

Wellfield Technologies Inc.

Management's Discussion & Analysis
Three months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

Introduction

The following Management's Discussion and Analysis ("MD&A") comments on the financial condition and results of operations of Wellfield Technologies Inc. ("Wellfield" or the "Company") for the three months ended June 30, 2023. The information contained herein should be read in conjunction with Wellfield's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2023 and 2022 (the "Financial Statements") and audited consolidated financial statements for the fifteen months ended March 31, 2023. All financial data in this MD&A has been derived from the Financial Statements which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Unless the context otherwise requires, all references to "Wellfield", "Company", "our", "us", and "we" refer to Wellfield Technologies Inc. and its direct and indirect subsidiaries.

This MD&A is dated August 29, 2023. All amounts are presented in Canadian dollars, unless otherwise noted. The functional currency for Wellfield Technologies Inc. is the Canadian dollar.

Advisory Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking information or forward-looking statements under applicable securities laws (collectively, "forward-looking statements"). In particular, this MD&A contains forward-looking statements with respect to, among other things, our objectives, goals, strategies, intentions, plans, estimates, outlook, expected growth, business opportunities and completion of proposed transactions. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, or future events or performance (often, but not always, using words or phrases such as "may", "would", "could", "will", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", "continue", "project", "forecast", "potential", "targeting", "intend", "might", "should", and similar expressions, as they relate to the Company), are not statements of historical fact and may be "forward-looking statements". Further information regarding forward-looking information and statements can be found at the end of this MD&A.

Overview and Nature of Business

Wellfield builds blockchain powered technology that meets the everyday finance and digital asset investing needs of consumers and institutions through its Coinmama.com and Wellfield Capital branded business lines. The Company has strong academic and development expertise with a focus on architecting fully decentralized solutions built directly on public blockchains like Bitcoin and Ethereum. Wellfield aims to combine this novel IP, branded applications, digital identity, and everyday finance solutions to create blockchain based financial ecosystems that offer alternatives to traditional finance and support real-world asset investing, enabled through Wellfield's acquisition of Tradewind Markets Inc. and the pending acquisition of Brane Trust Company Ltd. Wellfield develops decentralized and permissionless "on blockchain" technologies, focusing on solutions where centralized exchanges and other institutions have proven market demand and where infrastructure gaps currently prevent blockchains from supporting competitive alternatives. Management places an emphasis on research and leverages its strong academic and blockchain team to ensure its fully decentralized technology operates securely as publicly accessible utilities. Our mission is to develop foundational infrastructure that empowers blockchain to support global finance. Management includes founders and academic advisors with decades of experience in economics, finance, and technology, as well as deep knowledge in computer science fields related to blockchain, cryptography and complexity.

Wellfield's business operations comprise a worldwide, regulated platform that has already generated revenue from over 4 million users who have undergone regulatory verification and conducted transactions on the platform. The Company's main offering provides non-custodial services for individuals and organizations to purchase and sell digital currencies, such as Bitcoin and Ether. The management team is actively implementing a multi-quarter strategy

to integrate their innovative blockchain technology into its consumer and institutional facing business lines, with the aim of capitalizing on the trend of capital and transactions moving away from centralized solutions towards decentralized on-chain smart contracts and protocols. This includes a strategic focus on establishing on-blockchain financial markets for precious metals as a proof of concept for a wider tokenized real-world asset opportunity.

Discussion of Operations

Decentralized services R&D progress

On December 13, 2022, the Company announced the launch of the first of several distinct proprietary decentralized blockchain technologies (or “protocols”) in the Company's IP catalogue. The novel ecosystem of smart contracts deployed to create decentralized trading, hedging, and fixed-income products with built in liquidity, connected to Uniswap. The Company has subsequently deployed capital into these protocols with close and trusted partners for the purposes of user testing and feedback, resulting in improvements that have been integrated to improve usability and user experience. Management has made significant progress in shaping the go-to-market plans and is nearing readiness for launch in coordination with the launch of precious metals on public blockchains; looking at both private, accredited investor only access via Wellfield Capital, and open, public launch options that align with the current regulatory compliance possibilities.

Coinmama

On May 27, 2022, Coinmama became a wholly-owned subsidiary of Wellfield. The acquisition of Coinmama added a revenue-generating business with existing user relationships and an established brand and web presence. Coinmama offers a browser-based platform, which introduced a new UI and UX experience, and, post-acquisition, management released a mobile financial application which is expected to improve user retention and per user monetization metrics. In May 2023, Wellfield announced it was undertaking an operational reorganization to improve the efficiency of the Company's Coinmama business line. The changes aimed to improve Coinmama's efficiency by deepening the utilization of operational partnerships and outsourcing various functions. The reorganization, which was completed in July 2023, resulted in a material reduction in the overall workforce of the Company. This is expected to result in meaningful improvements to the Company's cost structure and cash flows from operations moving forward. Preliminary results indicate no reduction in volumes of revenues has been observed since this change.

As a result of this change, the role of providing virtual currency dealing services has shifted from Coinmama to its partners. Coinmama no longer undertakes the regulatory and fraud risk or responsibility for these transactions or takes direct possession of payments or cryptocurrency transfers. This change will affect the reporting of revenues in coming quarters, where Wellfield will no longer recognize gross revenues and the cost of purchasing cryptocurrencies. Acting as the agent for these transactions, Wellfield will recognize the net fee that flows to the Company. If Coinmama is able to maintain the same level of transactional volume, the overall gross margin moving forward is expected to improve.

Management is now focusing on increasing user growth on its web and mobile applications and adding new offerings on the Coinmama platform that enhance user experience and increase monetization of the user base. This includes adding support for our VaultChain™ Gold and integrating non-custodial blockchain powered decentralized financial services.

Wellfield Capital

During the second half of the fifteen months ended March 31, 2023, management began an initiative to leverage Coinmama's extensive global regulatory compliance, payment, and onboarding infrastructure to launch Wellfield Capital's operations. During this period, Wellfield Capital began to engage with liquidity providers and institutional customers and, in addition, offer VaultChain™ Gold and its decentralized financial services to institutional and professional investors. The expected new revenue stream is part of the Company's strategy to diversify its services portfolio and customer range and ultimately increase the target market. Management is focused on growing its customer base using its existing solutions and capitalizing on opportunities to acquire or build additional solutions

that enable full-service custodial and non-custodial offerings for Wellfield Capital customers. Management is currently assessing opportunities to establish geographic-specific growth efforts, including within the Canadian market.

Tradewind Markets

On February 8, 2023, the Company completed the acquisition of Tradewind Markets, Inc. ("Tradewind"), acquiring 100% of its issued and outstanding securities in exchange for 15,166,667 common shares and warrants of the Company. Tradewind is a US-based operator of a global digital precious metals platform, whose core products include VaultChain™ Gold and VaultChain™ Silver, which offer blockchain based digital ownership of deliverable precious metals and a platform used by miners and refiners to streamline large-scale trade execution of physical precious metals. Management is focused on increasing the demand for digital gold by growing Tradewind's existing enterprise blockchain. Management has made significant progress in shaping the go-to-market plans to tokenize digital gold on public blockchains and is optimistic that this effort will have a significant impact on future earnings, and create strong synergies with the Company's pre-existing portfolio of decentralized financial products and services, which are planned to be more broadly launched in parallel to the commercialization of tokenized gold on Ethereum and other public blockchains.

Investment and financing activities subsequent to June 30, 2023

On August 3, 2023, the Company completed 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 5,290 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 for each \$1,000 USD outstanding on the debenture. Any remaining principal and interest on the debentures will be convertible at the option of the holder into the number of common shares computed on the basis of the amount of the debentures outstanding at the time of conversion divided by the conversion price of \$0.25 per common share. Each warrant entitles 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.

On August 3, 2023, the Company completed 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.

On August 3, 2023, the Company completed an equity swap transaction whereby it acquired 1,155,000 preferred shares, Series B, and 517,100 common shares of Bosonic Inc. ("Bosonic") and issued 17,250,000 common shares of Wellfield as consideration, resulting in an approximately 9.7% interest in Bosonic on a fully diluted basis. Additionally, Wellfield has negotiated certain exclusivity rights for the Canadian marketplace. Management intends to integrate Bosonic solutions into its product offering and believes that exclusivity in Canada will provide a competitive advantage and opportunity for future growth of the Wellfield Capital brand. 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.

On July 25, 2023, the Company entered into a definitive purchase agreement with Brane Inc. ("Brane") whereby it will acquire Brane Trust Company Ltd. ("Brane Trust"), a wholly owned subsidiary of Brane, and certain technology and assets owned by Brane or its subsidiaries in a transaction valued at \$9,990,883. 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. As blockchains continue to attract more capital and transactions, management believes Brane Trust enhances its offering to accredited investors and institutions. This is based on the view that these customers will continue to demand regulated custody services, even while they adopt and utilize decentralized services on the blockchain. The Company received conditional approval from the TSX Venture Exchange on August 23, 2023 for its acquisition with Brane. The Company is awaiting approval of the transfer of ownership of Brane Trust from the Alberta Ministry of Treasury Board and Finance.

Future performance

The Company anticipates its future performance may be materially affected by the market price and demand for cryptocurrency. The Company has a positive outlook on the continuing growth in demand for digital assets and expects a continued trend toward increased adoption and demand of decentralized services and self-custody options. As a response to the bankruptcy of the cryptocurrency exchange FTX, management has observed increased market demand for decentralized services that remove counterparty risk and believes that the Company's strategy is aligned with this macro shift.

Given the bankruptcy of the cryptocurrency exchange FTX in the US and Bahamas in November 2022, management is working to identify potential changes in regulations and laws enacted by government authorities as it relates to cryptocurrency and decentralized finance that could prevent the Company from offering its planned services and solutions or operating a fully compliant business. Government authorities have been slow to react to the rapid changes within the industry and it is difficult to predict the potential impact of any future changes, however, management believes the Company's self-custody approach provides flexibility to adapt its operations to new regulations or legislation.

Management aims to capitalize on the distinction between self-custody decentralized services for retail investors, described as decentralized finance, and centralized cryptocurrency exchanges that have built businesses by taking custody of customer assets. Market awareness and user acquisition efforts for Coinmama will include executing on both earned and organic campaigns across multiple marketing channels. Paid campaigns will rely on Coinmama getting pre-approved on each individual platform, to promote crypto assets. If successful, we'll be looking to scale traffic during the upcoming quarters. The Company does not expect the recent increases in global inflation to have a significant impact on its short-term outlook of revenue and expenses.

Results of Operations

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Revenue	38,497,140	5,671,150
Cost of revenue	37,739,420	5,606,633
Gross profit	<u>757,720</u>	<u>64,517</u>
Operating expenses		
Research and development	1,513,230	1,050,681
Growth and marketing	267,163	410,541
Operations	-	37,714
General and administrative	2,323,624	1,925,325
Amortization and depreciation	404,128	380,597
Total operating expenses	<u>4,508,145</u>	<u>3,804,858</u>
Operating loss	(3,750,425)	(3,740,341)
Other income (loss)	524,998	(420,578)
Loss before income taxes	<u>(3,225,427)</u>	<u>(4,160,919)</u>
Income tax expense (recovery)	(310,644)	(379,107)
Net loss	<u>(2,914,783)</u>	<u>(3,781,812)</u>
Foreign currency translation adjustment	(170,219)	19,642
Gain on cash flow hedging derivative instruments	46,058	-
Comprehensive loss	<u>(3,038,944)</u>	<u>(3,762,170)</u>
Basic and diluted loss per share	(0.02)	(0.03)

Revenue breakdown

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Selling of cryptocurrencies		
<i>Institutions</i>	21,671,751	-
<i>Consumers</i>	16,622,667	5,608,264
Referrals	119,605	62,887
Tradewind		
<i>Transaction revenue</i>	42,595	-
<i>Storage revenue</i>	40,522	-
	<u>38,497,140</u>	<u>5,671,151</u>

During the three months ended June 30, 2023, the Company generated revenue of \$38,414,023 from its Coinmama brand, an 11% decrease from the previous quarter's revenue of \$43,579,398. Coinmama's revenue from consumers fell by 35% after recording its strongest revenues, since the Coinmama acquisition, in the prior quarter. The strong prior quarter was a result of the improvement in market sentiment towards cryptocurrencies during this period, which can be illustrated by the price of Bitcoin, which nearly doubled from January 1, 2023 to March 31, 2023. The revenue for the three months ended June 30, 2022 includes one month of Coinmama activity, which is comparable to the per month revenue generated by Coinmama for the three months ended June 30, 2023.

The Company continued to bring in strong volumes from its low-margin institutional revenue line. This revenue stream contributes approximately \$0.003 to the gross margin for every dollar of revenue earned.

Cost of revenue

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Cost of revenue	37,739,420	5,606,633
Percentage of revenue	98.03%	98.86%

Wellfield's Coinmama branded business operates under a business model that drives high revenue volumes with lower margins. The Company's operational reorganization, which was completed in July 2023, is expected to have a significant impact on the revenue and cost of sales reported in the short-term future. The Company will be acting as an agent and not the principal in the sale of cryptocurrencies and therefore will report revenue on a net basis. As a result of the shift in the business model, the Company's cost of revenue related to Coinmama revenue is expected to decrease significantly as the Company is able to reduce its back-office and support requirements.

Research and development

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Salaries and benefits	936,454	689,153
Consulting	396,335	331,800
Dues and subscriptions	100,281	8,330
Other	80,160	21,398
	<u>1,513,230</u>	<u>1,050,681</u>

Research and development expenses primarily consist of salaries and benefits for the development and product team, as well as consulting fees for outsourced development work. Costs related to the Company's development hub in Portugal are included in consulting expenses and drive the majority of the reported expenses. The Company's total research and development spend was higher during the three months ended June 30, 2023 compared to the same period in the prior year as the prior year period includes only one month's worth of activity for the Coinmama operations.

In May 2023, the entire development team in Canada was laid off as part of the Company's operational reorganization. These changes resulted in lower development costs from the previous quarter and are expected to have a material impact on reducing the total research and development spend in the next quarter.

Growth and marketing

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Consulting, advertising, other	179,840	173,228
Salaries and benefits	87,323	237,313
	<u>267,163</u>	<u>410,541</u>

Growth and marketing expenses primarily consist of salaries and benefits, consultants and advertising expenses incurred in the promotion of the Company's brand and products. The Company's growth and marketing payroll costs have declined from the prior year as a result of a reduced headcount. The growth headcount was further reduced as part of the Company's operational reorganization. Growth expenses are expected to continue to decline in the short term future until a time when management believes the Company is well positioned for growth.

General and administrative

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Salaries and benefits	1,350,602	343,830
Legal and professional fees	410,039	490,706
Insurance	99,475	2,583
Investor relations	99,003	583,360
Consulting	92,365	120,857
Directors fees	79,947	79,491
Meals and entertainment	50,069	31,776
General	45,116	26,312
Advisory board	39,481	142,608
Dues and subscriptions	32,790	19,463
Travel	16,812	28,643
Bank charges and interest	6,593	6,810
Filing fees	1,332	48,886
	<u>2,323,624</u>	<u>1,925,325</u>

General and administrative expenses consist primarily of costs related to salaries and benefits, investor relations and legal and professional fees. These costs are necessary to sustain the Company's operations as a public entity and to effectively support the various operations and business lines of the Company. The salaries and benefits component primarily covers compensation for personnel in finance, human resources, legal, and compliance roles in addition to certain executives. The Company's general and administrative costs increased materially after the completion of the May 2022 acquisition of Coinmama.

The increase in salaries and benefits is attributable to the higher headcount in general and administration resulting from the Coinmama and Tradewind acquisitions.

The Company made significant investments in investor relations during the first year after going public in November 2021. The Company's investor relations spending decreased to a minimal amount as the Company managed its cash flows during the time while it completed the undertaking of its operational reorganization.

Wellfield's legal and professional fees tend to vary based on the level of M+A activity in a given period. Legal and professional fees for the three months ended June 30, 2023 include services related to the transaction with Brane and certain one-time tax and accounting services obtained. Legal and professional fees for the three months ended June 30, 2022 include services related to the acquisition of Coinmama.

The increased insurance expense relates to a material insurance policy purchased in August 2022 that ran until August 2023.

Other income (loss) breakdown

	3 months ended June 30, 2023 (\$)	3 months ended June 30, 2022 (\$)
Impairment of cryptocurrencies	-	(328,841)
Other income (loss)	(82,031)	(420)
Exchange gain (loss)	607,029	(91,317)
	<u>524,998</u>	<u>(420,578)</u>

The material exchange gain for the three months ended June 30, 2023 was a result of the \$657,651 exchange gain recognized resulting from certain legacy cryptocurrencies payable to customers being reclassified to accounts payable and accrued liabilities. The change was made as a prospective adjustment after the Company satisfied itself that its obligation for cryptocurrencies payable to customers would not be greater than the original fiat amount received from the customers. The \$328,841 loss on the impairment of cryptocurrencies related to 30 BTC that was held by Coinmama for non-operational purposes, which declined in value during the three months ended June 30, 2022 corresponding to the overall decline in the price of BTC. The 30 BTC held was not related to the 30 BTC loan payable and was transferred to the Company's cryptocurrency held for operating activities during the three months ended September 30, 2022.

Summary of Quarterly Results

	June 30, 2023 (\$)	March 31, 2023 (\$)	December 31, 2022 (\$)	September 30, 2022 (\$)
Revenue	38,497,140	43,640,337	42,067,116	19,321,272
Cost of revenue	37,739,420	42,768,779	41,355,801	18,468,493
Gross profit	757,720	871,558	711,315	852,779
Operating expenses	4,508,145	5,212,899	6,038,068	5,496,641
Operating loss	(3,750,425)	(4,341,341)	(5,326,753)	(4,643,862)
Other income (loss), including taxes	835,642	(351,025)	436,794	(25,265,726)
Net loss	<u>(2,914,783)</u>	<u>(4,692,366)</u>	<u>(4,889,959)</u>	<u>(29,909,588)</u>
Net loss per share, basic and diluted	(0.02)	(0.03)	(0.04)	(0.24)

	June 30, 2022 (\$)	March 31, 2022 (\$)	December 31, 2021 (\$)	September 30, 2021 (\$)
Revenue	5,671,150	-	-	-
Cost of revenue	5,606,633	-	-	-
Gross profit	64,517	-	-	-
Operating expenses	3,804,858	4,511,692	1,283,730	1,036,834
Operating loss	(3,740,341)	(4,511,692)	(1,283,730)	(1,036,834)
Other income (loss), including taxes	(41,471)	(177,840)	(2,623,870)	4,241
Net income (loss)	(3,781,812)	(4,689,532)	(3,907,600)	(1,032,593)
Net loss per share, basic and diluted	(0.03)	(0.05)	(0.05)	(0.02)

Quarterly trends

The Company's gross profit has remained relatively stable over the past four quarters since the May 2022 acquisition of Coinmama. The Company commenced its operational reorganization during the three months ended June 30, 2023, contributing to the start of an expected decline in operating costs. A more material decline in operating costs is expected to be seen in the three months ending September 30, 2023 with the results of the operational reorganization being fully realized in the results for the three months ended December 31, 2023.

The Company's operations did not change materially during the three months ended March 31, 2023, and the financial results were relatively consistent quarter over quarter. The composition of revenue shifted towards revenues from consumers, resulting in increased gross profit for the quarter. Operating expenses for the final quarter of the 2023 fiscal year were down 14% from the previous quarter. The decline can be largely attributed to the decrease in share-based payment expenses, which decreased by \$682,000 from the prior quarter. The sharp decline in share-based payment expenses was a result of the new employee restricted stock unit program being established during the three months ended December 31, 2022, and an adjustment to estimated forfeitures made in March 2023 as a result of the potential operational reorganization. The results for the three months ended March 31, 2023 include the recognition of an unrealized loss of \$542,420 on the Company's investment in Verif-y. The acquisition of Tradewind did not have a significant impact on revenue or operating expenses for the three months ended March 31, 2023.

Revenue and cost of revenue increased 118% and 124%, respectively, during the three months ended December 31, 2022 compared to the three months ended September 30, 2022. Despite the substantial growth in revenue, the gross profit did not improve quarter over quarter as the growth was attributable to the new institutional business line which was launched in September 2022. The institutional business line contributes a lower gross profit than the Company's consumer business line. Operating expenses for the three months ended December 31, 2022 remained stable compared to the previous quarter, increasing \$435,000, which was attributable to the new employee restricted stock unit program. Share-based payment expenses for the three months ended December 31, 2022 increased \$450,000 from the previous quarter.

The results for the quarter ended September 30, 2022 were the first to include Coinmama for the full quarter. Coinmama generated revenue of \$19.3 million during the quarter and contributed a gross profit of \$0.9 million. General and administrative and research and development costs were up from the prior quarter due to the inclusion of Coinmama's activities for the full quarter. The largest driver of change was the increase in salaries and benefits expenses as the Company's overall headcount increased by just under 300% with the acquisition of Coinmama. For the three months ended September 30, 2022, salaries and benefits represented 43% of general and administrative expenses, up from 18% in the prior quarter. Growth and marketing expenses did not increase significantly from the prior quarter as the Company was in the process of planning and reviewing its overall growth strategy in anticipation of the release of its Coinmama branded mobile wallet application.

The results for the three months ending September 30, 2022 include impairment losses of \$25.1 million on the Company's intangible assets and goodwill. These losses were incurred due to a business decision to redirect focus to Coinmama-branded activities, which resulted in the discontinuation of the MoneyClip application and brand.

The financial performance of Coinmama is reflected in the results for the quarter ending June 30, 2022 from the date of acquisition. During this period, Coinmama generated a revenue of \$5.7 million and contributed a gross profit of \$64,517 to the overall financial results. The Company's operating expenses showed a decrease compared to the first quarter of the year, primarily due to reductions in the general and administrative expenses. Specifically, expenses related to investor relations and legal and professional fees decreased by \$1.1 million and \$0.2 million, respectively, compared to the quarter ended March 31, 2022.

Results of the quarter ended December 31, 2021, reflect the results of Seamless plus the consolidated Wellfield entities for the period of November 23, 2021 to December 31, 2021. This includes the non-cash listing expense of \$1,623,290 related to the reverse acquisition of 1290447 B.C. Ltd. The results for the quarter ended March 31, 2022 were the first to include the consolidated Wellfield entities for the full quarter. MoneyClip and Seamless continued to incur costs related to the research and development of their respective products. The largest driver of expenses was Wellfield's general and administrative costs, which were over \$3 million for the three months ended March 31, 2022. Approximately \$2.74 million of these costs relates to investor relations, professional fees, directors' fees and advisory board costs.

The quarterly results for the periods ended September 30, 2021 and before consist solely of the operations of Seamless Logic Software Limited ("Seamless"). The operating costs for the quarter ended September 30, 2021 relate to development consultants and to legal fees incurred related to the acquisition of MoneyClip Inc. ("MoneyClip") and the listing of the Wellfield common shares on the TSXV.

Liquidity and Capital Resources

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.

The Company has primarily financed its operations through private equity placements completed in 2021. The Company has started to generate revenue from its business operations, however, has not yet started to generate an operational surplus. The Company's working capital decreased by \$2.4 million in the period from March 31, 2023 to June 30, 2023 as a result of the operational deficit during the period. In addition to the cost-cutting measures realized as part of the Company's operational reorganization, the Company will need to increase its revenue generation activities or complete additional financing in order to fund its planned long-term growth and development activities.

As at June 30, 2023, the Company has negative working capital of \$4.5 million which includes cash and cash equivalents of \$2.9 million. As at June 30, 2023, the Company has immaterial long-term commitments. The Company has a current loan denominated in Bitcoin through a credit line with an individual, which matures in 2026. The fair value of the loan at June 30, 2023 was \$1,079,413.

The Company's continues to operate with negative working capital, necessitating the generation of positive cash flow from its operations in the near term future. In an effort to bridge the gap until the time the Company is cash flow positive, the Company completed two financing efforts in August 2023. The financings provided the Company with an additional \$2.25 million USD in cash, which provided some stability to working capital. The financings include a \$1.25 million USD non-convertible loan with a two-year term, which will require principal repayments beginning in March 2024. With the operational reorganization completed, management believes Wellfield will be positioned on a path to profitability. Failure to achieve this goal would require securing additional financing to fulfill ongoing obligations.

Cash flow summary

	3 months ended June 30, 2023	3 months ended June 30, 2022
	(\$)	(\$)
Cash flow from (used in):		
Operating activities	2,101,388	(3,551,748)
Investing activities	14,767	(2,375,404)
Financing activities	(15,151)	30,800
Effect of foreign exchange rate changes on cash	115,963	54,471
Net increase (decrease) in cash	2,216,967	(5,841,881)
Cash and cash equivalents - Beginning	727,967	12,810,138
Cash and cash equivalents - Ending	2,944,934	6,968,257

Cash flows from operating activities

The Company generated \$2.1 million in cash flow from operating activities for the three months ended June 30, 2023. The timing of material revenue transactions around the year-end resulted in a higher cash balance as the Company was holding funds required to settle certain revenue transactions. Of the \$2.9 million in cash and cash equivalents, \$2.6 million was required to settle revenue contracts settled in fiat currency. During this period, the Company strategically managed its cash flows to ensure it had sufficient cash flows to meet its operational needs. For the three months ended June 30, 2022, the Company's operational cash flow deficit was a result of the overall operational deficit for the period. This period includes only one month of revenue-generating activities, which produced a gross margin of \$65k, while incurring significant general and administrative and development costs.

Cash flows from investing activities

The Company had minimal cash flow from its investing activities for the three months ended June 30, 2023. During the three months ended June 30, 2022, the Company acquired New Bit Ventures Ltd. ("Coinmama"), which included cash consideration of \$3.8 million. As part of the acquisition, the Company acquired cash and cash equivalents of \$1.5 million.

Cash flows from financing activities

The Company did not undertake any significant financing activities during the three months ended June 30, 2023 or 2022.

Related Party Transactions

The Company's related parties includes entities where the executive officers and directors of the Company are principals. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel are the Company's executive management team and members of the Board of Directors.

During the three months ended June 30, 2023 and 2022, key management personnel compensation consisted of the following:

	3 months ended June 30, 2023	3 months ended June 30, 2022
	(\$)	(\$)
Wages, salaries, fees and short-term benefits	311,117	308,732
Share-based payments	51,662	51,662
	<u>362,779</u>	<u>360,394</u>

The above related party transactions were in the normal course of operations and have been valued in the Financial Statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

The preparation of the Company's 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 Financial Statements are as follows:

Going concern

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. The 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 Financial Statements.

Functional currency

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.

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

On an annual basis or when there are indicators of impairment, goodwill is tested for impairment with its carrying value being compared to its recoverable amount. The recoverable amount of goodwill, including the relevant cash-generating unit it has been allocated to, has been measured at its fair value less costs to sell. The fair value of the cash-generating unit has been determined using a discounted cash flow valuation approach based on internal estimates of the cash-generating unit's future cash flows. Key assumptions made in the forecast include the number of users acquired, the timing of revenue-generating activities, expected revenue per user, and total expenditures required to carry out business plans. Changes in the key assumptions could have a material effect on the recoverable amount of goodwill and other non-financial assets.

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 equity instruments at the date at which they are granted. Share-based payments with non-employees/directors, require measurement of the fair value of the services or goods received. 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

The acquisitions of MoneyClip, Coinmama and Tradewind required the Company to make assumptions and estimates to determine the fair value of the identifiable assets acquired and liabilities assumed. The intangible assets of MoneyClip were valued using a cost approach which required several assumptions and estimates about the development of the software. The fair value of the Coinmama technology and brand was valued using the relief from royalty method. This method requires assumptions and estimates about an arm's-length royalty rate that could be charged for use of the intangible assets, future revenues attributable to the intangible assets and the useful life of the technology. The fair value of the Coinmama licenses was valued using the lost profits method. This method requires assumptions and estimates about future cash flows, including cash flows in a scenario where the licenses are not present. The Tradewind technology was valued using the multi-period excess earnings method, which requires estimates of future cash flows generated from the asset and the useful life of the asset. The Tradewind customer relationships asset was valued using the distributor method. This method requires assumptions and estimates about future revenues, the attrition rate of the relationship, and a reasonable distributor EBITDA margin. The Company also made estimates in the measurement of the fair value of consideration transferred where the fair value of the shares transferred was 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.

Financial Instruments and Other Instruments

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, receivables, 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).

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 \$18,713, the Company's contractual undiscounted obligations are due within one year.

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.

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:

	USD	EUR	ILS	Other	Total
Cash and cash equivalents	(117,131)	2,834,044	207,412	9,690	2,934,015
Receivables	76,221	296,283	30,005	539	403,048
Accounts payable and accruals	(1,086,318)	(464,194)	(1,672,382)	6,465	(3,216,429)
Contract liabilities	-	(2,611,477)	-	-	(2,611,477)
Net financial position	<u>(1,127,228)</u>	<u>54,656</u>	<u>(1,434,965)</u>	<u>16,694</u>	<u>(2,490,843)</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>(112,723)</u>	<u>5,466</u>	<u>(143,497)</u>	<u>1,669</u>	<u>(249,085)</u>

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 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:

	BTC	ETH	Other	Total
Cryptocurrency held for operating activities	193,522	32,890	179,765	406,177
Accounts payable and accrued liabilities	(163,829)	-	-	(163,829)
Cryptocurrencies payable to customers	(75,055)	(7,576)	(528)	(83,159)
Loan in cryptocurrency	(1,079,413)	-	-	(1,079,413)
Net financial position exposure	<u>(1,124,775)</u>	<u>25,314</u>	<u>179,237</u>	<u>(920,224)</u>

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	<u>(112,478)</u>	<u>2,531</u>	<u>17,924</u>	<u>(92,023)</u>

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

Outstanding Share Data

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common and preferred shares. The Company had the following securities outstanding as at August 29, 2023:

Type	Outstanding
Common shares	173,100,206
Stock options	300,000
Warrants	46,494,356
Restricted share units	<u>4,557,045</u>
	<u>224,451,607</u>

Additional Information

Additional information relating to the Company, including the Financial Statements, is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Examples of forward-looking statements in this MD&A include, but are not limited to, statements in respect of: the Company's business objectives; the Company's revenues, operating costs and tariffs, taxes and fees; the Company's long-term growth and development plans; the decentralized finance and blockchain sectors in general; the Company's ability to develop various financially-viable decentralized finance software applications; the sufficiency of the Company's cash and cash generated from operations to meet its working capital and capital expenditure requirements; the ability of the Company to raise funds in the future; the impact of fluctuation of currencies in relation to the Canadian dollar on the profitability of the Company and the value of the Company's assets, liabilities, and the amount of shareholders' equity; the effect of a 10% fluctuation in foreign currencies against the Canadian dollar on the Company; that Coinmama can operate on a cash flow positive basis; the Company's continued efforts to reduce its cost structure and improve operation cash flow; the reorganization resulting in improved efficiency in the Coinmama business; the ability of the mobile financial application to improve user retention and increase per user monetization metrics; the impact that Coinmama's website will have on monetization of existing customers; the impact of Tradewind on future earnings; the potential synergies between the Company and Tradewind; the launch of the Company's financial decentralized suite of solutions in the future; the ability of Wellfield Capital to generate revenue through transactions with institutional customers; the belief that the Bosonic exclusivity rights will provide a competitive advantage; the closing of the definitive agreement with Brane; the impact Brane Trust will have on to Company's ability to attract accredited investors and institutions; the expected timing of the reversal of deferred tax assets and liabilities and the deferral and deductibility of certain items; future earnings; the cash generating unit's future cash flows; the share price volatility rate, risk-free rate, dividend yield, and expected life of the option; the fair value of the identifiable assets acquired and liabilities assumed; the number of users acquired, the timing of revenue generating activities; the expected revenue per user; total expenditures required to carry out business plans; and the effect that each risk factor will have on the company.

The Company cautions readers that the foregoing list may not contain all of the forward-looking statements made in this document. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Company will derive therefrom. These forward-looking statements involve risks and uncertainties relating to, among others: market price and demand of cryptocurrency; continued availability of capital financing and general economic, market or business conditions; the Company's ability to execute its business plans; changes in laws, regulations and guidelines including taxes and fees; changes in government and government policy; increased competition in the cryptocurrency market; the limited operating history of the Company; the Company's reliance on key persons; the failure of counterparties to perform contractual obligations; the difficulty in securing additional financing; results of litigation; performance of the Company's products; changes in the Company's overall business strategy; and the Company's assumptions stated herein being correct. Readers are cautioned that the foregoing list of factors is not exhaustive. When relying upon our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and Wellfield does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.