjusted EBITDA is defined as net (loss) income, excluding: finance fees, income tax expense or recovery, depreciation and accretion, share-based compensation, gain or loss on changes in fair value of digital assets and cryptocurrency inventory, gains or losses on the fair value adjustment of cryptocurrency loans, gain or loss on debt settlements, impairment of goodwill, gains and losses on the sale of fixed assets, foreign exchange gains and losses, and costs associated with one-time transactions (such as restructuring costs or business acquisition related costs).

Adjusted Cash Flow

Adjusted Cash Flow is defined as Adjusted EBITDA less financing fees, excluding non-cash interest related items. Non-cash interest items include interest on cryptocurrency loans that were settled in common shares or are intended to be settled in common shares as well as non-cash interest on the line of credit where the accrued interest is added to the principal balance of the loan.

A reconciliation of net loss to Adjusted EBITDA and Adjusted Cash Flow for each of the periods presented in this MD&A follows:

	Three months ended		Nine months ended	
	Sept 30, 2024	Sept 30, 2023	Sept 30, 2024	Sept 30, 2023
Net loss	**$ (949,226)**	$ (1,843,108)	**$ (7,948,965)**	$ (6,819,735)
Financing fees	**633,995**	626,169	**1,955,175**	1,601,669
Depreciation and accretion	**134,310**	350,136	**554,775**	1,119,799
Fair value change - crypto loans(1)	**(43,366)**	(780,365)	**5,873,575**	3,092,371
Share based compensation	**62,515**	332,330	**325,928**	503,063
Foreign exchange (gain) loss	**(79,012)**	(97)	**106,847**	18,414
(Gain) loss on debt settlement	**-**	-	**(20,000)**	5,178
Loss (gain) on disposal of property, plant and equipment	**2,607**	(18,904)	**(1,090)**	7,992
Fair value change - crypto inventory(1)	**159**	542	**(296,673)**	(12,401)
Realized gain on digital assets(1)	**(373,349)**	-	**(2,231,135)**	(374,958)
Income tax expense	**-**	1,263,808	**-**	241,707
Adjusted EBITDA	**$ (611,367)**	$ (69,489)	**$ (1,681,563)**	$ (616,901)
Less: financing fees	**(633,995)**	(626,169)	**(1,955,175)**	(1,601,669)
Add: non-cash interest items(2)	**378,749**	205,398	**1,193,338**	255,731
Adjusted Cash Flow	**$ (866,613)**	$ (490,260)	**$ (2,443,400)**	$ (1,962,839)

(1) Non-cash, fair value change on the revaluation of cryptocurrency loans is largely offset by revaluation changes in inventory and gains (losses) on digital assets, which are recorded in both income (if realized) and other comprehensive Income (if unrealized).

(2) Non-cash interest items include interest on cryptocurrency loans that were settled in common shares or are intended to be settled in common shares as well as non-cash interest on the line of credit where the accrued interest is added to the principal balance of the loan.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements contained herein include, but are not limited to statements in respect of: revenue growth from the Bitcoin Portal in 2024 and 2025; improving gross margins from the Online segment in the future, future renewal or extension of existing cryptocurrency loans or tranches advanced under the line of credit, and Bitcoin Well's business plans, strategy and outlook.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information, including, but not limited to the following: economic and financial conditions, volatility in the capital or credit markets; the level of demand and financial performance of the cryptocurrency and digital asset industry, the occurrence of force majeure events; the extent to which the Company is successful on gaining new long-term users or retaining existing users; developments and changes in laws and regulations, disruptions to the Company's technology network; inability to obtain financing; competitive factors; and such other factors as discussed in the "Risk Factors" section of the Company's MD&A for the year ended December 31, 2023.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.