
Wellfield Technologies Inc.

Consolidated Financial Statements

March 31, 2023 and December 31, 2021

(Expressed in Canadian dollars)



KINGSTON
ROSS
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CHARTERED PROFESSIONAL ACCOUNTANTS

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July 28, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Wellfield Technologies Inc.

Opinion

We have audited the consolidated financial statements of Wellfield Technologies Inc. (the Company), which comprise the consolidated statements of financial position as at March 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023, and the consolidated financial performance and consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$47,963,258 during the period ended March 31, 2023 and, as of that date, had a deficit of \$55,859,345. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 22, 2022.

Key Audit Matters

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

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Independent Auditor's Report to the Shareholders of Wellfield Technologies Inc.
(continued)

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

Existence, ownership and valuation of cryptocurrencies and recognition of revenue

We refer to financial statement summary of significant accounting policies in Note 4 and related disclosures in Notes 7, 10 and 19.

At March 31, 2023, the Company held cryptocurrency held for operating activities in the amount of \$1,399,399 and revenue recognized for the period ended March 31, 2023 was \$110,699,876.

We considered this a key audit matter due to the magnitude of the cryptocurrencies and revenue and the audit effort involved in testing the existence, ownership and valuation of digital currencies and recognition of revenues.

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

Evaluated the design and tested the operating effectiveness of certain service organization controls over digital currencies performed at the external custodian.

Assessed the Service Organization Controls Report (the "SOC Report") of the third-party custodian attesting to the appropriateness and effectiveness of the internal control systems established by the custodian and to assess the design and operating effectiveness of the Company's complementary user entity controls.

Tested the reconciliation of opening to closing cryptocurrency balances, including comparing a sample of the additions and disposals to records on the public blockchain.

Recalculated the fair value of the cryptocurrency held using market pricing data.

Observed the performance of the transfer of a small amount of cryptocurrencies from the Company's wallet with the custodian to a different wallet to test the rights and ownership of the digital assets.

Tested the completeness and accuracy of information produced by the Company associated with revenue, which was used for purposes of recording in the Company's General Ledger.

Tested a sample of transaction revenue consummated during the period by selecting detail transactional data and recalculating the revenue earned based on agreed pricing data and receipt of fiat currency in exchange for the delivery of inventory.

We assessed the adequacy of the Company's disclosures related to cryptocurrency and revenue.

Impairment assessment of goodwill and intangible assets

We refer to financial statement summary of significant accounting policies in Note 4 and related disclosures in Notes 5 and 9.

During the period ended March 31, 2023, the Company recognized an impairment loss on its goodwill in the amount of \$21,815,369 and on its intangible assets in the amount of \$3,315,237. The Company reviews for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the goodwill and intangible assets may be impaired. We identified the Company's impairment assessment of the goodwill and intangible assets as a key audit matter.

This impairment test is significant to our audit because the Company identified indicators of impairment for its goodwill and intangible assets, resulting in a significant impairment expense being recognized. In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically forecasted future cash flows and discount rates, giving rise to high estimation uncertainty.

To address the risk for material misstatement on the impairment assessment of the goodwill and intangible assets, our audit procedures included, amongst other procedures:

Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.

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Independent Auditor's Report to the Shareholders of Wellfield Technologies Inc.
(continued)

Assessed the assumptions, methodologies and data used by the Company, in particular those relating to forecasted cash flows and discount rates.

Tested the completeness and accuracy of the underlying data used in the Company's valuation model.

Performed analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's presentation and disclosures related to impairment assessment of the goodwill and intangible assets.

Evaluation of Business Acquisition

We refer to financial statement summary of significant accounting policies in Note 4 and related disclosure in Notes 5 and 9.

At the acquisition date, the Company reported net assets acquired and total consideration paid of \$20,756,642 in relation to the two acquisitions in the fiscal period. The acquisitions required an assessment of the IFRS guidance and a thorough assessment of the fair value of the aggregate consideration transferred and net assets received.

Evaluation of acquisitions was considered as a key audit matter, due to the size of the balance and significant management judgment is required for the value assessment. This matter represented an area of significant risk of material misstatement given the magnitude of the balance and high degree of estimation uncertainty in determining the fair value of consideration paid and net assets acquired. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence supporting the Company's significant estimates due to the sensitivity of the fair value to minor changes in these estimates.

To address the risk for material misstatement on intangibles, our audit procedures included, amongst other procedures:

Evaluating the analyses and calculations made by management with respect to the fair value assessment at the date of acquisition.

Engaging the involvement of external auditor experts in the valuation at the date of acquisition.

Assessing the compliance of Company's accounting policies with applicable accounting standards.

We assessed the adequacy of the Company's disclosures relating to the business acquisitions.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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Independent Auditor's Report to the Shareholders of Wellfield Technologies Inc.
(continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report to the Shareholders of Wellfield Technologies Inc.
(continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.


Kingston Ross Pasnak LLP
Chartered Professional Accountants

Wellfield Technologies Inc.**Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

	Note	As at March 31, 2023 (\$)	As at December 31, 2021 (\$)
Assets			
Current assets			
Cash and cash equivalents		727,967	17,629,909
Term deposits		12,000	20,000
Receivables	6, 18	619,943	-
Prepaid expenses and deposits		986,442	1,678,840
Cryptocurrency held for operating activities	7	1,399,399	-
Income taxes receivable		767,028	-
Due from related party		-	50,964
		<u>4,512,779</u>	<u>19,379,713</u>
Non-current assets			
Property and equipment	8	307,438	81,984
Intangible assets	9	9,041,038	4,146,989
Investment in Verif-y	11	811,980	-
Deferred tax asset	24	1,070,358	-
Goodwill	9	8,711,309	19,845,031
		<u>24,454,902</u>	<u>43,453,717</u>
Total assets			
		<u>24,454,902</u>	<u>43,453,717</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12, 18	3,534,755	1,021,317
Lease liability		14,567	-
Cryptocurrencies payable to customers	15	820,470	-
Loan in cryptocurrency	16	1,156,198	-
Contract liabilities	17	645,984	-
Derivative financial liability		46,418	-
Income taxes payable		435,998	444,896
		<u>6,654,390</u>	<u>1,466,213</u>
Non-current liabilities			
Other liabilities		19,127	-
Deferred tax liability	24	-	205,142
		<u>19,127</u>	<u>205,142</u>
Total liabilities			
		<u>6,673,517</u>	<u>1,671,355</u>
Equity			
Share capital	21	60,083,690	43,987,416
Contributed surplus		3,631,546	1,989,193
Warrant reserve		8,042,654	3,612,379
Deficit		(55,859,345)	(7,896,087)
Accumulated other comprehensive income		1,882,840	89,461
		<u>17,781,385</u>	<u>41,782,362</u>
Total equity			
		<u>17,781,385</u>	<u>41,782,362</u>
Total liabilities and equity			
		<u>24,454,902</u>	<u>43,453,717</u>
Going concern			
	2		
Subsequent events			
	29		

Approved by the Board of Directors:

Chair of the Board_____
Chair of the Audit Committee

Wellfield Technologies Inc.**Consolidated Statements of Loss and Comprehensive Loss**

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

		Fifteen months ended March 31, 2023	Twelve months ended December 31, 2021
	Note	(\$)	(\$)
Revenue	19	110,699,876	-
Cost of revenue		108,199,706	-
Gross profit		2,500,170	-
Operating expenses			
Research and development		7,512,872	1,445,951
Growth and marketing		1,923,810	81,772
Operations		115,363	21,701
General and administrative		13,511,129	1,551,778
Amortization and depreciation	8, 9	2,000,985	156,005
		25,064,159	3,257,207
Operating loss		(22,563,989)	(3,257,207)
Other income (loss)			
Listing expense	5	-	(2,418,597)
Impairment of intangible assets and goodwill	9	(25,130,606)	-
Impairment of cryptocurrencies	10	(328,841)	-
Fair value adjustment on investment in Verif-y	11	(460,820)	-
Net gain on SAFTs	13	-	573,709
Other income		26,577	13,276
Exchange gain (loss)		(1,068,812)	(13,599)
Loss before income taxes		(49,526,491)	(5,102,418)
Income tax expense (recovery)	24	(1,563,233)	185,465
Net loss		(47,963,258)	(5,287,883)
Other comprehensive income (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation adjustment		1,839,770	33,305
Unrealized loss in fair value of cash flow hedging derivative instruments		(46,391)	-
Total comprehensive loss		(46,169,879)	(5,254,578)
Net loss per share	25		
Net loss per share attributable to common shareholders of the Company (basic and diluted)		(0.40)	(0.10)
Weighted average number of common shares outstanding (basic and diluted)		121,152,842	52,996,330

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

Wellfield Technologies Inc.
Consolidated Statements of Changes in Shareholders' Equity

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

	Note	Number of shares	Share capital (\$)	Contributed surplus (\$)	Warrant reserve (\$)	Deficit (\$)	Accumulated other comprehensive income (\$)	Total equity (\$)
Balance as at January 1, 2021		6,569,573	1,735	1,448,700	-	(2,608,204)	56,156	(1,101,613)
Issuance of shares	21	26,278,292	6,907	-	-	-	-	6,907
Seamless private placement	21	11,635,665	5,103,633	-	-	-	-	5,103,633
Share issuance costs - Seamless private placement	21	4,109,964	(94,763)	-	-	-	-	(94,763)
Issuance of common shares for services	21	203,883	82,983	-	-	-	-	82,983
Extinguishment of SAFTs	13	-	-	291,643	-	-	-	291,643
Private placement	21, 23	20,475,000	16,994,250	-	3,480,750	-	-	20,475,000
Private placement issuance costs	21	-	(910,830)	-	(186,556)	-	-	(1,097,386)
Issuance of incentive warrants	21, 23	-	(318,185)	-	318,185	-	-	-
Shares issued on reverse acquisition of 1290447 BC Ltd.	5	2,500,000	1,688,486	-	-	-	-	1,688,486
Shares issued on acquisition of MoneyClip Inc.	5	30,497,999	21,433,200	141,364	-	-	-	21,574,564
Share-based payments	22	-	-	107,486	-	-	-	107,486
Net loss and comprehensive income		-	-	-	-	(5,287,883)	33,305	(5,254,578)
Balance as at December 31, 2021		102,270,376	43,987,416	1,989,193	3,612,379	(7,896,087)	89,461	41,782,362
Share-based payments	22	-	-	1,902,089	-	-	-	1,902,089
Exercise of restricted stock units	22	312,000	259,736	(259,736)	-	-	-	-
Warrants exercised	23	18,946	26,305	-	(7,359)	-	-	18,946
Shares issued on acquisition of New Bit Ventures Ltd.	5	22,988,467	8,297,884	-	-	-	-	8,297,884
Equity issued on acquisition of Tradewind Markets, Inc.	5	15,166,667	5,759,674	-	3,190,309	-	-	8,949,983
Non-brokered private placement	21	15,000,000	1,752,675	-	1,247,325	-	-	3,000,000
Net loss and comprehensive income		-	-	-	-	(47,963,258)	1,793,379	(46,169,879)
Balance as at March 31, 2023		155,756,456	60,083,690	3,631,546	8,042,654	(55,859,345)	1,882,840	17,781,385

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

Wellfield Technologies Inc.**Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

		Fifteen months ended March 31, 2023 (\$)	Twelve months ended December 31, 2021 (\$)
Operating activities			
Net loss		(47,963,258)	(5,287,883)
Items not affecting cash			
Depreciation of property and equipment	8	212,828	2,994
Amortization of intangible assets	9	1,788,157	153,011
Interest income accrued		-	(13,154)
Interest expense on lease liability		4,584	-
Unrealized foreign exchange loss		139,292	21,997
Non-cash listing expense	5	-	1,623,290
Loss on disposition of equipment	8	7,872	-
Impairment of intangible assets and goodwill	9	25,130,606	-
Impairment of cryptocurrencies	10	328,841	-
Fair value adjustment on investment in Verif-y	11	460,820	-
Net gain on SAFTs	13	-	(573,709)
Share-based payments	22	1,902,089	193,810
Income tax expense (recovery)	24	(1,563,233)	185,465
Changes in non-cash operating working capital items			
Receivables		486,217	-
Prepaid expenses and deposits		1,307,152	(1,449,945)
Cryptocurrency held for operating activities		715,349	-
Accounts payable and accrued liabilities		(186,672)	201,162
Contract liabilities		626,127	-
Cryptocurrencies payable to customers		(518,764)	-
Cash taxes refunded (paid)		493,495	-
		(16,628,498)	(4,942,962)
Investing activities			
Redemption of term deposits		8,000	-
Additions to equipment	8	(102,694)	(2,237)
Investment in Verif-y	11	(1,272,800)	-
Acquisition of New Bit Ventures Ltd.	5	(3,844,500)	-
Cash and cash equivalents acquired in consideration of business combinations	5	1,562,182	408,403
		(3,649,812)	406,166
Financing activities			
Issuance of share capital	21	3,000,000	24,189,749
Proceeds from exercise of warrants	23	18,946	-
Lease payments		(150,624)	-
Net change in due to/from related parties		388,851	(2,092,676)
		3,257,173	22,097,073
Effect of foreign exchange rate changes on cash and cash equivalents		119,195	(67,121)
Net increase (decrease) in cash and cash equivalents		(16,901,942)	17,493,156
Cash and cash equivalents - Beginning		17,629,909	136,753
Cash and cash equivalents - Ending		727,967	17,629,909

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

Wellfield Technologies Inc.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise noted)

1 Nature of operations

Wellfield Technologies Inc. ("the Company" or "Wellfield") was incorporated as 1290447 B.C. Ltd. under the British Columbia Business Corporations Act on February 23, 2021. Wellfield is building technology that unlocks the future of decentralized finance. Wellfield is domiciled in Canada with its registered office located at 666 Burrard Steet, Suite 2500, Vancouver, British Columbia V6C 2X8. The Company listed on the TSX Venture Exchange ("TSXV") and began trading on November 30, 2021 under the ticker symbol "WFLD".

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, have triggered significant disruptions to economic activity worldwide. The Company has been active in monitoring and assessing the impact of the pandemic and has taken necessary steps to adjust operations as appropriate. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences as well as their potential impact on the financial position and results of the Company for future periods. The Company is committed to adjusting operations as required to ensure continued financial viability.

The Company changed its financial year end from December 31 to March 31 for the purpose of regulatory and administrative efficiency. The consolidated financial statements have been prepared for the fifteen months ended March 31, 2023, with comparatives for the twelve months ended December 31, 2021.

2 Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Standards Interpretations Committee.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 28, 2023.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company incurred a loss of \$47,963,258 for the fifteen months ended March 31, 2023, has negative cash flows from operations and has a deficit of \$55,859,345 as of March 31, 2023. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to raise capital from new equity or debt, the successful development and marketing of its financial services offerings, and attaining profitable operations in the future.

The assessment of the Company's ability to continue as a going concern requires significant judgment and is based on assumptions regarding its ability to raise future capital, successfully develop and market financial services offerings, and achieve profitable operations in the future. These consolidated financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities initially recognized in connection with business combinations, and certain financial instruments and derivative financial instruments, which are measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts, unless otherwise stated.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

2 Basis of presentation (continued)***Foreign currency******Functional and presentation currency***

The presentation currency used in the preparation of these financial statements is the Canadian dollar. The functional currency for the Company is the Canadian dollar. The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's operating costs, financing and related transactions. Specifically, the Company considers the currencies in which expenses are settled as well as the currency in which it receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. Certain of the Company's subsidiaries have functional currencies that are not the Canadian dollar.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of loss and comprehensive loss.

Foreign currency translation

The results and financial position of the Company's foreign operations whose functional currency is not the Canadian dollar are translated into the presentation currency using the following procedures: assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position; and income and expenses are translated at the average exchange rate for the period, which approximates the exchange rate as at the date of the transaction due to exchange rates experiencing minimal fluctuations. Equity items are translated using the historical rate. All resulting exchange differences are recognized in other comprehensive income.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, which are controlled by the Company ("the Group"). Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

Details of the Company's material subsidiaries are as follows:

Subsidiary	Jurisdiction Incorporated	Functional Currency	Ownership %
CMAMA Limited	Ireland	US dollars	100%
CMAMA US Inc. (formerly MoneyClip Inc.)	United States	US dollars	100%
Money Clip Canada Inc.	Canada	Canadian dollars	100%
New Bit Ventures Ltd.	Israel	US dollars	100%
Seamless Logic Software Limited	Gibraltar	US dollars	100%
Tradewind Markets, Inc.	United States	US dollars	100%
Wellfield Technology IR Limited	Ireland	Euros	100%

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

3 Significant judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Estimates are reviewed on an ongoing basis. Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgments on the amount and timing of recovery.

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, and the deferral and deductibility of certain items. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

Cryptocurrency held for operating activities

The accounting treatment of cryptocurrency held under IFRS requires the exercise of judgment due to the evolving nature of these assets and the absence of specific IFRS guidance. The Company has concluded that cryptocurrency held for operating activities meets the conditions prescribed in IAS 2 for presenting the inventory of cryptocurrencies at fair value less costs to sell. The Company measures the fair value of cryptocurrency using CoinDesk's XBX index and CoinMarketCap, which provide quoted rates using the average of the cryptocurrency prices across multiple exchanges. As a result, cryptocurrency held for operating activities and cryptocurrencies payable to customers are classified as level 2 within the fair value hierarchy. The difference between the price of cryptocurrencies in the principal market and the average price across multiple exchanges is not expected to be material.

Useful life of intangible assets

The Company's definite life intangible assets are amortized on a straight-line basis and calculated using the estimated useful life and residual values of the assets. Changes to these estimates may affect the carrying value of intangible assets, net loss and comprehensive loss.

Investment in Verif-y

The Company's investment in Verif-y is carried at fair value through profit or loss and has been classified as level 3 within the fair value hierarchy. There is no observable market data available to determine the fair value therefore management is required to make judgments and estimates to determine the fair value of the financial instrument. Management uses various techniques to estimate the fair value of the asset including implied valuations on subsequent equity raises or sales, if available, changes in the financial results of the operations of Verif-y, and other market approaches, where applicable.

Impairment of non-financial assets

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. In the case of goodwill, an impairment test is performed on an annual basis regardless of whether there are any indicators of impairment. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

3 Significant judgments and estimates (continued)***Revenue recognition***

In determining the amount of revenue from contracts with customers, the Company exercises judgment in determining whether it is a principal or an agent in the arrangement. For revenue derived from the sale of cryptocurrencies, this includes the evaluation of whether the Company is subject to the risks and benefits during the period the cryptocurrencies are under the control of the Company.

Share-based payments

Share-based payments with employees and directors are measured at the fair value of the of equity instruments at the date at which they are granted. Share-based payments with non-employees and non-directors, require measurement of the fair value of the services or goods received. If the Company cannot estimate reliably the fair value of the goods or services received, the share-based payments are measured at the fair value of the of equity instruments at the date at which they are granted. Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model taking into account the terms and conditions upon which those equity instruments were granted. Share options are valued using the Black-Scholes valuation model, which requires estimates of the share price volatility rate, risk-free rate, dividend yield, and expected life of the option.

Business combinations

Business combinations require the Company to make assumptions and estimates to determine the fair value of the identifiable assets acquired and liabilities assumed. The Company also makes estimates in the measurement of the fair value of consideration transferred where the fair value of the shares transferred is not readily available. These assumptions and estimates have an impact on the assets and liabilities recognized in the consolidated statement of financial position, including goodwill which is measured as the excess of the consideration transferred over the fair value of the assets acquired and liabilities assumed.

4 Significant accounting policies***Business combinations***

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. The consideration transferred in a business combination is measured at fair value, being the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities incurred by the Company to former owners of the acquiree and the equity interests issued by the Company. The Company recognizes goodwill on the date of acquisition where the consideration transferred plus any non-controlling interest in the acquiree recognized exceeds the net acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Acquisition-related costs, other than costs to issue debt or equity securities, are recognized as expenses in the periods in which the costs are incurred.

Cash and cash equivalents

Cash and cash equivalents primarily consist of deposits with financial institutions, payment processors and cryptocurrency custodians.

Cryptocurrency held for operating activities

The Company has concluded that cryptocurrency held for operating activities meets the conditions prescribed in IAS 2 for presenting the inventory of cryptocurrencies at fair value less costs to sell. Changes in fair value less costs to sell are recognized in profit or loss in the period of the change. Fair value is based on quoted prices at the end of the reporting period from CoinDesk's XBX index and CoinMarketCap.

Cryptocurrency held for investment

Cryptocurrencies owned by the Company which are not used in operating activities and are held for investment purposes do not represent inventory as above. Therefore, based on guidance issued by the International Accounting Standards Board and in light of commonly practiced interpretations of IFRS, cryptocurrencies held for investment are classified as an intangible asset with an indefinite useful life. The asset is not amortized and is tested for impairment periodically or whenever there is an indication that the asset may be impaired. The Company evaluates every period whether events or circumstances continue to support the assessment that the useful life of the cryptocurrencies is indefinite.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting policies (continued)***Derivatives and hedge accounting***

The Company utilizes derivative financial instruments, including forward and options contracts, to hedge its exposure to foreign currency fluctuations between the US dollar and the Israeli new shekel on forecasted transactions. Hedge effectiveness is assessed based on the degree to which the cash flows from the derivative contracts are expected to offset the cash flows of the underlying transaction being hedged. For derivatives designated as cash flow hedges for accounting purposes, the effective portion of the hedge is recognized in accumulated other comprehensive income and the ineffective portion of the hedge is recognized immediately into net loss.

Property and equipment

Property and equipment is recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is being provided over the estimated useful life of the assets using the following rates and methods:

Computer equipment	30%	Declining balance
Office equipment	20%	Declining balance
Leasehold improvements	Lease term	Straight-line
Right-of-use-assets - building	Lease term	Straight-line

The estimated useful lives, residual values, and depreciation methods of assets are reviewed at the end of each reporting period and adjusted if appropriate.

Intangible assets

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs related to software development, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category. Amortization is being provided over the estimated useful life of the assets using the straight-line method over the following estimated useful lives:

Acquired technology	3-7 years
Regulatory licenses	5 years
Brand	10 years
Customer relationships	8 years

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is not subject to amortization. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill acquired in a business combination is tested for impairment on an annual basis or earlier when there is an indication that impairment may exist.

Goodwill acquired in a business combination is allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination. Each unit or group of units that goodwill is allocated to shall not be larger than any of the Company's operating segments and shall represent the lowest level within the Company that goodwill is internally monitored.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting policies (continued)***Impairment of non-financial assets***

The Company reviews the carrying amounts of its non-financial assets when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts given the necessity of making key economic assumptions about the future.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Simple agreements for future tokens

Simple agreements for future tokens ("SAFT") are recognized as financial liabilities when the Company has an obligation to settle the SAFTs in cash should a token generation event fail to be completed or upon a dissolution event. Where the Company does not have any obligations to the SAFT holder upon a dissolution event or failure to complete a token generation event, there is no financial or other liability. Funds received for SAFTs that are not recognized as a financial or other liability are recognized in the statement of loss and comprehensive loss.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. For leases in which the Company is the lessee, it recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee
- exercise price of a purchase option if reasonably certain that option will be exercised
- penalties for terminating the lease, if lease term reflects an option to terminate the lease

Lease payments include payments in an optional renewal period if the Company is reasonably certain to exercise an extension option. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases whose term is less than twelve months and leases for which the underlying asset is of low value. For these excluded leases, the Company recognizes the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting policies (continued)***Loans in cryptocurrencies***

Loans received and repayable in cryptocurrencies are measured at fair value through profit or loss in view of the accounting mismatch that would otherwise arise with the measurement of the cryptocurrencies financed by the loans. The fair value of the cryptocurrencies relies on quoted prices from CoinMarketCap at the end of the reporting period.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of tax.

Share-based payments

The grant date fair values of equity-settled share-based arrangements granted are recognized as an expense unless they qualify for recognition as assets, with a corresponding increase in contributed surplus in equity, over the vesting period. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon exercise of stock options, the consideration paid by the holder is included in share capital and the related contributed surplus associated with the stock options exercised is reclassified into share capital. Upon settlement of equity-settled restricted stock units ("RSU"), the related contributed surplus associated with the RSU is reclassified into share capital.

Taxes***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Revenue recognition***Revenues from buying and selling cryptocurrencies***

The Company buys and sells cryptocurrencies for its customers as a principal. The Company recognizes revenues from the sale of cryptocurrencies at the point in time after customer orders have been completed, payment approval is obtained from the payment processing company and after the Company delivers the cryptocurrency to the customer. When the Company buys cryptocurrencies from its customers, a transaction is considered completed once the cryptocurrency delivered by the customer is approved on blockchain (a digital ledger consisting of records called blocks that is used to record transactions used for trading in Bitcoin, among other cryptocurrencies) and after the Company delivers the payment to the customer.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting policies (continued)***Revenue recognition (continued)******Revenues from trades and settlements on Tradewind ledger***

For trades, such as purchases and sales recorded and settled on the Tradewind distributed ledger, fees are calculated based on the dollar value of each settlement and revenue is recognized as the transaction is settled. This is also the point in time the transaction price is determined. For deposits, withdrawals or transfers on the ledger, revenue is earned once the transaction is settled.

Revenue from assets held on Tradewind ledger

The assets-on-ledger revenue occurs subsequent to revenue earned from trades and settlement. This revenue is earned as a result of the Company reflecting the ownership of the precious metals on the ledger and is calculated daily and is based on the dollar value of gold and silver ounces maintained on the Tradewind distributed ledger. Accordingly, revenue is recognized daily, as this is the point in time the transaction price is determined.

Revenues from leads

The Company refers customers to third party vendors in return for a lead commission. The Company recognizes revenue after receiving the report of the completion of the customer's transaction with the vendor.

Financial instruments

The classification and measurement of the Company's financial assets and liabilities are as follows:

Financial assets

- i) Equity instruments at Fair Value Through Other Comprehensive Income ("FVOCI"): This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. Equity instruments in this category are subsequently measured at fair value with changes recognized in other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.
- ii) Amortized cost: This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the Solely Principal and Interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.
- iii) Fair Value Through Profit or Loss ("FVTPL"): This category includes derivative instruments and quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting policies (continued)***Financial instruments (continued)****Classification of financial instruments*

The Company's financial instruments are classified as follows:

Cash and cash equivalents	Amortized cost
Term deposits	Amortized cost
Receivables	Amortized cost
Due from related party	Amortized cost
Investment in Verif-y	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Cryptocurrencies payable to customers	FVTPL
Loan in cryptocurrency	FVTPL
Contract liabilities settled in fiat currency	Amortized cost
Derivative financial liability	FVTPL
Other liabilities	Amortized cost

Measurement of financial instruments

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise.

Impairment

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statement of loss and comprehensive loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of loss and comprehensive loss.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the related cash flows expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes a financial liability when the obligation in the contract is discharged, cancelled or expires. Gains and losses from the derecognition are recognized in the statement of loss and comprehensive loss.

Adoption of new or amended accounting standards not yet effective

The Company has not applied new accounting standards and amendments to existing accounting standards that have been issued and have future effective dates. These new standards and amendments are not applicable or are not expected to have a significant impact on the Company's financial statements.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

5 Business combinations**Acquisitions during the fifteen months ended March 31, 2023****Acquisition of Coinmama**

On May 27, 2022, the Company acquired 100% of the shares of New Bit Ventures Ltd., operating as Coinmama ("Coinmama") in exchange for cash consideration of \$3,844,500 (\$3,000,000 USD) and the issuance of 22,988,467 common shares of the Company. Coinmama is a global platform that provides users with the ability to buy and sell cryptocurrencies. The acquisition of Coinmama provides Wellfield with an established brand and platform in the cryptocurrency market with opportunities for future growth with the integration of Wellfield's unique blockchain technology. On the acquisition date of May 27, 2022, the following assets acquired and liabilities assumed were recognized.

Assets acquired (liabilities assumed)	Fair Value (\$)
Cash and cash equivalents	1,483,452
Receivables	1,025,312
Prepaid expenses and deposits	526,027
Income taxes receivable	691,887
Cryptocurrency held for operating activities	1,238,735
Cryptocurrency held for investment	1,092,901
Property and equipment	311,347
Acquired technology	1,792,237
Regulatory licenses	1,438,120
Brand	3,760,258
Accounts payable and accrued liabilities	(2,342,475)
Lease liability	(160,607)
Cryptocurrencies payable to customers	(1,276,047)
Loans in cryptocurrencies	(809,941)
Deferred tax liability	(220,986)
Goodwill	<u>3,592,164</u>
	<u>12,142,384</u>
Total consideration paid	
Cash	3,844,500
Common shares issued	<u>8,297,884</u>
	<u>12,142,384</u>

The goodwill arising from the acquisition mainly consists of future growth, expected synergies, and an assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Coinmama contributed revenues of \$110,638,937 and a net loss of \$5,940,258 for the period from the acquisition date to March 31, 2023. If the acquisition had occurred on January 1, 2022, the Company estimates that consolidated pro-forma revenue and loss for the fifteen months ended March 31, 2023 would have been \$148,021,141 and \$50,689,378 respectively.

Acquisition costs of \$502,837 have been expensed in general and administrative during the fifteen months ended March 31, 2023.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

5 Business combinations (continued)***Acquisition of Tradewind***

On February 8, 2023, the Company acquired 100% of the shares of Tradewind Markets, Inc. ("Tradewind") in exchange for the issuance of 15,166,667 common shares of the Company and 15,166,667 share purchase warrants of the Company. Tradewind offers blockchain-based digital ownership of deliverable precious metals held in custody by the Royal Canadian Mint. The acquisition of Tradewind gives Wellfield a highly scalable platform with significant growth potential when combined with Wellfield's unique blockchain technology. On the acquisition date of February 8, 2023, the following assets acquired and liabilities assumed were recognized:

Assets acquired (liabilities assumed)	Preliminary Fair Value (\$)
Cash and cash equivalents	78,730
Receivables	36,120
Prepaid expenses and deposits	61,359
Income taxes receivable	613,503
Equipment	14,495
Acquired technology	2,336,646
Customer relationships	228,293
Accounts payable and accrued liabilities	(228,229)
Goodwill	5,473,341
	<u>8,614,258</u>
Total consideration paid	
Common shares issued	5,759,674
Share purchase warrants	3,190,309
Settlement of amount due to Tradewind	(335,725)
	<u>8,614,258</u>

The goodwill arising from the acquisition mainly consists of future growth, expected synergies, and an assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Tradewind contributed revenues of \$60,939 and a net loss of \$318,438 for the period from the acquisition date to March 31, 2023. If the acquisition had occurred on January 1, 2022, consolidated pro-forma revenue and loss for the fifteen months ended March 31, 2023 would have been \$111,112,930 and \$51,375,678 respectively.

Acquisition costs of \$209,279 have been expensed in general and administrative during the fifteen months ended March 31, 2023.

Acquisitions during the twelve months ended December 31, 2021***Acquisition of MoneyClip***

On November 23, 2021, the Company completed the acquisition of two private companies, Seamless Logic Software Limited ("Seamless") and MoneyClip Inc. ("MoneyClip") through a reverse takeover arrangement (the "Transaction"). Upon completion of the Transaction, the shareholders of Seamless obtained control of the consolidated entity. Under the purchase method of accounting, Seamless was identified as the acquirer, and accordingly the entity is a continuation of Seamless with the net assets of the Company and MoneyClip at the date of the Transaction deemed to have been acquired by Seamless.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

5 Business combinations (continued)**Acquisition of MoneyClip (continued)**

Assets acquired (liabilities assumed)	Fair Value (\$)
Cash	286,365
Term deposits	20,000
Prepaid expenses	65,964
Other current assets	246,954
Equipment	82,741
Acquired technology	4,300,000
Accounts payable and accrued liabilities	(423,236)
Deferred tax liability	(472,135)
Goodwill	19,845,031
	<u>23,951,684</u>
Total consideration paid	
Common shares issued (30,497,999 of the Company's shares)	21,433,200
Replacement awards issued	141,364
Settlement of amount due to Seamless	2,377,120
	<u>23,951,684</u>

The goodwill arising from the acquisition mainly consists of future growth, expected synergies, and an assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

MoneyClip contributed revenues of \$Nil and net loss of \$391,467 for the period from the acquisition date to December 31, 2021. If the acquisition had occurred on January 1, 2021, the Company estimates that consolidated pro-forma revenue and loss for the year ended December 31, 2021 would have been \$Nil and \$8,248,678 respectively.

Acquisition costs of \$227,106 have been expensed in general and administrative during the year ended December 31, 2021.

Reverse acquisition of 1290447 B.C. Ltd.

1290447 B.C. Ltd.'s set of activities and assets do not meet the definition of a business, therefore the transaction was not recorded as a business combination in accordance with *IFRS 3 Business Combinations*. The transaction was accounted for in accordance with *IFRS 2 Share-based Payment* as a reverse acquisition of net assets with the excess of the fair value of the consideration transferred over net assets acquired being recognized a listing expense.

Net assets acquired	\$
Cash	122,038
Prepaid expenses	162,995
Accounts payable and accrued liabilities	(60,862)
Other current liabilities	(158,975)
	<u>65,196</u>
Total consideration paid	\$
Common shares (2,500,000 shares held by 1290447 B.C. Ltd. shareholders)	<u>1,688,486</u>
Listing expense	\$
Consideration transferred in excess of net assets acquired	1,623,290
Legal and professional fees	795,307
	<u>2,418,597</u>

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

6 Receivables

Receivables consist of the following:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Credit card clearing companies	340,016	-
Other	142,853	-
Due from customers	67,244	-
Governmental authorities	43,211	-
Liquidity providers and financial service providers	26,619	-
	<u>619,943</u>	<u>-</u>

7 Cryptocurrency held for operating activities

Cryptocurrency held for operating activities consists of the following:

	March 31, 2023		December 31, 2021	
	Units	(\$)	Units	(\$)
BTC	17.71	683,246	-	-
USDC	292,167.72	395,311	-	-
USDT	145,248.32	196,584	-	-
ETH	43.57	107,383	-	-
Other cryptocurrencies	-	16,875	-	-
		<u>1,399,399</u>		<u>-</u>

Cryptocurrency held for operating activities recognized in cost of revenue for the fifteen months ended March 31, 2023 was \$63,030,327.

8 Property and equipment

Property and equipment consists of the following:

	Computer Equipment (\$)	Office Equipment (\$)	Leasehold Improvements (\$)	Right of Use Assets - Building (\$)	Total (\$)
Cost					
January 1, 2021	-	-	-	-	-
Additions	859	1,378	-	-	2,237
Acquisition through business combinations	77,835	4,906	-	-	82,741
December 31, 2021	<u>78,694</u>	<u>6,284</u>	<u>-</u>	<u>-</u>	<u>84,978</u>
Additions	87,252	13,004	2,438	-	102,694
Disposals	(8,533)	(878)	-	-	(9,411)
Acquisition through business combinations	118,516	48,865	15,616	142,845	325,842
Effect of change in exchange rates	7,132	2,610	1,064	8,915	19,721
March 31, 2023	<u>283,061</u>	<u>69,885</u>	<u>19,118</u>	<u>151,760</u>	<u>523,824</u>

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

8 Property and equipment (continued)

	Computer Equipment (\$)	Office Equipment (\$)	Leasehold Improvements (\$)	Right of Use Assets - Building (\$)	Total (\$)
<u>Accumulated depreciation</u>					
January 1, 2021	-	-	-	-	-
Depreciation	2,871	123	-	-	2,994
December 31, 2021	2,871	123	-	-	2,994
Depreciation	73,367	11,906	1,899	125,656	212,828
Disposals	(1,431)	(108)	-	-	(1,539)
Effect of change in exchange rates	(19)	103	28	1,991	2,103
March 31, 2023	74,788	12,024	1,927	127,647	216,386
Net book value as of December 31, 2021	75,823	6,161	-	-	81,984
Net book value as of March 31, 2023	208,273	57,861	17,191	24,113	307,438

9 Intangible assets and goodwill

Intangible assets consist of the following:

	Acquired Technology (\$)	Regulatory Licenses (\$)	Brand (\$)	Customer Relationships (\$)	Total Intangibles (\$)
<u>Cost</u>					
January 1, 2021	-	-	-	-	-
Acquisition through business combinations	4,300,000	-	-	-	4,300,000
December 31, 2021	4,300,000	-	-	-	4,300,000
Acquisition through business combinations	4,128,883	1,438,120	3,760,258	228,293	9,555,554
Effect of change in exchange rates	129,950	89,756	234,684	1,768	456,158
March 31, 2023	8,558,833	1,527,876	3,994,942	230,061	14,311,712
<u>Accumulated amortization and impairment</u>					
January 1, 2021	-	-	-	-	-
Amortization	153,011	-	-	-	153,011
December 31, 2021	153,011	-	-	-	153,011
Amortization	1,197,008	254,458	332,574	4,117	1,788,157
Impairment	3,315,237	-	-	-	3,315,237
Effect of change in exchange rates	4,849	4,093	5,349	(22)	14,269
March 31, 2023	4,670,105	258,551	337,923	4,095	5,270,674
Net book value as of December 31, 2021	4,146,989	-	-	-	4,146,989
Net book value as of March 31, 2023	3,888,728	1,269,325	3,657,019	225,966	9,041,038

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

9 Intangible assets and goodwill (continued)

Changes in goodwill are as follows:

	Goodwill (\$)
<u>Cost</u>	
January 1, 2021	-
Acquisition through business combinations	19,845,031
December 31, 2021	<u>19,845,031</u>
Acquisition through business combinations	9,065,505
Effect of change in exchange rates	1,339,212
March 31, 2023	<u>30,249,748</u>
<u>Accumulated amortization and impairment</u>	
January 1, 2021	-
Amortization	-
December 31, 2021	-
Amortization	-
Impairment	21,815,369
Effect of change in exchange rates	(276,930)
March 31, 2023	<u>21,538,439</u>
Net book value as of December 31, 2021	19,845,031
Net book value as of March 31, 2023	<u>8,711,309</u>

During the fifteen months ended March 31, 2023, management initiated a product and brand strategy review of the Company's institutional and retail business lines. As a result this process, management resolved to unify all of the Company's direct retail-facing products and services under the Coinmama brand. The execution of this decision included removing MoneyClip branded product from the marketplace and integrating MoneyClip's mobile app, technology, and personnel into Coinmama's business. The recoverable amount of the acquired MoneyClip technology was measured at \$Nil. The goodwill recognized in the acquisition of MoneyClip was allocated to the Coinmama cash-generating unit ("CGU") as a result of the integration of the MoneyClip business with the Coinmama business. The Coinmama CGU was tested for impairment as at September 30, 2022 as a result of the impairment indicators related to the discontinuance of the MoneyClip operations. The recoverable amount of the Coinmama CGU was measured at \$14,438,118 resulting in an impairment loss of \$21,815,369 being charged to goodwill. The recoverable amount of the Coinmama CGU was assessed at its fair value less costs of disposal using level 3 inputs in a discounted cash flow model.

The determination of the fair value less cost of disposal of the Coinmama CGU is sensitive to various factors, including revenue growth rates, EBITDA margin percentage and discount rates. A discount rate of 46.15% was applied in the calculation of the fair value less cost of disposal.

10 Cryptocurrency held for investment

During the fifteen months ended March 31, 2023, the Company transferred its cryptocurrency held for investment (30 BTC) to a trading entity within the Group to be used for operating activities.

The Company recognized an impairment loss on cryptocurrency held for investment of \$328,841 for the fifteen months ended March 31, 2023 as a result of the decline in the market price of BTC during the period.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

11 Investment in Verif-y

On February 23, 2022, the Company made a strategic investment of \$1,272,800 (\$1,000,000 USD) in Verif-y Inc. ("Verif-y") in exchange for a minority equity interest in Verif-y. Verif-y is a US based company that licenses Digital ID software and offers Regulatory Identity Verification and AML Solutions to financial institutions and government entities. For the fifteen months ended March 31, 2023, the Company recorded a loss of \$460,820 in relation to the fair value adjustment of its investment in Verif-y.

12 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Accrued liabilities	1,724,109	350,004
Trade payables	1,519,519	658,775
Other	139,528	12,538
Provision for chargebacks	79,142	-
Government remittances	72,457	-
	<u>3,534,755</u>	<u>1,021,317</u>

13 Simple agreements for future tokens

In prior years, Seamless entered into Simple Agreements for Future Tokens ("SAFT"). Under the terms of each SAFT, in exchange for funds received, the Company agrees to issue tokens to the SAFT holder at a specified percentage of all tokens issued, provided the Company carries out a token generation event prior to the expiration or termination of the SAFT. The terms of the original SAFTs required Seamless to pay an amount equal to the funds received in exchange for the SAFT back to the SAFT holder should a token generation event not take place prior to the termination date. During the twelve months ended December 31, 2021, all SAFTs, other than those settled for common shares of Seamless issued by another shareholder, were amended to extend the termination dates and remove the provision for any repayment should a token generation event not occur. The amended SAFTs will expire and terminate between June 30 and December 31, 2023, unless the Company, in its sole discretion, exercises its right to extend the expiry date by six months. Upon expiration and termination of the SAFTs, the SAFT holders will have no further rights and the Company will have no further obligations.

SAFT liability consists of the following:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Balance - beginning	-	912,105
SAFTs converted to common shares	-	(133,491)
Derecognition on SAFT amendments	-	(731,861)
Effects of foreign exchange rate changes	-	(46,753)
Balance - ending	<u>-</u>	<u>-</u>

During the twelve months ended December 31, 2021, the Company extinguished a \$133,491 (2020 - \$Nil) liability from the SAFT agreements through the exchange of previously issued common shares by a shareholder which resulted in an addition to contributed surplus of \$291,643, measured at the fair value of the shares transferred. The difference of \$158,152 was recognized as a loss in the statement of loss and comprehensive loss.

The remaining SAFT agreements were amended to remove the Company's obligation to settle the SAFTs in cash should a token generation event not occur. As a result, the financial liability related to the SAFTs was derecognized and a gain of \$731,861 was recognized in the statement of loss and comprehensive loss. Should the Company undertake a token generation event before the termination dates of the SAFTs, the Company would be obligated to issue 7.81% of the total tokens issued to the SAFT holders.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

14 Lease liability

The Company has entered into a lease agreement for the use of office space in Israel. The lease term ends in April 2023 and contains an option to extend for an additional two years. As of March 31, 2023, potential future undiscounted lease payments for periods covered by extension options that were not included in the measurement of the Company's lease liabilities amount to approximately \$350,000. At the completion of the initial lease term ending April 2023, the lease was automatically extended for one year.

15 Cryptocurrencies payable to customers

Cryptocurrencies payable to customers is the Company's obligation to provide customers with cryptocurrencies where customers have purchased cryptocurrencies from the Company and have not yet received them. The liability is measured at fair value based on quotes of the cryptocurrency from a trading platform used by the Company. Cryptocurrencies payable to customers consists of the following:

	March 31, 2023		December 31, 2021	
	Units	(\$)	Units	(\$)
BTC	19.68	758,466	-	-
ETH	23.75	58,561	-	-
Other cryptocurrencies	-	3,443	-	-
		<u>820,470</u>		<u>-</u>

16 Loan in cryptocurrency

The Company has established a short-term credit line agreement with an individual that allows the Company to access up to 30 BTC. The credit line carries an annual interest rate of 4%, which is payable on a monthly basis. The full amount borrowed from the credit line is due for repayment by January 2026. As at March 31, 2023, the Company has borrowed 30 BTC, which has a fair market value of \$1,156,198.

17 Contract liabilities

Contract liabilities represent the Company's obligations arising from the sale of cryptocurrency, where customers have transacted with the Company through the purchase or sale of cryptocurrency in exchange for a predetermined amount of fiat currency. A contract liability arises when the Company has received fiat currency or cryptocurrency from a customer but has not yet fulfilled its obligation to deliver the corresponding fiat currency or cryptocurrency to the customer. The Company recognizes contract liabilities as it becomes obligated to transfer fiat currency or cryptocurrency to customers. This occurs at the point of receipt of fiat currency or cryptocurrency from customers and continues until the Company fulfills its obligation by delivering the agreed-upon fiat currency or cryptocurrency.

Contract liabilities consist of the following:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Contracts settled in fiat currency	547,458	-
Contracts settled in cryptocurrency	98,526	-
	<u>645,984</u>	<u>-</u>

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

18 Related party transactions***Transactions with key management personnel***

Key management personnel compensation consists of the following:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Wages, salaries, fees and short-term benefits	1,458,264	311,176
Share-based payments	258,310	22,141
	<u>1,716,574</u>	<u>333,317</u>

As at March 31, 2023, \$130,000 (December 31, 2021 - \$Nil) was owed from a corporation controlled by a Director of the Company and included in other receivables.

As at March 31, 2023, \$25,841 (December 31, 2021 - \$72,578) was owed to key management personnel and included in accounts payable and accrued liabilities.

19 Revenue

Revenue consists of the following:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Selling of cryptocurrencies - consumers	68,969,602	-
Selling of cryptocurrencies - institutions	41,266,380	-
Referrals	402,955	-
Transaction revenue - Tradewind	37,959	-
Storage revenue - Tradewind	22,980	-
	<u>110,699,876</u>	<u>-</u>

\$40,440,418 of the Company's revenue from selling of cryptocurrencies - institutions is derived from a single customer.

The Company's geographical breakdown of revenue is as follows:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
United States	66,809,161	-
Germany	7,323,818	-
United Kingdom	6,282,074	-
Australia	2,961,030	-
Canada	700,195	-
Other	26,623,598	-
	<u>110,699,876</u>	<u>-</u>

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

20 Salaries and benefits

The Company's salaries and benefits are broken down by function as follows:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Research and development	4,922,579	170,973
General and administrative	4,120,435	72,852
Cost of revenue	1,914,608	-
Growth and marketing	1,118,957	29,536
Operations	52,706	6,874
	<u>12,129,285</u>	<u>280,235</u>

21 Share capital

Share capital consists of:

	March 31, 2023 (\$)	December 31, 2021 (\$)
Authorized:		
Unlimited common shares		
Unlimited preferred shares		
Issued:		
155,756,456 common shares (December 31, 2021 - 102,270,376)	<u>60,083,690</u>	<u>43,987,416</u>

On January 12, 2021, the Company issued 26,278,292 common shares to the original shareholders of Seamless for proceeds of \$6,907.

On January 12, 2021, the Company issued 11,635,665 common shares in a private placement for gross proceeds of \$5,103,633, which included \$203,642 as a settlement of a liability that existed as at December 31, 2020. As part of the private placement, the Company issued 4,109,964 common shares to certain individuals providing services directly related to the private placement. In addition, the Company paid professional fees of \$94,763 in connection with the placement. These costs have been recorded as share issuance costs and deducted from equity.

On May 25, 2021, the Company issued 203,883 common shares for marketing services with a fair value of \$82,983.

Concurrent to the completion of the Transaction on November 23, 2021, 20,475,000 common shares and 10,237,500 warrants of Wellfield were issued for gross proceeds of \$20,475,000. As part of the private placement, the Company issued 819,135 warrants to certain agents. The fair value of the agents' warrants has been measured using the Black-Scholes option pricing model at \$383,355. \$318,185 has been recorded as share issuance cost and \$65,170 has been recorded as warrant issuance cost. In addition, the Company paid cash commissions, agents fees, and other professional fees in connection with the financing totaling \$1,097,386. These costs have been recorded as share and warrant issuance costs and deducted from equity. The gross proceeds and related share issuance costs are allocated to common shares and warrants based on the relative fair value of the common shares and warrants on the acquisition date.

Concurrent to the completion of the acquisition of Tradewind, the Company completed a \$3,000,000 non-brokered private placement of 15,000,000 Units at \$0.20 each. Each Unit consisted of one common share of the Company and one warrant, exercisable for a common share at \$0.45 for a period of three years from the date of issuance. The warrants contain an acceleration clause, giving the Company the option to accelerate the expiration date if the 10-day volume-weighted average share price exceeds \$0.75, subject to a minimum notice period of 30 days. The gross proceeds are allocated to common shares and warrants based on the relative fair value of the common shares and warrants on the date of issuance.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

22 Share-based payments

The Company has established an equity incentive plan, permitting the Company to award its directors, employees and certain non-employees with share-based compensation. Awards permitted under the plan include restricted stock units ("RSUs") and stock options. The maximum number of common shares reserved under the equity incentive plan shall not exceed 10% of the total common shares issued and outstanding. RSUs vest over a period of up to four years, include service conditions only, and will be settled by the issuance of common shares at the settlement date. The option period for stock options shall not exceed ten years. Stock options will be settled in common shares upon exercise. The following share-based payment amounts are included in the statements of loss as operating expenses:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Restricted stock units	1,719,825	71,349
Stock options	182,264	36,137
Common shares issued for services	-	86,324
	<u>1,902,089</u>	<u>193,810</u>

Restricted stock units ("RSUs")

The following is a summary of changes in RSUs during the fifteen months ended March 31, 2023 and twelve months ended December 31, 2021:

	Number of RSUs
Outstanding at January 1, 2021	-
Granted during the year	1,246,000
Settled during the year	-
Forfeited during the year	-
Outstanding at December 31, 2021	<u>1,246,000</u>
Outstanding at January 1, 2022	1,246,000
Granted during the period	7,687,652
Settled during the period	(312,000)
Forfeited during the period	(66,154)
Outstanding at March 31, 2023	<u>8,555,498</u>

As of March 31, 2023, 1,113,503 fully vested RSUs were outstanding and had not been settled during the period.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

22 Share-based payments (continued)**Stock options**

The Company has granted options to a consultant to acquire 300,000 common shares of the Company at an exercise price of \$1.25 with an expiry date of December 3, 2023. The number and weighted-average exercise prices of share options are as follows:

	Number of options	Weighted- average exercise price (\$)
Outstanding at January 1, 2021	-	-
Granted during the year	300,000	1.25
Exercised during the year	-	-
Forfeited or expired during the year	-	-
Outstanding at December 31, 2021	<u>300,000</u>	<u>1.25</u>
Outstanding at January 1, 2022	300,000	1.25
Granted during the period	-	-
Exercised during the period	-	-
Forfeited or expired during the period	-	-
Outstanding at March 31, 2023	<u>300,000</u>	<u>1.25</u>
Exercisable at March 31, 2023	<u>300,000</u>	<u>1.25</u>

All options have an exercise price of \$1.25 and have a weighted-average remaining contractual life of 0.68 years.

The fair value of the stock options was estimated using the Black-Scholes valuation model on the date granted. The following assumptions were used in assessing the fair value.

	Assumptions
Share price at grant date	\$ 1.37
Exercise price	\$ 1.25
Expected volatility (based on comparable publicly listed entities)	96%
Expected life	2 years
Expected dividends	-
Risk-free interest rate	1.26%

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

23 Warrants

Each warrant entitles the holder to purchase one common share at a set price, at the option of the holder, for a set period of time. The following is a summary of changes in warrants during the fifteen months ended March 31, 2023.

	Number of warrants	Weighted- average exercise price (\$)
Outstanding at January 1, 2021	-	-
Issued during the year	11,056,635	1.93
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at December 31, 2021	<u>11,056,635</u>	<u>1.93</u>
Outstanding at January 1, 2022	11,056,635	1.93
Issued during the period	30,166,667	0.45
Exercised during the period	(18,946)	(1.00)
Expired during the period	-	-
Outstanding at March 31, 2023	<u>41,204,356</u>	<u>0.85</u>

As at March 31, 2023, the weighted average remaining life and expiry dates of outstanding warrants are as follows:

Weighted average exercise price	Number of warrants	Weighted average remaining life	Expiry date
\$ 0.45	30,166,667	2.86 years	2/08/26
\$ 1.00	800,189	1.65 years	11/23/24
\$ 2.00	10,237,500	1.65 years	11/23/24

The fair value of warrants issued was estimated using the Black-Scholes valuation model on the date granted. The following assumptions were used in assessing the fair value.

	Assumptions	
	For the fifteen months ended March 31, 2023	For the twelve months ended December 31, 2021
Share price at grant date	\$ 0.38	\$ 0.83
Expected volatility	141%	96%
Expected life	3 years	3 years
Expected dividends	-	-
Risk-free interest rate	4.08%	1.26%

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

24 Income taxes

The following is a reconciliation of expected income taxes to the amounts recognized in the statement of loss and

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Loss before income taxes	(49,526,491)	(5,102,418)
Effective income tax rate	26.50%	26.50%
Expected income tax (recovery)	(13,124,520)	(1,352,141)
Non-deductible items	5,025,096	361,373
Difference in foreign tax rates	4,065,390	299,008
Change in temporary differences	(119,169)	(49,198)
Change in tax rate	(484)	(62,277)
Foreign exchange translation	(182,443)	5,884
Prior year adjustments	(51,973)	-
Change in recognized deferred tax asset	2,824,870	982,816
Income tax expense (recovery)	(1,563,233)	185,465

Income tax expense (recovery) consists of the following:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Current	29,544	448,441
Deferred	(1,592,777)	(262,976)
	(1,563,233)	185,465

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	For the fifteen months ended March 31, 2023 (\$)	For the twelve months ended December 31, 2021 (\$)
Non-capital losses foreign entities	41,304,783	5,475,266
Non-capital losses Canadian entities	8,926,348	2,406,963
Share issuance costs	1,245,843	1,013,704
Investment in Verif-y	460,820	-
Legal costs	194,458	-
Equipment	115,686	21,940
Accrued interest	80,521	-
Intangible assets	(189,945)	-
Net unrecognized deferred tax assets	52,138,514	8,917,873

The Company's losses in foreign entities can be carried forward indefinitely. Share issuance costs will be fully amortized by 2025. The Company's non-capital losses in Canada will expire as follows:

	(\$)
2040	420,301
2041	436,196
2042	6,704,647
2043	1,365,204
	8,926,348

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

24 Income taxes (continued)

Components of deferred income tax assets (liabilities) are as follows:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Non-capital losses	1,127,140	675
Development costs	690,292	-
Other	34,596	
Inventory	-	(3,985)
Intangible assets	(781,670)	(201,832)
Net deferred tax assets (liabilities)	<u>1,070,358</u>	<u>(205,142)</u>

The Company recognized a deferred tax asset of \$1,070,358, specifically related to its wholly-owned subsidiary, New Bit Ventures Ltd., which experienced a taxable loss in the current period. New Bit Ventures Ltd. has a history of generating taxable profits from its operations, and the Company anticipates that it will continue to generate future taxable profits, enabling the utilization of the recognized deferred tax assets.

25 Loss per share

Basic and dilutive loss per share is calculated by dividing the net loss attributable to shareholders by the sum of the weighted average number of shares outstanding. As a result of the net losses incurred in the periods ended March 31, 2023 and December 31, 2021, the effects of any potentially dilutive instruments would be anti-dilutive.

	For the fifteen months ended March 31, 2023	For the twelve months ended December 31, 2021
	(\$)	(\$)
Net loss attributable to common shareholders	(47,963,258)	(5,287,883)
Weighted average number of common shares outstanding (basic and diluted)	121,152,842	52,996,330
Net loss per share attributable to common shareholders of the Company (basic and diluted)	(0.40)	(0.10)

26 Financial instruments and risk management

The Company is exposed, in varying degrees, to a variety of financial instruments related risks. The fair value of the Company's financial instruments, including cash and cash equivalents, term deposits, receivables, due from related party, accounts payable and accrued liabilities, and contract liabilities settled in fiat currency approximates their carrying value due to their short-term nature. The investment in Verif-y has been classified as level 3 within the fair value hierarchy. Cryptocurrencies payable to customers and the loan in cryptocurrency are classified as level 2 within the fair value hierarchy and are measured using the market price of the relevant cryptocurrencies. There have been no changes in levels during the period.

In determining fair value, the Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.
- Level 3 - Unobservable inputs for the asset or liability (unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available).

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

26 Financial instruments and risk management (continued)

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its receivables. Substantially all of the Company's receivables are due from credit card processors, governmental authorities, liquidity providers and financial service providers. The Company works with only a select few reputable providers to mitigate the risk of potential defaults.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, cryptocurrencies payable to customers and its loan in cryptocurrency. The Company manages this risk by managing its working capital and monitoring its ongoing operating requirements. As described in Note 2, the Company's continuation as a going concern is dependent upon its ability to raise capital from new equity or debt, the successful development and marketing of its financial services offerings, and attaining profitable operations in the future. With the exception of other liabilities of \$19,127, the Company's contractual undiscounted obligations are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Company is mainly exposed to currency and price risk as follows:

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Company maintains bank accounts in various currencies in order to effect transactions in these foreign currencies. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars, Euros and Israeli new shekels. Substantially all of the Company's revenue is earned in currencies other than the Canadian dollar. During the fifteen months ended March 31, 2023, the Company established a hedging arrangement to minimize its exposure to fluctuations between the US dollar and the Israeli new shekel in its Coinmama operations. The amount hedged was based on forecasted salaries and benefits of the employees in Israel, who are paid in Israeli new shekels.

The fluctuation of these currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. The Company's significant currency exposure as stated in Canadian dollars is as follows:

March 31, 2023

	USD	EUR	ILS	Other	Total
Cash and cash equivalents	(134,613)	78,044	663,297	52,327	659,055
Receivables	171,522	273,008	43,211	2,202	489,943
Accounts payable and accrued liabilities	(378,423)	(612,680)	(1,166,349)	(93)	(2,157,545)
Lease liability	-	-	(14,567)	-	(14,567)
Contract liabilities	(547,458)	-	-	-	(547,458)
Net financial position exposure	<u>(888,972)</u>	<u>(261,628)</u>	<u>(474,408)</u>	<u>54,436</u>	<u>(1,570,572)</u>

A 10% strengthening of the above currencies against the Canadian dollar would have affected the measurement of financial instruments as denominated in a foreign currency and affected equity and profit and loss by the following amounts:

	USD	EUR	ILS	Other	Total
Increase (decrease) on equity and profit or loss	<u>(88,897)</u>	<u>(26,163)</u>	<u>(47,441)</u>	<u>5,444</u>	<u>(157,057)</u>

A 10% weakening of the above foreign currencies against the Canadian dollar would have an equal but opposite effect.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

26 Financial instruments and risk management (continued)*Foreign currency risk (continued)***December 31, 2021**

	USD	EUR	ILS	Other	Total
Cash and cash equivalents	1,000,343	1,167	-	(427)	1,001,083
Accounts payable and accrued liabilities	(122,013)	(12,071)	-	(40,155)	(174,239)
Net financial position exposure	878,330	(10,904)	-	(40,582)	826,844

A 10% strengthening of the above currencies against the Canadian dollar would have affected the measurement of financial instruments as denominated in a foreign currency and affected equity and profit and loss by the following amounts:

	USD	EUR	ILS	Other	Total
Increase (decrease) on equity and profit or loss	87,833	(1,090)	-	(4,058)	82,685

A 10% weakening of the above foreign currencies against the Canadian dollar would have an equal but opposite effect.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk on its investment in Verif-y, cryptocurrencies payable to customers and the loan in cryptocurrency. The Company manages the price risk on its investments by making strategic business investments in accordance with the Company's investment guidelines. The price risk related to the loan in cryptocurrency is mitigated by the Company's cryptocurrency held for operating activities. The Company's price risk on its cryptocurrencies payable to customers is not significant as the Company holds cryptocurrencies for operating purposes which are used to settle the liability to customers. The Company's significant exposure on its assets and liabilities denominated in cryptocurrencies as stated in Canadian dollars is as follows:

March 31, 2023

	BTC	ETH	Other	Total
Cryptocurrency held for operating activities	683,246	107,383	608,770	1,399,399
Accounts payable and accrued liabilities	(161,868)	-	-	(161,868)
Cryptocurrencies payable to customers	(758,466)	(58,561)	(3,443)	(820,470)
Loan in cryptocurrency	(1,156,198)	-	-	(1,156,198)
Net financial position exposure	(1,393,286)	48,822	605,327	(739,137)

A 10% strengthening of the above cryptocurrencies against the Canadian dollar would have affected the measurement of assets and liabilities denominated in a cryptocurrency and affected equity and profit and loss by the following amounts:

	BTC	ETH	Other	Total
Increase (decrease) on equity and profit or loss	(139,329)	4,882	60,533	(73,914)

A 10% weakening of the above cryptocurrencies against the Canadian dollar would have an equal but opposite effect.

27 Capital management

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations and the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the prior period.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

28 Operating segments

The Company has one reportable segment, the development of blockchain and decentralized financial services. Non-current assets by geographical location are as follows:

	March 31, 2023	December 31, 2021
	(\$)	(\$)
Israel	9,869,175	-
USA	8,063,825	-
Canada	109,823	19,927,015
Ireland	16,962	4,146,989
	<u>18,059,785</u>	<u>24,074,004</u>

29 Subsequent events

Subsequent to the year-end, in May 2023, the Company initiated a significant operational reorganization targeting the improvement of its Coinmama business line's efficiency. This was achieved primarily by outsourcing various critical functions, including certain virtual currency dealing activities and other back-office operations. This was completed in July 2023, resulting in a material reduction in both the overall workforce of the Company and its cost of revenue.

On July 28, 2023, the Company announced a \$1,000,000 USD non-brokered private placement of 1,000 Units at \$1,000 USD per Unit. Each Unit consists of \$1,000 USD in unsecured convertible debentures and 4,000 warrants. The convertible debentures have a two-year term, bearing interest at 5.0% per annum, payable semi-annually. With each interest payment, the Company has the option to repay up to \$250 USD in principal per debenture. Any remaining principal on the debentures will be convertible at the option of the holder at maturity into the number of common shares computed on the basis of the principal amount of the debentures outstanding at the time of conversion divided by the conversion price of \$0.25 per common share. Each warrant will entitle the holder to purchase one common share of the Company for a period of two years from the date of issuance at an exercise price of \$0.25. The warrants contain an acceleration clause, giving the Company the option to accelerate the expiration date if the 10-day volume-weighted average share price exceeds \$0.75, subject to a minimum notice period of 30 days. The private placement is subject to final closing.

On July 28, 2023, the Company announced a \$1,250,000 USD unsecured non-convertible debenture by way of private placement. The principal amount owing under the debenture, including any accrued and unpaid interest will be payable in cash at the end of the two year term. The debenture requires quarterly principal repayments of \$150,000 USD commencing on March 31, 2024. The debenture bears interest at 8.2% for the first 21 calendar months, payable quarterly in arrears, with interest increasing to 16.4% thereafter. The debenture has accelerated repayment terms should the Company repay debentures or notes, issued by the Company to other parties, in advance of maturity. In the event that the Company completes future debt or equity financing for cash, a principal repayment shall be made equal to the lower of the remaining principal balance outstanding and 20% of the net proceeds of such issuance. The private placement is subject to final closing.

On July 28, 2023, the Company announced an equity swap transaction whereby it will acquire 1,155,000 preferred shares, Series B, and 517,100 common shares of Bosonic Inc. ("Bosonic") and issue 17,250,000 common shares of Wellfield as consideration, resulting in an approximately 9.7% interest in Bosonic on a fully diluted basis. Bosonic is a privately held company that focuses on commercializing unique solutions addressing counterparty and settlement risks inherent for institutional clients of centralized digital asset trading platforms. The equity swap transaction is subject to final closing.

On July 25, 2023, the Company entered into a definitive purchase agreement with Brane Inc. ("Brane") to acquire specified assets of Brane and its subsidiaries. The completion of the transaction is subject to final closing. Acquired assets will include all intellectual property, rights and entitlements in assumed contracts, books and records, certain equipment, and all of the issued and outstanding common shares of Brane Trust Company Ltd., a wholly-owned subsidiary of Brane. The assets will be acquired in exchange for the consideration of \$9,990,883, satisfied as follows:

- An \$8,400,000 convertible debenture, maturing two years after the closing date, bearing interest at 0% per annum, convertible at any time at the option of the Company.
- A \$1,350,000 convertible debenture, maturing six months after the closing date, bearing interest at 0% per annum, convertible at any time at the option of the Company.
- \$150,000 cash paid to Brane.
- The assumption and payment of a \$90,883 liability of Brane Trust Company Ltd.

Wellfield Technologies Inc.**Notes to Consolidated Financial Statements**

(Expressed in Canadian dollars, unless otherwise noted)

29 Subsequent events (continued)

The debentures are convertible into the number of common shares of Wellfield equal to the principal amount outstanding divided by \$0.25 per share or the applicable discounted market price, to be determined at the sole discretion of the Company. At the time of conversion, if the shares of Wellfield are trading at less than \$2 per share, the discounted market price is equal to 80% of the Wellfield share price. Otherwise, the discounted market price is equal to 85% of the Wellfield share price.

These combined assets are intended to be acquired by the Company to operate Brane Trust as a wholly-owned subsidiary and Canadian digital asset custodian and public trust, licenced by the province of Alberta. Management believes that this acquisition will provide long-term value resulting from growing demand from institutional investors for regulated digital asset custody services.