BITCOIN WELL

TSX.V:BTCW OTCQB:BCNWF

Management's Discussion and Analysis

For the years ended
December 31, 2023 and 2022

(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 April 22, 2024 to assist readers in understanding our financial performance for the years ended December 31, 2023 and 2022. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2023 and 2022 ("Financial Statements"). The Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A refers to non—GAAP financial measures such as "Adjusted EBITDA" that we present to assist users in assessing our performance. Adjusted EBITDA does 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-GAAP 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**".

The Company is on a mission to enable independence. We do this by giving our customers the convenience of modern banking, with the benefits of bitcoin. We like to think of it as "**future-proofing money**".

KEY HIGHLIGHTS OF THE 4TH QUARTER AND YEAR ENDED DECEMBER 31, 2023

- Gross profit of $1.4 million for the 3-months ended December 31, 2023 (Q4 2022: $1.2 million, +17%) and $4.8 million for the fiscal year ended December 31, 2023 (2022: $4.4 million, +9%).
- Adjusted EBITDA of **positive** $0.2 million for the 3-months ended December 31, 2023 (Q4 2022: negative $0.2 million) and negative $0.4 million for the fiscal year ended December 31, 2023 (2022: negative $3.4 million).

    - Improvements to Adjusted EBITDA are a result of a combination of (i) increased gross profit from our ATMs and (ii) significant cost containment in areas across the business, including a reduction in the number of full time employees earlier in the year.

- Over 11,000 unique users in the Online Bitcoin Portal at December 31, 2023.

- Associated online revenues exceeded $5.4 million for the 3-months ended December 31, 2023 (compared to $3.4 million in Q3 2023, $2.0 million in Q2 2023, $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

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 April 15, 2024: Over 16,000 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
- Based on preliminary information, we estimate that Bitcoin Portal revenues will exceed $8.5 million in Q1 2024 (Q4 2023: $5.4 million and Q3 2023: $3.4 million).
- 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.

Simply Bitcoin

Effective February 1, 2024, we signed a flagship sponsorship agreement with Simply Bitcoin, a leading bitcoin news and talk show with the majority of their viewership in Canada and the USA. The agreement has an initial term of 7 months and is renewable for an additional 6 month term.

The intent of this partnership is to accelerate the Bitcoin Well brand awareness, especially in the USA, as well as give us an avenue to lean into our community driven platform and product roadmap.

Simply Bitcoin boasts over 1,000,000 views per month across their various media networks and has already helped us expedite our target growth in the USA. Prior to the partnership with Simply Bitcoin, we were seeing less than 5% of our new user signups in the USA. In March 2024, we saw roughly 35% of our new signups from the USA. We expect this trend to continue.

Other key marketing and work initiatives that are helping to drive growth across our Online Portal include:

- Launching a customer loyalty Program in Q1 2024, which allows customers to earn points for utilizing the platform and referring others to the platform. These points will be redeemable for various bitcoin products, contest entries or bitcoin.

- Launching the Bitcoin Jackpot Contest in Q1 2024, which allows customers to redeem points to enter into a growing jackpot of bitcoin. Each entry will add bitcoin to the jackpot. This contest is designed to create interest in our platform and new Loyalty Program.

- Commenced an internal season of increased working hours called "Operation Toro" in Q1 2024. Operation Toro is a working regime aimed at taking advantage of the current market conditions. This included the grant of 9,650,000 stock options to certain directors, officers and employees of the Company pursuant to our stock option plan. Each stock option is exercisable to acquire one common share at a price of $0.14 per share until December 31, 2025.

SELECTED FINANCIAL INFORMATION

	Three months ended		Year ended	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Revenue	**$ 13,590,048**	$ 18,262,082	**$ 54,531,838**	$ 66,731,242
Cost of coins	**(12,162,245)**	(17,046,185)	**(49,705,669)**	62,307,016
Gross profit	**1,427,803**	1,215,897	**4,826,169**	4,424,226
Gross profit margin	**11%**	7%	**9%**	7%
Operating expenses	**(1,933,956)**	(1,863,221)	**(7,552,146)**	(9,429,742)
Depreciation and accretion	**(297,084)**	(361,547)	**(1,416,882)**	(2,159,814)
Loss before other items	**$ (803,237)**	$ (1,008,871)	**$ (4,142,859)**	$ (7,165,330)
Fair value change - crypto loans	**(4,328,718)**	1,215,750	**(7,421,089)**	5,954,260
Impairment	**-**	24,423	**-**	(3,163,599)
Fair value change - investments	**(337,635)**	(585,066)	**(337,635)**	(585,066)
Share based compensation	**19,633**	(110,203)	**(483,430)**	(313,889)
Loss on disposal of fixed assets	**-**	-	**(7,991)**	-
Foreign exchange gain (loss)	**8,568**	1,750	**(9,846)**	-
(Loss) gain on debt settlement	**(10,779)**	(4,305)	**(14,703)**	118,993
Fair value change - crypto inventory	**-**	(12,106)	**12,401**	(58,703)
Realized gain on digital assets	**247,578**	-	**622,535**	-
Income tax expense	**-**	(1,373,321)	**(241,707)**	(778,167)
Net loss	**$ (5,204,590)**	(1,851,949)	**$ (12,024,324)**	$ (5,991,501)
Financing fees	**683,513**	449,756	**2,285,183**	1,531,946
Depreciation and accretion	**297,084**	361,547	**1,416,882**	2,159,814
Fair value change - crypto loans	**4,328,718**	(1,215,750)	**7,421,089**	(5,954,260)
Impairment	**-**	(24,423)	**-**	3,163,599
Fair value change - investments	**337,635**	585,066	**337,635**	585,066
Share based compensation	**(19,633)**	110,203	**483,430**	313,889
Loss on disposal of fixed assets	**-**	-	**7,991**	-
Foreign exchange (gain) loss	**(8,568)**	(1,750)	**9,846**	-
Loss (gain) on debt settlement	**10,779**	4,305	**14,703**	(118,993)
Fair value change - crypto inventory	**-**	12,106	**(12,401)**	58,703
Realized gain on digital assets	**(247,578)**	-	**(622,535)**	-
Business acquisition costs	**-**	24,367	**-**	56,681
Income tax expense	**-**	1,373,321	**241,707**	778,167
Adjusted EBITDA	**$ 177,360**	(173,201)	**$ (440,794)**	$ (3,416,889)
Adjusted EBITDA Margin	**1.3%**	-1.0%	**-0.8%**	-5.1%

As at		December 31, 2023		December 31, 2022
Cash	**$**	**1,668,922**	$	3,946,525
Working capital		**6,649,030**		(3,459,262)
Total assets		**14,906,196**		14,024,476
Shareholders' deficit		**(9,150,586)**		(5,831,733)
Long-term financial liabilities	**$**	**17,046,705**	$	5,316,519

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

Overall revenue in the fourth quarter of 2023 was $13.6 million, compared to $18.3 million in Q4 2022 (-26%). The decrease of $4.7 million was driven by a decline in Bitcoin Well Infinite (OTC) volumes, as we transitioned these services into the Online Bitcoin Portal during fiscal 2023. The decrease in Bitcoin Well Infinite (OTC) volume was partially offset by an increase in ATM sales, which increased to $8.1 million from $7.4 million in Q4 last year (+8%). Changes in sales mix, including higher revenue from ATM sales, as well as an increase in fees charged at the ATM, resulted in gross profit increasing to $1.4 million in Q4 2023 from $1.2 million last year (+17%).

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.

Total operational expenses (excluding depreciation and accretion) were $1.9 million in Q4 2023, which was consistent with the prior year. Excluding financing fees, operating expenses declined to $1.2 million in Q4 2023 from $1.4 million last year due to cost containment in areas across the business, including a reduction in the number of full time employees.

Adjusted EBITDA was positive $0.2 million in Q4 2023, reflecting a $0.4 million improvement over Q4 2022 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.

In Q4 2023, we recorded a $4.3 million loss related to the revaluation of cryptocurrency loans (Q4 2022 - gain of $1.2 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 and Comprehensive Income. 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, 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 Q4 2023 was $5.2 million, which reflected an increase from the prior year. The higher net loss was entirely due to the change in fair value adjustment on our cryptocurrency loans discussed above. Loss before other items improved to a loss of $0.8 million from a loss of $1.0 million in Q4 2022.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023

Revenue for the year ended December 31, 2023 decreased to $54.5 million from $66.7 million in fiscal 2022, (-18%). This is largely the result of significant market changes, and a decrease in Bitcoin Well Infinite (OTC) sales. Gross profit, however, increased to $4.8 million from $4.4 million (+9%) in 2023 due to increased revenues and gross margin at the Bitcoin ATMs.

Bitcoin ATM sales increased to $32.5 million in 2023 from $28.4 million last year (+14%), thanks, in part, to new machines installed throughout the last year ramping up to their expected average operational volumes.

We ended Q4 2023 over 190 ATM machines under our operational fleet, 24 of which were operating as part of our Partner Program. Our Partner Program allows us to expand our ATM footprint, without any capital expenditures..

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 the partner program. As a result, the Company terminated its agreement with Rapid Cash who previously owned approximately 100 ATM machines under the Company's partner program. The Company is vigorously pursuing its rights under the contract and has commenced an action against Rapid Cash before the Alberta Court of King's Bench. Since October 2023, the Rapid Cash ATMs are no longer part of our operational fleet.

Total operational expenses (excluding depreciation and accretion) were $7.6 million for the year ended December 31, 2023, compared to $9.4 million in 2023. This is an improvement of 20%. The decrease in operating expenses primarily related to decreased headcount, stricter spending practices and decreases to management salaries. The decrease in operating expenses was partially offset by increased debt service costs due to the issuance of convertible debentures in both 2022 and 2023.

Depreciation and accretion expenses declined to $1.4 million in fiscal 2023 from $2.2 million last year (an improvement of 34%). The majority of this expense relates to amortization of intangible assets acquired in business acquisitions from prior years.

Adjusted EBITDA for the year ended December 31, 2023 was negative $0.4 million (2022 – negative $3.4 million), reflecting an **improvement of 87% from the prior year**. Notably, the majority of the Adjusted EBITDA losses occurred in Q1 and Q2 of 2023, with only a $0.1 million Adjusted EBITDA loss in Q3 2023 and positive Adjusted EBITDA of $0.2 million in Q4 2023.

Our net loss for the year ended December 31, 2023 was $12.0 million (2022 – net loss of $6.0 million). The higher net loss was due to the recognition of an unrealized loss on revaluation of cryptocurrency loans in the amount of $7.4 million compared to a gain of $6.0 million in the comparative year ended December 31, 2022. This was offset by a revaluation gain on digital assets of $6.7 million in fiscal 2023 (2022 - loss of $5.7 million), which was recognized in other comprehensive income.

As mentioned above, 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. 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.

The revaluation adjustments for the cryptocurrency loans and digital assets both resulted from an increase in the value of bitcoin during the 2023 fiscal year. However, unlike the loss on revaluation of the cryptocurrency loans, which is recognized in profit or loss, IFRS requires that we recognize the gain on revaluation of our digital assets outside profit or loss in other comprehensive income.

SUMMARY OF QUARTERLY RESULTS

	2022 - Q1	2022 - Q2	2022 - Q3	2022 - Q4
Revenue	$ 13,528,804	$ 20,586,354	$ 14,354,002	$ 18,262,082
Gross profit	964,790	1,065,759	1,177,780	1,215,897
Gross profit %	7%	5%	8%	7%
Income (loss)	(2,061,333)	(1,094,724)	(983,495)	(1,851,952)
Adjusted EBITDA	(1,475,639)	(1,382,935)	(385,114)	(173,201)
EPS - basic	(0.01)	(0.01)	(0.01)	(0.01)
EPS - diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Common shares outstanding				
Basic	173,657,371	174,382,887	174,382,887	174,382,887
Diluted	173,657,371	174,382,887	174,382,887	174,382,887

	2023 - Q1	2023 - Q2	2023 - Q3	2023 - Q4
Revenue	$ 12,416,760	$ 15,112,693	$ 13,412,337	$ 13,590,048
Gross profit	1,085,755	1,202,286	1,110,325	1,427,803
Gross profit %	9%	8%	8%	9%
Income (loss)	(3,523,367)	(1,453,259)	(1,843,108)	(5,204,590)
Adjusted EBITDA	(216,358)	(332,308)	(69,489)	177,360
EPS - basic	(0.02)	(0.01)	(0.01)	(0.01)
EPS - diluted	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)
Common shares outstanding				
Basic	174,382,887	174,395,549	183,130,373	199,174,971
Diluted	174,382,887	174,395,549	183,130,373	199,174,971

Revenue in Q4 2023 increased slightly to $13.6 million from $13.4 million in the prior quarter, driven by growth on our 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.

Adjusted EBITDA continued to improve in both Q3 and Q4 2023 over the previous six 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 $6.6 million at December 31, 2023 compared to a working capital deficit of $3.5 million at December 31, 2022. The significant improvement in working capital was primarily due to our cryptocurrency loans being reclassified as long-term liabilities in 2023, a reduction in the Company's line of credit of $1.4 million, and completion of a non-brokered equity financing in September 2023.

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 reclassified as non-current liabilities at December 31, 2023.

Cash decreased to $1.7 million as at December 31, 2023 compared to $3.9 million as at December 31, 2022. The decrease in cash was largely due to repayments on the line of credit and cryptocurrency loans as well as negative cash flow from operating activities in 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 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, we saw significant improvements in our operating cash flow and we expect this trend to continue in fiscal 2024. In addition, in fiscal 2023 and in the first quarter of 2024, we completed the following equity and debt financing initiatives, which have worked to further improve 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 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.

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 ("Compensation Option Units"); and (iii) 428,571 units of the Company (the "Corporate Finance Fee Units"). The Compensation 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 related 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.

Non-Brokered Private Placement - September 2023

In September 2023 we closed a non-brokered private placement totaling 23,291,985 units of Bitcoin Well at a price of $0.06 per unit for aggregate gross proceeds of $1.4 million. Each Unit was comprised of one common share in the Company and one common share purchase warrant exercisable into one common share at a price of $0.18 per share for a period of three years from closing.

The gross proceeds from the private placement included:

I. $500,000 applied to reduce the principal balance owing on the Convertible Debenture owing to Beyond The Rhode Corp. ("BTR"), a company controlled by a director of the Company;

II. $792,519 applied as a prepayment for 12 months of interest on cryptocurrency loans owing to various parties. This will result in a corresponding $792,519 decrease in cash expenditures / increase in cash from operating activities during the next 12 month period ending August 31, 2024; and

III. $105,000 received in cash proceeds.

Convertible debt financing

In 2022, we entered into an agreement to issue $5.0 million in secured convertible debentures (the "Convertible Debenture") to Beyond The Rhode Corp. ("BTR"), a company controlled by a director of Bitcoin Well.

In April 2023, an additional $500,000 was advanced on the Convertible Debenture. In May 2023, we amended the Convertible Debenture, which reduced the conversion price to $0.25 per share from $0.30 per share previously, amended the interest rate to Prime + 6.2% per annum (formerly 10% per annum), and extended the term of the loan, to five (5) years from the amendment date.

In September 2023, $500,000 of the Convertible Debenture was repaid in conjunction with the closing of a non-brokered private placement for common shares.

We have 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 $0.50 per common share. We also have the option to repay any amounts of the Convertible Debenture with no penalty, at any time.

The Convertible Debenture also 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 online portal from February 23, 2023, 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% per annum.

In addition to the above, in 2023, we entered into agreements 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 these convertible debentures were used to repay prior cryptocurrency denominated loans. The convertible debentures bear interest at a rate of the Bank of Canada policy interest rate + 8% per annum and mature between February 16, and March 28, 2026, subject to two automatic one year extensions.

We have 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. We also have the option to repay any amounts of the convertible debentures with 30 days notice.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Our related party transactions include:

- Loans payable in cryptocurrency valued at $2,800,058 outstanding at December 31, 2023 with the Chief Executive Officer of the Company. Interest paid on this cryptocurrency loan for the year ended December 31, 2023 was $216,000 (2022 - $216,000);
- Loans payable in cryptocurrency valued at $560,012 outstanding at December 31, 2023 with a director of the Company. Interest paid on this cryptocurrency loan for the year ended December 31, 2023 was $103,407 (2022 - $19,795);
- Interest paid to BTR related to the Convertible Debenture for the year ended December 31, 2023 was $688,348 (2022 - $319,041). Royalties paid were $10,611 for the year ended December 31, 2023 (2022 - $1,055).
- Salaries, fees, and other short term benefits paid to executive officers and directors for the year ended December 31, 2023 was $590,444 (2022 - $871,027); and
- Share based payments to executive officers and directors for the year ended December 31, 2023 was $372,465 (2022 - $191,367).

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 a concentration of 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.

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. Subsequent to December 31, 2023, we improved our liquidity further 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 December 31, 2023, a 5% increase or decrease in the exchange rate would result in a gain or loss of $296,000. 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 December 31, 2023 would increase to $11,247,132 (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 $9,202,199 (December 31, 2022 - $5,399,862).

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

As of the date of this MD&A, we have issued and outstanding 214,513,274 common shares. In addition, we had the following securities potentially convertible into common shares:

i) 18,236,245 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) 7,000,000 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.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR+ at http://www.sedarplus.ca.

BOARD APPROVAL

The Board of Directors of the Company approved this MD&A on April 22, 2024.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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: (i) statements regarding the future growth of the Company's revenue; and (ii) statements regarding the expansion plans for the Company's business.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information available as at such date and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the availability of financing opportunities, risks associated with economic conditions, dependence on management or directors and conflicts of interest, sources of income to generate cash flow, risks relating to maintenance of required licences, potential transaction and legal risks, risks relating to regulation and sale of cryptocurrency; and

(b) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct.

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.

NON-GAAP MEASURES

References to Adjusted EBITDA or Adjusted cash flow in this MD&A refer to non-GAAP ("Generally Accepted Accounting Principles") financial measures reconciled in the section "Selected Financial Information". Adjusted EBITDA and Adjusted Cash flow is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Management believes that Adjusted EBITDA and Adjusted cash flow are alternative measures in evaluating the Company's business performance. Readers are cautioned that Adjusted EBITDA or Adjusted cash flow should not be construed as an alternative to net income as determined under IFRS; nor as an indicator of financial performance as determined by IFRS; nor a calculation of cash flow from operating activities as determined under IFRS; nor as a measure of liquidity and cash flow under IFRS. The Company's method of calculating Adjusted EBITDA and Adjusted cash flow may differ from methods used by other Companies and, accordingly, the Company's Adjusted EBITDA and Adjusted cash flow may not be comparable to similar measures used by any other Company.

Throughout this MD&A, the following terms are used, which do not have a standardized meaning under IFRS.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- "EBITDA" represents net income or loss excluding financing fees, income tax expense or recovery, depreciation and accretion.
- "Adjusted EBITDA" represents EBITDA adjusted to exclude share-based compensation, unrealized gain or loss on the revaluation of digital assets, unrealized gain or loss on the fair value adjustment of cryptocurrency loans and derivative instruments, 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 EBITDA Margin" represents Adjusted EBITDA as a percentage of revenue.

Adjusted EBITDA, and Adjusted EBITDA Margin are used to show ongoing profitability without the impact of non-cash or non-recurring items. We believe that Adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance. We use Adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. However, Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with IFRS.

Adjusted cash flow is calculated as Adjusted EBITDA less financing fees, excluding non-cash interest 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.

We believe that Adjusted cash flow, a non-GAAP measure, is useful in evaluating our operating performance. We use Adjusted cash flow to evaluate our ongoing operations and for internal planning and forecasting purposes. However, Adjusted cash flow is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with IFRS.

RISK FACTORS

Our business, operating results and financial condition could be adversely affected by any of the risks outlined and discussed in the financial statements and this MD&A.

COMPETITION

We are exposed to the risk of increased competition in the Bitcoin ATM industry. We have addressed this risk by developing proprietary software for our ATMs, which operationally set them apart from our competitors, offering a superior customer experience, as well as partnering and contracting with top-tier hosts to place ATMs in the best possible locations, with exclusivity terms. Further, we have developed the Online Bitcoin portal to allow for users to buy, sell and use bitcoin from the convenience of their house, similar to an online banking platform.

The regulatory environment in which we operate is always changing and presents new challenges. We have established ourselves as a leader in regulatory understanding and compliance, and through our strategic partnerships with industry leading compliance and regulatory experts, we understand the regulatory landscape and the expected changes to the playing field. This proactive approach allows us to plan ahead and adapt our service offerings accordingly. Having invested time and resources in understanding this risk has allowed us to operate at a significant advantage over much of the competition in the Bitcoin ATM industry.

ADDITIONAL FUNDING REQUIREMENTS

Further expansion of our business in Canada and the United States will require additional capital, and the ongoing costs of operations may not generate positive cash flow for the near or long term. Although we believe we have adequate funds to operate for the foreseeable future, there is no assurance that we will be successful in obtaining the required financing for these or other purposes, including for general working capital. Our ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that we will be successful in our efforts to secure any additional financing or additional financing on terms satisfactory to management.

If additional financing is raised by issuance of additional shares from treasury, control may change, and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, we may be required to scale back our current business plan or cease operating.

MARKET RISK FOR SECURITIES

The market price for our common shares may be subject to wide fluctuations. Factors such as government regulation, cryptocurrency price fluctuations, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. There also can be no assurance that an active trading market for our common shares will be sustained in the future.

BITCOIN AND CRYPTOCURRENCY INDUSTRY

The further development and acceptance of the bitcoin and other cryptocurrency industry is subject to a variety of factors that are difficult to anticipate and evaluate. The use of bitcoin and other cryptocurrencies to buy and sell goods and services, among other things, is a new and rapidly evolving industry.

Although it is widely predicted that bitcoin (and potentially other cryptocurrencies) will become a leading class of digital asset, it cannot be assured that this will in fact occur. Any slowing or stopping of the development in the acceptance of bitcoin and other cryptocurrencies may adversely affect an investment in us. For a number of reasons, including for example the lack of recognized security technologies, inefficient or unwilling processing of payment transactions by the existing financial system, limited user-friendliness, inconsistent quality, and lack of clear universally applicable regulation as well as uncertainties regarding proprietary rights and other legal issues, bitcoin and other cryptocurrency activities may in fact prove in the long run to be an unprofitable means for businesses.

Factors affecting the further development of the bitcoin and other cryptocurrency industry include: (i) continued worldwide growth in the adoption and use of bitcoin and other cryptocurrencies; (ii) government and quasi-government regulation of bitcoin and other cryptocurrencies and their use, or restrictions on or regulation of access to and operation of bitcoin and other cryptocurrency systems; (iii) changes in consumer demographics and public tastes and preferences; (iv) the availability and popularity of other forms or methods of buying and selling goods and services; and (v) the regulatory environment and general economic conditions and the regulatory environment related to bitcoin and other cryptocurrencies.

A decline in the popularity or acceptance of bitcoin and other cryptocurrencies would harm our business.

SUBJECTION TO REGULATORY ACTIONS OR CHANGES

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to bitcoin and other cryptocurrencies, with certain governments deeming them illegal while others have allowed their use and trade. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, our ability to continue to operate. The effect of any future regulatory change on the ability to buy and sell bitcoin and other cryptocurrencies is impossible to predict, but such change could be substantial and have a material adverse effect on us.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade bitcoin or other cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in our common shares. Such a restriction could result in us having to liquidate our cryptocurrency inventory at unfavorable prices and may adversely affect our shareholders.

IMPACT OF BITCOIN AND OTHER CRYPTOCURRENCY VALUE MAY AFFECT OPERATIONS

The markets for bitcoin and other cryptocurrencies have experienced much larger fluctuations than other markets, and there can be no assurances that erratic swings in price will slow in the future. In the event that the price of bitcoin or other cryptocurrencies declines, the value of an investment in us will likely decline. Several factors may affect the price and volatility of bitcoin and other cryptocurrencies including, but not limited to: (i) global bitcoin and other cryptocurrency demand, depending on the acceptance of bitcoin and/or other cryptocurrencies by retail merchants and commercial businesses; (ii) the perception that the use and holding of bitcoin or other cryptocurrencies is safe and secure, and the related lack of or inconsistency in regulatory restrictions, particularly across various jurisdictions; (iii) conversely, heightened regulatory measures restricting the use of bitcoin and/or other cryptocurrencies as a form of payment or the purchase of bitcoin and/or other cryptocurrencies; (iv) investor's expectations with respect to the rate of inflation; (v) interest rates; (vi) currency exchange rates, including exchange rates between various cryptocurrencies and fiat currency; (vii) fiat currency withdrawal and deposit policies on cryptocurrency exchanges and liquidity on such cryptocurrency exchanges; (viii) interruption of services or failures of major cryptocurrency exchanges; (ix) general governmental monetary policies, including trade restrictions, and currency revaluations; (x) global or regional political, economic or financial events and situations, including increased threat of terrorist activities; and/or (xi) self-fulfilling expectations of changes in the bitcoin and/or other cryptocurrency market.

As well, momentum pricing is typically associated with assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Momentum pricing of bitcoin or other cryptocurrencies may result in speculation regarding future appreciation in their value. As a result, changing investor confidence could adversely affect an investment in us.

CHANGES IN PRICING OF INPUTS

Given the market fluctuation in the price of bitcoin, the margin and fee the Company charges may not be sufficient to cover the cost of bitcoin, and the Company could, at times, be selling bitcoin at a lower price for which it was purchased at. To address this risk, the Company holds enough bitcoin as inventory to perform one inventory cycle. In addition, the Company has auto-trader functionality on its products, in that transactions are automatically traded on its cryptocurrency exchanges, in real-time, as transactions are occurring. Thus the Company's risk to the change in pricing of its inputs is restricted to the time it takes the Company to perform a full cycle of its inventory.

RESTRICTIONS ON BANKING

A number of companies that provide cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of key businesses providing cryptocurrency-related services.

ACCEPTANCE OF BITCOIN AND OTHER CRYPTOCURRENCIES

Currently, there is a relatively small use of cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect our operations, investment strategies, and profitability. As relatively new products and technologies, bitcoin and other cryptocurrencies have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of bitcoin and other cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact our business.

MISUSE OF BITCOIN AND OTHER CRYPTOCURRENCIES

Since the existence of cryptocurrencies, there have been attempts to use them for speculation or malicious purposes. Although law makers increasingly regulate the use and applications of bitcoin and other cryptocurrencies, and software is being developed to curtail speculative and malicious activities, there can be no assurances that those measures will sufficiently deter those and other illicit activities in the future. Advances in technology, such as quantum computing, could lead to a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) being able to alter the blockchain on which bitcoin and other cryptocurrency transactions rely. In such circumstances, the malicious actor or botnet could control, exclude or modify the ordering of transactions, or generate new cryptocurrency or transactions using such control. The malicious actor or botnet could double spend its own cryptocurrency and prevent the confirmation of other users' transactions for so long as it maintains control. Such changes could adversely affect an investment in us.

UNINSURABLE RISKS

We intend to insure our operations in accordance with technology industry practice. However, given the novelty of the business, such insurance may not be available, uneconomical, or the nature or level may be insufficient to provide adequate insurance coverage. We may become subject to liability for hazards against which we cannot insure or against which we may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which we do not carry insurance may have a material adverse effect on our financial position.

CONCENTRATION RISK

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Currently, we have our investments highly concentrated in a single cryptographic asset, bitcoin. This risk exposure is mitigated in part, by having our loans payable – cryptocurrency also denominated in bitcoin.

SECURITY RISK

Bitcoins are controllable only by the possessor of the private key relating to the local or online digital wallet in which the bitcoin is held. The bitcoin network requires a public key relating to a digital wallet to be published when used in a spending transaction and, if keys are lost or destroyed, this could prevent trading of the corresponding bitcoins. Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the bitcoin exchange market since the launch of the bitcoin network. Any security breach caused by hacking could cause loss of bitcoin investments.

BITCOIN NETWORK RISK

The open-source structure of the bitcoin network protocol means that the core developers of the bitcoin network and other contributors are generally not perceived to be directly compensated for their contributions in maintaining and developing the bitcoin network protocol.