



**BITCOIN WELL**

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

Management's Discussion and Analysis

For the three months ended  
March 31, 2024

(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 May 21, 2024 to assist readers in understanding our financial performance for the three months ended March 31, 2024. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 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](http://www.sedarplus.ca).

The Board of Directors of the Company approved this MD&A on May 21, 2024.

#### **KEY HIGHLIGHTS OF THE 1ST QUARTER ENDED MARCH 31, 2024**

- Gross profit of \$1.2 million for the 3-months ended March 31, 2024 (Q1 2023: \$1.1 million, +11%).
- Adjusted EBITDA of negative \$25 thousand for the 3-months ended March 31, 2024 (Q1 2023: negative \$0.2 million).
  - Improvements to Adjusted EBITDA are a result of a combination of (i) increased gross profit and (ii) Cost containment in areas across the business, including a reduction in the number of full time employees in fiscal 2023.
- Approximately 15,000 unique users in the Online Bitcoin Portal at March 31, 2024.
- Associated online revenues were \$9.7 million for the 3-months ended March 31, 2024 (compared to \$5.4 million in Q4, 2023 and \$0.9 million in Q1 2023), maintaining continued growth in the Online Bitcoin Portal since launched in Q4 2022.
- In March 2024, we completed an oversubscribed private placement of an aggregate of 13,352,797 units of the Company at a price of \$0.175 per unit for aggregate gross proceeds of over \$2.3 million. Each unit consisted of one common share of the Company and one-half of one common share purchase 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.

## 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"**.

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
  - Over 190 Bitcoin ATMs across Canada
  - Highest margin business unit
- Non-custodial bitcoin platform (Online Bitcoin Portal)
  - Launched in Q4 2022
  - 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 Online Portal in both Canada and the USA.

Highlights of our recent growth on the Bitcoin Online Portal include:

- Total Users as of May 21, 2024: Approximately 17,500 unique users signed up
  - 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 Online Portal is now live in all 50 states in the USA and continues to serve all of Canada.

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

For the three months ended March 31, 2024

**SELECTED FINANCIAL INFORMATION**

<b>For the three month ended March 31</b>	<b>2024</b>	<b>2023</b>
Revenue	\$ 16,181,120	\$ 12,416,760
Cost of coins	14,973,694	11,331,006
<b>Gross profit</b>	<b>1,207,426</b>	1,085,754
Gross profit margin	7%	9%
Operating expenses	1,232,891	1,300,859
Financing fees	644,147	449,802
Depreciation and accretion	262,453	385,133
Loss before other items and income taxes	(932,065)	(1,050,040)
Other items	(7,192,628)	(3,140,455)
Income taxes	-	667,127
<b>Net loss</b>	<b>\$ (8,124,693)</b>	\$ (3,523,368)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ (25,465)</b>	\$ (215,105)
<b>Adjusted Cash Flow<sup>(1)</sup></b>	<b>(271,036)</b>	(664,907)

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

<b>As at</b>	<b>March 31, 2024</b>	<b>Dec 31, 2023</b>
Cash	\$ 3,085,056	\$ 1,668,922
Working capital	14,398,982	6,649,030
Total assets	23,062,641	14,906,196
Shareholders' deficit	(8,641,372)	(9,150,586)
Long-term financial liabilities	\$ 24,040,538	\$ 17,046,705

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2024**

Overall revenue in the first quarter of 2024 was \$16.2 million, compared to \$12.4 million in Q1 2023 (+30%). The increase was driven by higher transaction volumes on the Online Bitcoin Portal in Q1 2024, which grew to \$9.7 million from \$5.3 million in Q1 last year. The revenue from the online segment in Q1 2023 also included revenue from Bitcoin Well Infinite (OTC) sales, which were transitioned into the Online Bitcoin Portal in Q3 2023. Offsetting a portion of the increase was a decline in ATM sales, which declined slightly to \$6.5 million in Q1 2024 from \$7.2 million in Q1 2023 (-9%).

Due to the higher revenue, gross profit also improved to \$1.2 million in Q1 2024 from \$1.1 million last year (+11%). However our gross margin declined to 7.5 % from 8.7% in Q1 2023. Changes in sales mix, including higher revenue from the Online Bitcoin Portal caused the decline. Our gross margin from online transactions are significantly lower than the fees charged on ATM sales. Offsetting a portion of the decline in gross margin were higher gross margins on ATM sales (despite the lower transaction volumes), which increased to 17.2% in Q1 2024 from 12.5% in Q1 2023. This was due to an increase in fees charged at the ATM as well as increases in the price of bitcoin during the quarter ended March 31, 2024.

As we transition towards a scalable Online Bitcoin Portal with low fees and high usability, we expect our online business unit to see a gross profit margin between 0.5% and 1.0% in the future, compared to earlier periods where our online gross profit margins were between 3.0% and 5.0%. 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 0.9% in Q1 2024 compared to 3.6% in the first quarter of 2023.

Total operational expenses (excluding depreciation and accretion and financing fees) declined to \$1.2 million in Q1 2024 from \$1.3 million last year due to cost containment in areas across the business, including a reduction in the number of full time employees. The decrease was partially offset by higher marketing and advertising expenses as we launched several new marketing initiatives in Q1 2024 to promote the Online Bitcoin Portal.

Adjusted EBITDA was basically neutral in Q1 2024 (negative \$25 thousand), reflecting a \$0.2 million improvement over Q1 2023 adjusted EBITDA of negative \$0.2 million. The improved Adjusted EBITDA was due to the higher gross profit and lower operating expenses as discussed above.

Financing fees increased to \$0.6 million in Q1 2024 from \$0.4 million in Q1 2023 due to both higher debt balances outstanding as well as increased interest rates applicable to our debt obligations that incur interest at variable market rates.



In Q1 2024, we recorded a \$7.9 million loss related to the revaluation of cryptocurrency loans (Q1 2023 - loss of \$3.5 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 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.

Our total net loss in Q1 2024 was \$8.1 million, which reflected an increase from the prior year. The higher net loss was largely due to the change in fair value adjustment on our cryptocurrency loans discussed above. Loss before other items improved to a loss of \$0.9 million from a loss of \$1.1 million in Q1 2023.

For the three months ended March 31, 2024

## SUMMARY OF QUARTERLY RESULTS

	2022 - Q2		2022 - Q3		2022 - Q4		2023 - Q1
Revenue	\$	20,586,354	\$	14,354,002	\$	18,262,082	\$ 12,416,760
Gross profit		1,065,759		1,177,780		1,215,897	1,085,755
Gross profit %		5%		8%		7%	9%
Net loss		(1,094,724)		(983,495)		(1,851,952)	(3,523,368)
Adjusted EBITDA		(1,382,935)		(385,114)		(173,201)	(215,105)
EPS - basic		(0.01)		(0.01)		(0.01)	(0.02)
EPS - diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$ (0.02)
Common shares outstanding							
Basic		174,382,887		174,382,887		174,382,887	174,382,887
Diluted		174,382,887		174,382,887		174,382,887	174,382,887

  

	2023 - Q2		2023 - Q3		2023 - Q4		2024 - Q1
Revenue	\$	15,112,693	\$	13,412,337	\$	13,590,048	\$ 16,181,120
Gross profit		1,202,286		1,110,325		1,427,803	1,207,426
Gross profit %		8%		8%		9%	7%
Net loss		(1,453,259)		(1,843,108)		(5,204,590)	(8,124,693)
Adjusted EBITDA		(332,308)		(69,489)		177,360	(25,465)
EPS - basic		(0.01)		(0.01)		(0.01)	(0.04)
EPS - diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$ (0.04)
Common shares outstanding							
Basic		174,395,549		183,130,373		199,174,971	201,538,615
Diluted		174,395,549		183,130,373		199,174,971	201,538,615

Revenue in Q1 2024 increased to \$16.2 million from \$13.6 million in the prior quarter, driven by growth from the Online Portal, partially offset by lower ATM transaction volumes. Our gross profit also declined to \$1.2 million from \$1.4 million in Q4 2023 (-15%) due to lower ATM volumes.

Revenue in Q4 2023 increased slightly to \$13.6 million from \$13.4 million in the prior quarter, driven by growth on the Online Portal, offset by lower OTC sales (with such services integrated into the Online 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 Online Portal.

Adjusted EBITDA continued to improve over the last three fiscal quarters compared to the previous five quarters due largely to the Company streamlining operations, and implementing cost cutting decisions, including a reduction in the number of employees and management salaries.

We showcase Adjusted EBITDA as net income (loss) in each quarter 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 \$14.4 million at March 31, 2024 compared to a working capital surplus of \$6.6 million at December 31, 2023. The significant improvement in working capital was primarily due to the increase in value of digital assets (due to the higher value of bitcoin at March 31, 2024) as well as higher cash balances (due to the completion of our equity private placement financing in March 2024).

Although the valuation of our loans payable – crypto currency also increased during the first quarter of 2024, this liability is presented as a long-term liability with no impact on working capital. During the year ended December 31, 2023, all of the cryptocurrency loans of the Company were amended to extend the terms of each loan and amend the interest rate applicable. The loans are now only cancellable with 12 months notice, and are extendible at the option of the Company. As such, these loans have been classified as non-current liabilities at March 31, 2024 and December 31, 2023.

Cash increased to \$3.1 million as at March 31, 2024 from \$1.7 million as at December 31, 2023. The increase in cash was primarily due to the completion of our equity private placement financing in March 2024, discussed further below.

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 the Directors of the Company, and the risk of the Company defaulting on the loans, or the loans being called by these creditors, are low.

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.

In the second half of 2023, and first quarter of 2024 we have seen significant improvements in our operating cash flow and we expect this trend to continue during the remainder of 2024. In addition, in the first quarter of 2024 we completed the following equity financing, which has further improved our liquidity and working capital position.

### **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, has further improved our cash and working capital positions. We plan to use the net proceeds of this private placement 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.

## RELATED PARTY TRANSACTIONS

Our related party balances and transactions include:

- Loans payable in cryptocurrency consisting of 50 bitcoins, valued at \$4,823,132, outstanding at March 31, 2024 with the Chief Executive Officer of the Company. Interest paid on this cryptocurrency loan for the three months ended March 31, 2024 was \$54,000 (2023 - \$54,000);
- Loans payable in cryptocurrency consisting of 10 bitcoins valued at \$964,626 outstanding at March 31, 2024 with a director of the Company. Interest paid on this cryptocurrency loan for the three months ended March 31, 2024 was \$24,951 (2023 - \$36,257);
- Included in deposits and prepaid expenses at March 31, 2024 was \$95,821 (December 31, 2023 - \$160,412) in prepaid interest related to cryptocurrency loans with the Company's Chief Executive Officer and a director.
- Interest paid 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 three months ended March 31, 2024 was \$167,500 (2023 - \$123,288). Royalties paid related to this convertible debenture was \$9,899 for the quarter ended March 31, 2024 (2023 - \$1,472).
- Salaries, fees, and other short term benefits paid to executive officers and directors for the three months ended March 31, 2024 was \$158,263 (2023 - \$153,170); and
- Share based payments expense related to executive officers and directors for the three months ended March 31, 2024 was \$17,847 (2023 - \$60,017).

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

### RISK MANAGEMENT

We may be 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 us. Assets that potentially subject us to credit risk consist primarily of cash and digital assets. We limit our exposure to credit loss by placing our cash with high credit quality financial institutions.

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 our 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.

As disclosed in the Annual Financial Statements, in October 2023, Rapid Cash ATM Ltd. ("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, the Company terminated its 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 March 31, 2024 and December 31, 2023 of \$0.6 million primarily consists of the Company's cash in ATM machines that was withheld by Rapid Cash. We believe we will be successful in recovering this 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. Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to meet liabilities when due. During the three months ended March 31, 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 March 31, 2024, a 5% increase or decrease in the exchange rate would result in a gain or loss of \$298,000. 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 March 31, 2024 would increase to \$18,323,624 and a 10% reduction in the price of bitcoin would cause our digital assets to reduce to \$14,992,056.

With a 10% increase to the price of bitcoin, our crypto currency loans at March 31, 2024 would increase to \$19,630,147 and a 10% reduction in the price of bitcoin would cause our crypto currency loans to reduce to \$16,061,029.

## **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 214,693,274 common shares. In addition, we had the following securities potentially convertible into common shares:

- i) 18,116,245 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) 6,940,000 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 digital assets, gain or loss on the fair value adjustment of cryptocurrency loans and derivative instruments, 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, listing fees or 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 the amortization of prepaid interest on cryptocurrency loans that were funded in conjunction with an equity financing as well as non-cash interest on the line of credit where the accrued interest is added to the principal balance of the loan.

For the three months ended March 31, 2024

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

For the three month ended March 31	2024	2023
<b>Net loss</b>	<b>\$ (8,124,693)</b>	<b>\$ (3,523,368)</b>
Financing fees	<b>644,147</b>	449,802
Depreciation and accretion	<b>262,453</b>	385,133
Fair value change - crypto loans <sup>(1)</sup>	<b>7,876,112</b>	3,453,925
Share based compensation	<b>67,583</b>	80,680
Foreign exchange loss	<b>121,512</b>	19,130
(Gain) loss on debt settlement	<b>(20,000)</b>	5,177
Fair value change - crypto inventory	-	(12,955)
Realized gain on digital assets	<b>(852,579)</b>	(405,502)
Income tax recovery	-	(667,127)
<b>Adjusted EBITDA</b>	<b>\$ (25,465)</b>	<b>\$ (215,105)</b>
Less: financing fees	<b>(644,147)</b>	(449,802)
Add: non-cash interest items <sup>(2)</sup>	<b>398,576</b>	-
<b>Adjusted Cash Flow</b>	<b>\$ (271,036)</b>	<b>\$ (664,907)</b>

(1) Non-cash, fair value change on the revaluation of cryptocurrency loans, which are offset by a revaluation gain on digital assets recorded in Other Comprehensive Income

(2) Non-cash interest items include the amortization of prepaid interest on cryptocurrency loans that were funded in conjunction with an equity financing 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: the Company's cash flow improving; the Company achieving improved Adjusted EBITDA and Adjusted Cash Flow in 2024; revenue growth from the Online Bitcoin Portal in 2024; 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.