



WonderFi Technologies Inc.

Interim Condensed Consolidated Financial Statements

(Unaudited)

For the Three and Nine Months Ended September 30, 2023 and 2022

TABLE OF CONTENTS	PAGE
Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements	3
Interim Condensed Consolidated Statements of Financial Position	4
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss	5
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity	6
Interim Condensed Consolidated Statements of Cash Flows	7
Notes to Interim Condensed Consolidated Financial Statements	8

**NOTICE OF NO AUDITOR REVIEW OF SEPTEMBER 30, 2022 COMPARATIVE
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, if an auditor has not performed a review of the interim condensed consolidated financial statements required to be filed, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of WonderFi Technologies Inc. (the "Company" or "WonderFi") have been prepared by management and approved by the Audit Committee and Board of Directors of WonderFi.

The Company's independent auditors have not performed a review of the interim condensed consolidated financial statements for the three and nine ended September 30, 2022 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditors.

The Company's independent auditors have performed a review of the interim condensed consolidated financial statements for the three and nine ended September 30, 2023 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditors.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	Note	September 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6	25,063,720	10,251,697
Cash collateral deposited		518,391	1,218,000
Trade and other receivables	7	2,766,461	2,390,495
Prepaid expenses		1,849,936	1,552,966
Digital assets	8	-	664,092
Digital asset inventory	9	7,821,955	1,543,318
Client custodial cash	10	95,646,129	38,200,775
Client digital assets ⁽¹⁾	11	602,573,703	161,015,890
Loans receivable	12	1,381,663	350,855
Income tax credit receivable		537,988	77,757
Total current assets		738,159,946	217,265,845
Investments	13	5,047,895	536,858
Investment in associate	14	10,657,500	-
Property and equipment		273,026	432,035
Right-of-use assets	15	831,121	229,095
Intangible assets	16	34,459,445	41,992,736
Goodwill	17	29,642,917	-
Total assets		819,071,850	260,456,569
Liabilities			
Current liabilities			
Trade and other payables	18	11,032,034	10,018,806
Current portion of lease liabilities	15	414,293	234,388
Loan payable	19	-	843,776
Client custodial cash liabilities	10	95,646,129	38,200,775
Client digital assets liabilities ⁽²⁾	11	602,573,703	161,015,890
Current portion of contingent consideration	5	1,779,012	-
Current portion of long-term debt		134,320	-
Total current liabilities		711,579,491	210,313,635
Deferred tax liabilities		2,465,510	4,069,280
Warrant liabilities	21	1,292,433	880,966
Lease liabilities	15	305,725	-
Contingent consideration	5	3,701,255	-
Long-term debt		-	69,987
Total liabilities		719,344,414	215,333,868
Shareholders' equity			
Share capital	22	285,026,045	209,164,509
Contributed surplus		13,044,985	13,186,890
Subscriptions receivable		-	(12,500)
Deficit		(198,343,594)	(177,216,198)
Total shareholders' equity		99,727,436	45,122,701
Total shareholders' equity and liabilities		819,071,850	260,456,569

(1) safeguarding assets

(2) safeguarding liabilities

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except share and per share amounts)
(Unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30	
		2023	2022	2023	2022
Revenue		9,901,276	3,329,628	15,348,271	6,479,881
Expenses					
Salaries and wages		4,344,973	3,432,948	9,229,866	7,577,910
Bank and transaction fees		1,564,714	584,958	2,617,027	1,339,965
Marketing		368,385	1,460,036	1,133,425	4,550,182
Professional and consulting fees		1,964,656	1,208,892	4,761,209	1,917,226
Software licenses		1,444,679	1,037,417	3,223,130	1,676,266
Commission expenses		1,637,962	-	1,637,962	-
General and administrative expenses		702,084	478,610	2,068,619	1,596,048
Compliance fees		395,745	189,838	1,191,175	383,590
Share-based payments	22	902,181	2,252,726	(417,391)	7,252,530
Depreciation and amortization		3,501,764	1,886,927	7,956,185	3,639,770
Operating loss		(6,925,867)	(9,202,724)	(18,052,936)	(23,453,606)
Other (gain) loss					
Acquisition costs		5,038,450	1,338,169	7,580,651	12,695,486
Financial expenses					
Revaluation of digital asset inventory		(18,858)	(180,623)	(658,412)	1,741,290
Revaluation of digital assets	8	-	(711,673)	(286,633)	4,498,615
Finance income		(601,848)	(19,254)	(866,570)	(54,290)
Finance expense		82,288	10,302	94,962	16,259
Changes in fair value of warrant liabilities	21	(917,587)	(390,217)	(977,053)	(7,192,251)
Share issuance cost		-	(466,075)	149,324	(233,038)
Foreign exchange		(531,337)	405	(446,326)	195,650
Disposal of digital assets	8	-	(69,806)	19,887	924,807
Loss on disposal of property and equipment		(1,000)	-	296	-
Changes in fair value of contingent consideration		191,438	-	191,438	-
Share of loss of an associate		398,822	-	398,822	-
Changes in fair value of investments		-	1,433,852	-	1,433,852
Net loss before income taxes		(10,566,235)	(10,147,804)	(23,253,322)	(37,479,986)
Income tax recovery		-	-	(522,156)	-
Deferred tax recovery		(561,364)	(1,625,355)	(1,603,770)	(1,510,895)
Net loss for the period		(10,004,871)	(8,522,449)	(21,127,396)	(35,969,091)
Net loss per share:					
Basic and fully diluted	25	(0.02)	(0.04)	(0.06)	(0.24)
Weighted average number of common					
Basic and fully diluted	25	622,573,013	192,565,135	365,502,011	149,780,780

Interim Condensed Consolidated Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars, except quantity of shares)
(Unaudited)

	Note	Number of common shares	Share capital (\$)	Subscriptions receivable (\$)	Contributed surplus (\$)	Deficit (\$)	Total shareholders' equity (\$)
Balance as of December 31, 2022		214,637,855	209,164,509	(12,500)	13,186,890	(177,216,198)	45,122,701
Private placements	22	22,800,000	3,627,480	-	-	-	3,627,480
Share issuance cost	22	-	(390,106)	-	170,863	-	(219,243)
Shares issued for services	22	18,036,577	3,127,382	12,500	443,334	-	3,583,216
Restricted shares issued	22	4,820,807	986,212	-	(986,212)	-	-
Share-based payments	22	-	-	-	(417,391)	-	(417,391)
Shares issued for business combinations	5, 22	390,590,976	68,510,568	-	647,501	-	69,158,069
Net loss for the period		-	-	-	-	(21,127,396)	(21,127,396)
Balance as of September 30, 2023		650,886,215	285,026,045	-	13,044,985	(198,343,594)	99,727,436
Balance as of December 31, 2021		76,365,823	48,917,646	(12,500)	3,506,944	(11,333,931)	41,078,159
Private placements	22	18,750,000	42,187,500	-	-	-	42,187,500
Share issuance cost	22	-	(3,488,214)	-	345,816	-	(3,142,398)
Shares issued for services	22	5,060,106	5,608,895	-	-	-	5,608,895
Shares issued for options exercised	22	379,717	340,590	-	(216,870)	-	123,720
Shares issued for warrants exercised	22	6,800	143,655	-	(136,855)	-	6,800
Restricted shares issued	22	124,999	108,098	-	(108,098)	-	-
Shares repurchased	22	(4,008,300)	(5,147,641)	-	-	-	(5,147,641)
Shares issued for business combinations	5, 22	92,466,229	110,058,182	-	214,409	-	110,272,591
Shares issued to settle contingent liabilities	22	4,808,733	4,089,633	-	-	-	4,089,633
Share-based payments	22	-	-	-	7,252,530	-	7,252,530
Net loss for the period		-	-	-	-	(35,969,091)	(35,969,091)
Balance as of September 30, 2022		193,954,107	202,818,344	(12,500)	10,857,876	(47,303,022)	166,360,698

Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Note	Nine Months Ended September 30,	
		2023	2022
Operating activities			
Net loss for the period		(21,127,396)	(35,969,091)
Changes in non-cash operating items			
Depreciation and amortization		7,956,185	3,639,770
Share-based payments	22	(417,391)	7,252,530
Shares issued for services	22	3,583,216	5,608,895
Digital assets proof of staking income	8	(14,028)	(28,293)
Digital assets development expense	8	-	60,293
Due from related parties written off		-	62,417
Net financial expenses		(2,380,265)	1,330,894
Deferred tax recovery		(1,603,770)	(1,510,895)
		7,123,947	16,415,611
Changes in working capital items	23	(4,298,143)	2,579,368
Cash used in operating activities		(18,301,592)	(16,974,112)
Investing activities			
Purchase of property and equipment		(24,473)	(67,599)
Disposal of property and equipment		37,770	-
Net cash consideration for business combinations	5	24,342,994	(32,282,562)
Loan receivable issued		-	(600,000)
Loan receivable collected	12	365,967	-
Interest earned from investments		(3,548)	4,999
Sale of investment		104,828	-
Interest earned on client custodial cash		854,028	-
Cash collateral deposited		-	(1,218,000)
Cash collateral withdrawn	19	3,017,984	-
Cash provided by (used in) investing activities		28,695,550	(34,163,162)
Financing activities			
Proceeds from private placements	22	5,016,000	40,135,532
Share issuance costs	22	(368,567)	(3,378,527)
Proceeds from options exercised		-	130,521
Shares repurchased		-	(5,147,641)
Repayment of a due to related parties		-	(65,370)
Settlement of contingent liability		-	(965,614)
Lease payments	15	(229,368)	(110,877)
Cash provided by financing activities		4,418,065	30,598,024
Net change in cash		14,812,023	(20,539,250)
Cash and cash equivalents, beginning of period		10,251,697	28,832,056
Cash and cash equivalents, end of period		25,063,720	8,292,806

1. NATURE OF OPERATIONS

WonderFi aims to revolutionize access to digital assets. Since commencing operations on January 30, 2021, the Company is engaged in the development acquisition of technology platforms to facilitate investments in the emerging industry of digital assets. WonderFi boasts one of the largest communities of crypto investors within a single regulated ecosystem in Canada and is devoted to offering its users access to new regulated verticals, designed to empower the next generation of investors. The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "WNDR" effective June 22, 2022. The Company's registered office is located at Suite 2200, 885 West Georgia St., Vancouver, British Columbia, V6C 3E8.

On March 25, 2022, the Company incorporated a new subsidiary entity Bitbuy Holdings Inc. ("Bitbuy"). Through Bitbuy, the Company completed the acquisition ("Bitbuy Business Combination") of First Ledger Corp., ("FLC"), the parent company of Bitbuy Technologies Inc. and all of its subsidiaries FLC was then immediately amalgamated into Bitbuy. Bitbuy is a leading cryptocurrency platform and the first approved crypto marketplace in Canada.

On July 4th, 2022, the Company acquired Coinberry Limited ("Coinberry"), which is the second licensed crypto asset trading platform in Canada now wholly owned by WonderFi ("Coinberry Business Combination").

On November 9th, 2022, the Company acquired all the issued and outstanding shares of Blockchain Foundry Inc.

On July 7th, 2023, the Company acquired all the issued and outstanding shares Coinsquare Limited ("Coinsquare"). Founded in 2014, Coinsquare provides customers with a proprietary platform engineered to deliver a robust, secure, and intelligent interface for trading digital assets.

On July 7th, 2023, the Company acquired all the issued and outstanding shares CoinSmart Financial Inc. ("CoinSmart"). CoinSmart is a leading Canadian-headquartered crypto asset trading platform dedicated to providing customers with an intuitive way for buying and selling digital assets. It is one of the first Canadian headquartered trading platforms to have an international presence, accepting customers across more than 40 countries. CoinSmart also has a digital asset payments solution, SmartPay, which has successfully processed over one million transactions to date.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of compliance

These interim condensed consolidated financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, being International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these interim financial statements do not contain all requirements for annual consolidated financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the fifteen months ended December 31, 2022. Changes to significant accounting policies have been described in Note 3 of the interim financial statements.

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 10, 2023.

Basis of presentation and measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for the digital asset inventory, digital assets, client digital assets, investments, client digital assets liabilities, contingent considerations and warrant liabilities which are measured at fair value.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

- Segregation of "client custodial cash" and "client digital assets" previously grouped in "client assets"
- Segregation of "client custodial cash liabilities" and "client digital assets liabilities" previously grouped in "client liabilities"
- Presentation of "Compliance fees" previously grouped in "General and administrative expenses"
- Presentation of "Acquisition Costs" previously grouped in "Professional and consulting fees"

Foreign currency translation

The interim condensed consolidated financial statements are presented in Canadian dollars. Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company and all of its subsidiaries use the Canadian dollar as their functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of loss and comprehensive loss.

Basis of consolidation

These interim condensed consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries, from the date of control, as at September 30, 2023. All intercompany balances and transactions have been eliminated upon consolidation.

<u>Subsidiaries</u>	<u>Jurisdiction</u>	<u>Ownership</u>	<u>Functional Currency</u>
BigTerminal Inc.	Canada	100%	Canadian Dollar
Bitbuy Gaming Inc.	Canada	100%	Canadian Dollar
Bitbuy Holdings Inc.	Canada	100%	Canadian Dollar
Bitbuy Technologies Inc.	Canada	100%	Canadian Dollar
Blockchain Foundry Inc.	Canada	100%	Canadian Dollar
Blockchain Foundry 2018 Ltd.	Canada	100%	Canadian Dollar
Blockchain Markets Inc.	Canada	100%	Canadian Dollar
Coin Capital Asset Management Inc.	Canada	100%	Canadian Dollar
Coin Capital Investment Management Inc.	Canada	100%	Canadian Dollar
Coinberry Limited	Canada	100%	Canadian Dollar
Coinberry USA, LLC	Canada	100%	Canadian Dollar
CoinSmart Financial Inc.	Canada	100%	Canadian Dollar
Coinsquare Canada Ltd.	Canada	100%	Canadian Dollar
Coinsquare Capital Markets Limited	Canada	100%	Canadian Dollar
Coinsquare Investments Ltd.	Canada	100%	Canadian Dollar
Coinsquare Limited	Canada	100%	Canadian Dollar
S.D.T. OU	Estonia	100%	Canadian Dollar
Simply Digital Technologies Inc.	Canada	100%	Canadian Dollar
Simply Digital Technologies UAB	Lithuania	100%	Canadian Dollar
Simply Digital Technologies USA Inc.	United States	100%	Canadian Dollar
Twenty One Digital Inc.	Canada	100%	Canadian Dollar
WonderFi Digital Inc.	Canada	100%	Canadian Dollar
WonderFi Interactive Ltd.	Canada	100%	Canadian Dollar

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies, critical accounting estimates and judgements adopted in the audited financial statements for the fifteen months ended December 31, 2022. Relevant changes

to the Company's significant accounting principles and significant accounting judgments which occurred are as follows:

Client custodial cash and client custodial cash liabilities

Client custodial cash relates to funds deposited and held for the exclusive benefit of customers. The client funds are held in bank accounts with reputable financial institutions which the Company has control over and bears any associated risk. Client custodial cash liabilities represent the obligation to return cash deposits held by customers in their fiat wallets and unsettled fiat deposits and withdrawals. The excess (deficit) of all assets backing client liabilities is for the benefit of the Company and not owed to customers. The Company restricts the use of the cash amounts underlying the client custodial cash liabilities to meet regulatory requirements and classifies the assets as current based on their purpose.

Client digital assets and client digital assets liabilities

Client digital assets and liabilities represent the Company's obligation to safeguard customers' digital assets in digital wallets on the Company's platform. The Company safeguards these assets for customers and is obligated to safeguard them from loss, theft, or other misuse. Client digital assets and liabilities are classified as current assets, as they are regularly traded on exchange platforms globally between willing buyers and sellers, which provide a high degree of liquidity. The excess (deficit) of all assets backing liabilities is for the benefit of the Company and not owned to customers. In accordance with IAS 38, *Intangible Assets*, client digital assets and liabilities are initially recognized at cost and the revaluation method is used to measure the digital assets in client digital assets subsequently.

Client digital assets and liabilities are measured at fair value using the quoted price on Cryptocompare. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial. Management considers this fair value to be a Level 2 input under IFRS 13, *Fair Value Measurement*, and the fair value hierarchy, as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

Investment in an associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the interim condensed consolidated financial statements include the Company's share of the profit or loss and comprehensive income or loss of equity accounted investees, until the date on which significant influence ceases.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its equity-accounted investees. At each

reporting date, the Company determines whether there is objective evidence that the investments in the equity-accounted investees are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value, and then recognizes the loss within its share of profit or loss of its equity-accounted investees in the consolidated loss.

Changes to segment information reporting

The Company has previously reported two operating segments: centralized finance and decentralized finance. During the year, an internal reorganization occurred as a direct result of the Coinsquare and CoinSmart business combinations (Note 5). The Company has now reorganized to have three operating segments: Trading, Payments and Corporate. This reflects a realignment of internal management structures and resource allocation. As such, comparative information has been restated (see Note 26) to reflect the new business operating model.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The estimates and judgments applied in the interim condensed consolidated financial statements, including the key areas of estimation uncertainty, were the same as those applied in WonderFi's audited consolidated financial statements for the fifteen months ended December 31, 2022 unless otherwise stated in Note 4.1.

4.1 CHANGE IN ACCOUNTING ESTIMATES

Intangible assets resulting from Coinberry Limited business combination

Effective June 14, 2023, as a result of the Ontario Securities Commission issuing a non objection letter for Bitbuy Technologies Inc. to purchase all of the client accounts of Coinberry Limited, the Company prospectively changed its accounting policy for the amortization of technology and brand names acquired in the Coinberry Limited business combination (Note 5). Management's decision was made to reflect the change in the expected pattern of consumption of the future economic benefits embodied in the assets. The original useful life of both assets was estimated as ten years. The carrying amount of the assets will now be estimated to be fully amortized as at July 31, 2023. This change was adopted prospectively and led to an increase in the amortization expense of \$2,039,193 during the three and nine month periods ended September 30, 2023.

5. BUSINESS COMBINATIONS

Acquisition of First Ledger Corporation

On March 25, 2022, the Company completed the acquisition of First Ledger Corporation (“FLC”) by purchasing all of the issued and outstanding shares of the entity and FLC was subsequently amalgamated into Bitbuy. FLC is the parent company of Bitbuy Technologies Inc., Canada’s first approved crypto marketplace. The acquisition was completed to expand the product line of the Company to create an innovative experience for our clients, and is a globally competitive platform. On March 25, 2022, pursuant to the purchase agreement, the Company paid \$37,658,961 cash and issued 66,640,584 common shares to FLC shareholders at the closing market price of WonderFi’s common shares on March 25, 2022.

The acquisition of FLC by the Company has been accounted for as a business combination. The assets acquired from the acquisition are to be recorded at their estimated fair values in accordance with IFRS 3, *Business Combination*. IFRS 3 allows for a measurement period, which shall not exceed one year from the acquisition date, in which the Company may gather the information necessary to record the acquisition in accordance with IFRS 3. As at December 31, 2022, the Company has finalized the purchase price allocation for the acquisition.

The allocation of purchase consideration is as follows:

	March 24, 2022
Assets acquired:	
Cash and cash equivalents	5,376,398
Prepaid expenses	571,570
Sales taxes receivable	1,140,806
Income taxes receivable	281,738
Digital asset inventory	2,771,481
Digital assets	1,451,334
Client custodial cash	38,971,965
Client digital assets	356,809,926
Investment	49,500
Property and equipment	360,193
Right-of-use assets	403,429
Customer relationships	30,923,000
Brand	3,718,000
Technology	13,124,000
	455,953,340
Liabilities assumed:	
Trade and other payables	9,652,082
Client custodial cash liabilities	38,971,965
Client digital assets liabilities	356,809,926
Contingent Liability	3,443,277
Lease liability	403,429
Convertible note payable to WonderFi	5,000,000
Deferred tax liabilities	7,164,524
	421,445,203
Net assets acquired	34,508,137
Consideration	134,502,216
Goodwill	99,994,079
The consideration consists of the following components:	
Cash	37,658,961
Share consideration	96,628,847
Stock options consideration	151,815
Warrants consideration	62,593
	134,502,216

As part of the transaction, the Company replaced the existing stock options and warrants of Bitbuy with those of the Company. The fair value of Bitbuy options already vested as of the date of the acquisition has been incorporated in the purchase price consideration.

The following assumptions were used in the calculation of the fair value of options as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$4.74
Exercise price	\$2.40
Expected volatility (based on comparable publicly listed entities)	85%
Expected life	2
Expected dividends	Nil
Risk-free interest rate	2.33%

The following assumptions were used in the calculation of the fair value of 92,813 warrants as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$1.47
Exercise price	\$1.02
Expected volatility (based on comparable publicly listed entities)	94%
Expected life	0.81
Expected dividends	Nil
Risk-free interest rate	1.67%

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually. Goodwill is not expected to be deductible for tax purposes and is included in the trading segment.

During the fifteen months ended December 31, 2022, FLC contributed \$7,646,671 to the Company's revenue and incurred a loss of \$118,768,629 to total comprehensive loss since the acquisition date. Included in the loss during the period is a write off goodwill and intangibles in the amount of respectively \$99,994,079 and \$8,028,921.

During the fifteen months ended December 31, 2022, the Company paid \$2,500,000 in cash and 1,650,683 common shares for a total broker fee of \$4,893,490 recorded in professional and consulting fees, and \$965,614 cash and 1,708,733 common shares for the contingent liability settlement.

Due to lack of IFRS-specific data prior to the acquisition of FLC, pro-forma revenue and profit or loss of the combined entity during the 15 months period ended December 31, 2022 cannot be determined reliably.

Acquisition of Coinberry Limited

On July 4, 2022, the Company completed the acquisition of Coinberry by purchasing all of the issued and outstanding shares of the entity. Coinberry is a technology company that gives Canadians an easy, secure way to buy and sell digital currency. This acquisition was made to further solidify WonderFi as a leader amongst crypto companies in Canada.

Prior to the acquisition on March 1, 2022, WonderFi subscribed for a convertible note in the amount of \$1,100,000 with Coinberry bearing an interest rate of 4% per annum. This loan was converted to common shares of Coinberry upon the acquisition. On June 3, 2022, WonderFi entered into a subscription agreement for common shares in the amount of \$1,500,000 with Coinberry. The convertible note and subscription agreement provided WonderFi with 8% interest in Coinberry before the acquisition. WonderFi then obtained the remaining 92% interest at the acquisition.

Pursuant to the purchase agreement, the Company issued 25,825,645 common shares to Coinberry shareholders for an aggregate fair value of \$13,429,336. The fair value of the common shares has been determined as the closing market price of WonderFi's common shares on July 4, 2022.

The acquisition of Coinberry by the Company has been accounted for as a business combination. The assets acquired from the acquisition are to be recorded at their estimated fair values in accordance with IFRS 3, *Business Combination*. IFRS 3 allows for a measurement period, which shall not exceed one year from the acquisition date, in which the Company may gather the information necessary to record the acquisition in accordance with IFRS 3. As at December 31, 2022, the Company has finalized the fair value for the acquisition.

The allocation of purchase consideration is as follows:

	July 3, 2022
Assets acquired:	
Prepaid expenses	146,497
Income tax receivable	77,757
Client custodial cash	8,022,802
Client digital assets	34,126,495
Due from related parties	62,417
Property and equipment	132,684
Customer relationships	4,427,000
Brand	673,000
Technology	2,339,000
	50,007,652
Liabilities assumed:	
Trade and other payables	2,025,447
Contingent liabilities	1,612,000
Client custodial cash liabilities	8,022,802
Client digital assets liabilities	34,126,495
Long-term debt	40,000
Deferred tax liabilities	315,969
	46,142,713
Net assets acquired	3,864,939
Consideration	14,602,958
Goodwill	10,738,019
The consideration consists of the following components:	
Fair value of previously held interest (a)	1,173,622
Share consideration	13,429,336
	14,602,958

(a) Remeasurement at fair value of the 8% interest previously held in Coinberry resulted in recognition of a \$1,433,852 loss in earnings. This loss is presented under the statement of loss and comprehensive loss

During the fifteen months ended December 31, 2022, Coinberry contributed \$1,441,377 to the Company's revenue and incurred a loss of \$12,527,482 to total comprehensive loss since the acquisition date. Included in the loss during the period is a write off goodwill for an amount of \$10,738,019.

During the fifteen months ended December 31, 2022, the Company paid 1,275,000 common shares for a total of \$663,000 recorded in professional and consulting fees, and 3,100,000 common shares for the contingent liability settlement.

Due to lack of IFRS-specific data prior to the acquisition of Coinberry, pro-forma revenue and profit or loss of the combined entity during the 15 months period ended December 31, 2022 cannot be determined reliably.

Acquisition of Blockchain Foundry Inc

On November 7, 2022, the Company completed the acquisition of Blockchain Foundry Inc. (“BCF”) by purchasing all of the issued and outstanding shares of the entity. The principal activity of Blockchain Foundry Inc. developing and commercializing blockchain-based business solutions. The acquisition is anticipated to solidify the Company as a Canadian leader in the digital asset space. Pursuant to the purchase agreement, the Company and issued 19,740,846 common shares on November 7, 2022. The fair value of the common shares has been determined as the closing market price of WonderFi's common shares on November 7, 2022.

The acquisition of BCF by the Company has been accounted for as a business combination. The assets acquired from the acquisition are to be recorded at their estimated fair values in accordance with IFRS 3, *Business Combination*. IFRS 3 allows for a measurement period, which shall not exceed one year from the acquisition date, in which the Company may gather the information necessary to record the acquisition in accordance with IFRS 3.

Final goodwill to be recognized for this acquisition is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of BCF's workforce and expected cost synergies. Goodwill has been allocated to the corporate segment and is not expected to be deductible for tax purposes.

The net assets acquired recognized in the consolidated financial statements were based on a provisional assessment of BCF's fair value, and the Company is currently evaluating the fair value of the identifiable intangible assets acquired. As management completes its assessment of the fair value of net assets acquired and liabilities assumed, there could be material adjustments to the assets and liabilities.

The preliminary allocation of purchase consideration is as follows:

	November 7, 2022
Assets acquired:	
Cash and cash equivalent	5,842,717
Prepaid expenses	74,061
Trade and other receivable	20,149
Sales tax receivable	170,582
Digital assets	1,057
Loans receivables	27,000
Property and equipment	16,295
Investments	214,499
	6,366,360
 Liabilities assumed:	
Trade and other payables	690,328
Long-term debt	29,679
	720,007
Net assets acquired	5,646,354
Consideration	7,421,119
Goodwill	1,774,766
 The consideration consists of the following components:	
Share consideration at closing	5,231,324
Holdback share consideration subsequent to the closing date	462,748
Stock options consideration	170,350
Warrants consideration	1,556,697
	7,421,119

An aggregate of 6,544,840 Consideration Shares is subject to holdback for the working capital adjustment and the holdback shares will be issued, if at all, once the closing working capital is determined between the parties. If the closing working capital is below the target closing working capital amount, WonderFi shall be entitled to reduce the consideration payable to shareholders of BCF by an amount equal to working capital shortfall multiplied by 1.5, which will be satisfied by WonderFi not issuing an equivalent number of holdback shares. The fair value of the holdback consideration has been determined by calculating the working capital adjustment under the terms of the purchase agreement as of November 7th, 2022. On April 10, 2023, WonderFi issued 1,746,289 common shares, totaling \$462,748, to the shareholders of BCF to satisfy the holdback consideration pursuant to the terms of the purchase agreement.

The following assumptions were used in the calculation of the fair value of options as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$0.07
Exercise price	\$0.21 to \$0.50
Expected volatility (based on comparable publicly listed entities)	169.9%
Expected life	between .02 to 4.2
Expected dividends	Nil
Risk-free interest rate	3.67%

The following assumptions were used in the calculation of the fair value of 7,915,615 warrants as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$0.27
Exercise price	\$2.01
Expected volatility (based on comparable publicly listed entities)	185.0%
Expected life	2.95
Expected dividends	Nil
Risk-free interest rate	4.14%

During the fifteen months ended December 31, 2022, BCF contributed \$nil to the Company's revenue and incurred a loss of \$1,906,271 to total comprehensive loss since the acquisition date. Included in the loss during the period is a write off of goodwill for an amount of \$1,774,766.

During the fifteen months ended December 31, 2022, the Company incurred \$150,000 in professional fees and consulting for the acquisition.

Due to lack of IFRS-specific data prior to the acquisition of Coinberry, pro-forma revenue and profit or loss of the combined entity during the 15 months period ended December 31, 2022 cannot be determined reliably.

Acquisition of Coinsquare Limited

On July 7, 2023, the Company completed the acquisition of Coinsquare Limited by purchasing all of the issued and outstanding shares of the entity. Through its subsidiary; Coinsquare Capital Markets Ltd. ("CCML"), Coinsquare's principal activity is delivering a robust, secure, and intelligent interface for trading Bitcoin, Ethereum, Litecoin, and other digital assets. Coinsquare has grown to become Canada's oldest operating digital asset firm, trading on behalf of over half a million Canadians. This acquisition was made to further solidify WonderFi as a leader amongst crypto companies in Canada. Pursuant to the purchase agreement, the Company issued 270,920,353 common shares on July 7, 2023. The fair value of the common shares has been determined as the closing market price of WonderFi's common shares on July 7, 2023.

The acquisition of Coinsquare by the Company has been accounted for as a business combination. The assets acquired from the acquisition are to be recorded at their estimated fair values in accordance with IFRS 3, *Business Combination*. IFRS 3 allows for a measurement period, which shall not exceed one year from the acquisition date, in which the Company may gather the information necessary to record the acquisition in accordance with IFRS 3.

Final goodwill to be recognized for this acquisition is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Coinsquare's workforce and expected cost synergies. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

The net assets acquired recognized in the interim condensed consolidated financial statements were based on a provisional assessment of Coinsquare's fair value. The Company is currently evaluating the fair value of the identifiable intangible assets acquired given the recent date of the acquisition. As management completes its assessment there could be material adjustments to the assets acquired and liabilities assumed.

The preliminary allocation of purchase consideration is as follows:

	July 7, 2023
Assets acquired:	
Cash and cash equivalents	18,444,204
Restricted Cash	2,318,375
Trade and other receivables	2,553,572
Digital assets inventory	1,846,610
Prepaid expenses	517,948
Client custodial cash	34,871,146
Client digital assets	320,323,932
Loans receivable	1,382,685
Investments	4,550,323
Investment in associate	11,056,322
Right-of-use assets	324,702
	398,189,819
Liabilities assumed:	
Trade and other payables	3,213,614
Income tax payable	2,131
Client custodial cash liabilities	34,871,146
Client digital assets liabilities	320,323,932
Current portion of long-term debt	60,000
Lease liabilities	255,774
	358,726,597
Net assets acquired	39,463,222
Consideration	47,894,246
Goodwill	8,431,024
The consideration consists of the following components:	
Share consideration at closing	47,411,062
Stock options consideration	483,184
	47,894,246

Receivables were recognized at their fair value, which is not substantially different from their gross contractual value as at the date of acquisition.

As part of the transaction, the Company replaced the existing stock options of Coinsquare with those of the Company. The fair value of Coinsquare options already vested as of the date of the acquisition has been incorporated in the purchase price consideration.

The following assumptions were used in the calculation of the fair value of options as per Black-Scholes option pricing model:

	<u>Weighted average</u>
Share price at grant date	\$0.18
Exercise price	\$0.17 to \$0.30
Expected volatility (based on comparable publicly listed entities)	141.0%
Expected life	between .05 to 4.9
Expected dividends	Nil
Risk-free interest rate	4.33%

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually.

During the three and nine months ended September 30, 2023, Coinsquare contributed \$2,273,228 to the Company's revenue and incurred a loss of \$1,743,666 to total comprehensive loss since the acquisition date.

Acquisition of CoinSmart Financial Inc

On July 7, 2023, the Company completed the acquisition of CoinSmart Financial Inc. by purchasing all of the issued and outstanding shares of the entity. CoinSmart is a leading Canadian-headquartered crypto asset trading platform dedicated to providing customers with an intuitive way for buying and selling digital assets. This acquisition was made to further solidify WonderFi as a leader amongst crypto companies in Canada. Pursuant to the purchase agreement, the Company issued 117,924,334 common shares on July 7, 2023. The fair value of the common shares has been determined as the closing market price of WonderFi's common shares on July 7, 2023.

The acquisition of CoinSmart by the Company has been accounted for as a business combination. The assets acquired from the acquisition are to be recorded at their estimated fair values in accordance with IFRS 3, *Business Combination*. IFRS 3 allows for a measurement period, which shall not exceed one year from the acquisition date, in which the Company may gather the information necessary to record the acquisition in accordance with IFRS 3.

Final goodwill to be recognized for this acquisition is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of CoinSmart's workforce and expected cost synergies. Goodwill has been allocated to the payments segment and is not expected to be deductible for tax purposes.

The net assets acquired recognized in the interim condensed consolidated financial statements were based on a provisional assessment of CoinSmart's fair value. The Company is currently evaluating the fair value of the identifiable intangible assets acquired given the recent date of the acquisition. As management completes its assessment there could be material adjustments to the assets acquired and liabilities assumed.

The preliminary allocation of purchase consideration is as follows:

	July 7, 2023
Assets acquired:	
Cash and cash equivalent	\$5,898,790.00
Prepaid expenses	293,262
Digital assets inventory	5,892,670
Client custodial cash	9,267,230
Client digital assets	36,652,066
Right-of-use assets	273,926
Property and equipment	52,781
Domain Names	36,644
	58,367,369
Liabilities assumed:	
Trade and other payables	7,224,922
Income tax payable	101,538
Client custodial cash liabilities	9,267,230
Client digital assets liabilities	36,652,066
Lease liabilities	243,601
	53,489,357
Net assets acquired	4,878,012
Consideration	26,089,905
Goodwill	21,211,893
The consideration consists of the following components:	
Share consideration at closing	20,636,758
Stock options consideration	155,097
Warrants consideration	9,221
Contingent Consideration	5,288,829
	26,089,905

Pursuant to the purchase agreement, 817,651 CoinSmart options and 1,317,256 CoinSmart warrants are deemed to have been replaced by WonderFi's options and warrants as part of the transaction. The following assumptions were used in the calculation of the fair value of 817,651 options as per Black-Scholes option pricing model:

**Notes to Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)**

	<u>Weighted average assumptions</u>
Share price at grant date	\$0.18
Exercise price	\$0.12 to \$0.18
Expected volatility (based on comparable publicly listed entities)	141.0%
Expected life	between .38 to 5.0
Expected dividends	Nil
Risk-free interest rate	4.33%

The following assumptions were used in the calculation of the fair value of 1,317,256 warrants as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$0.56
Exercise price	.3 Years
Expected volatility (based on comparable publicly listed entities)	141.0%
Expected life	.30
Expected dividends	Nil
Risk-free interest rate	4.33%

Additionally, former CoinSmart shareholders will also receive one Earnout Right for each common share held which entitles them to a pro-rata share of an earnout. Under the agreement, WonderFi has the option to satisfy its obligations to make all remaining earnout payments by making a payment equal to \$10,000,500 less the sum of all earnout payments already made. The Company may further elect to satisfy up to 50% of the aggregate earnout payment by the issuance to the holders of common shares, valued using the 10-day volume weighted average trading price of the common shares. The fair value of the contingent consideration on completion of the transaction, discounted at 16.5%, is \$5,228,829. The contingent consideration is to be repaid over a period of three years with the last payment due on July 7, 2026. As at September 30, 2023 no earnout payments have been made.

During the three and nine months ended September 30, 2023, CoinSmart Financial Inc. contributed \$4,440,877 to the Company's revenue and income of \$2,202,653 to total net loss since the acquisition date.

6. CASH AND CASH EQUIVALENTS

The Company holds cash and cash equivalent as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Cash	25,063,720	7,047,352
Guaranteed Investment Certificate ("GIC") investments	-	3,204,345
	<u>25,063,720</u>	<u>10,251,697</u>

The GIC investments were entered into on April 8, 2022 and December 30, 2022 with prime less 2.65% and 2.15% interest rate respectively.

7. TRADE AND OTHER RECEIVABLES

The Company has trade and other receivables as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Trade and other receivables	51,847	29,744
Sales tax receivable	2,714,614	2,360,751
	<u>2,766,461</u>	<u>2,390,495</u>

8. DIGITAL ASSETS

The digital assets owned by the Company are intangible assets under IAS 38, *Intangible Assets*.

Digital Assets	<u>September 30, 2023</u>		<u>December 31, 2022</u>	
	Units	Amount (\$)	Units	Amount (\$)
Ethereum (ETH)	-	-	105.57	170,184
Bitcoin (BTC)	-	-	20.03	446,846
Matic (Matic)	-	-	28,034.22	43,057
Others	-	-	-	4,005
Balance, end of period		<u>-</u>		<u>664,092</u>

Digital assets held are revalued each reporting period based on the fair market value. Digital assets activity during the nine months ended September 30, 2023, and twelve months end December 31, 2022, are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Balance, beginning of period	664,092	11,316,736
Digital assets received in exchange for share capital	-	5,000,001
Digital assets acquired in business combinations (Note 5)	-	1,452,391
Digital assets earned as part of proof of stake	14,028	34,564
Digital assets development expense	-	(60,293)
Digital assets acquired	-	1,915,249
Digital assets sold	(944,866)	(13,715,272)
Gain (loss) on disposal of digital assets	(19,887)	(2,007,916)
Gain (loss) on revaluation of digital assets	286,633	(3,271,368)
Balance, end of period	<u>-</u>	<u>664,092</u>

9. DIGITAL ASSET INVENTORY

The Company holds digital assets as inventory as follows:

	September 30, 2023		December 31, 2022	
	Units	Amount (\$)	Units	Amount (\$)
Bitcoin (BTC)	40.49	1,478,559	20.53	458,071
Ethereum (ETH)	374.29	849,942	191.87	309,455
USD Coin (USDC)	3,193,749.15	4,340,477	190,696.02	257,440
Ripple (XRP)	529,055.22	370,547	-	-
Stellar (XLM)	618,254.99	94,260	430,131.55	49,709
Litecoin (LTC)	713.66	64,111	1,197.55	113,073
Others	-	624,059	-	355,570
Balance, end of period		7,821,955		1,543,318

10. CLIENT CUSTODIAL CASH ASSETS AND LIABILITIES

	September 30, 2023		December 31, 2022	
	Amount (\$CAD)		Amount (\$CAD)	
Cash - \$CAD	68,331,116		35,241,283	
Cash - \$USD	27,120,835		2,959,492	
Cash - \$EUR	192,436		-	
Cash - \$AUD	952		-	
Cash - \$GBP	790		-	
Balance, end of	95,646,129		38,200,775	

As at September 30, 2023, the Company held cash and digital assets on behalf of clients. The Company has control over these assets and bears the associated risks.

The cash held on behalf of clients is segregated in separate bank accounts managed by the Company. The cash held enables clients to execute trades involving digital assets.

11. CLIENT DIGITAL ASSETS AND LIABILITIES

	September 30, 2023		December 31, 2022	
	Units	Amount (\$)	Units	Amount (\$)
Bitcoin (BTC)	8,247.68	301,165,868	3,357.68	74,911,519
Ethereum (ETH)	62,356.15	141,598,780	37,443.62	60,596,781
Stellar Lumens (XLM)	61,402,840.47	9,351,914	35,341,938.39	3,408,361
Cardano (ADA)	18,896,254.43	6,504,339	8,758,888.08	2,914,958
Solana (SOL)	151,630.26	4,403,161	73,398.82	773,212
Others	-	139,549,641	-	18,411,059
Balance, end of period		602,573,703		161,015,890

In order to comply with registration requirements, the Company is required at all times to hold not less than 80% of the total value of all digital assets held on behalf of clients with a custodian that meets the definition of a qualified custodian under NI 31-103. As a result of this requirement, the Company reallocates the remaining 20% of the digital assets on an as-needed basis across its hot wallets and exchanges to maintain sufficient liquidity to settle customer trades and withdrawals. For the digital assets held by the Company, they are safeguarded separately and distinctly from the Company digital asset. As at September 30, 2023, 95% (93% - December 31, 2022) of the total value of all digital assets held on behalf of clients are stored at a qualified custodian.

The Company is exposed to changes in digital asset prices to the extent that any such excess or deficit exists across the different digital assets.

12. LOANS RECEIVABLE

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Balance, beginning of period	350,855	-
Loan receivable issued	-	600,000
Acquired from business combination (Note 5)	1,382,685	27,000
Interest accrued	16,090	23,855
Loan receivable principal collected in cash	(365,967)	(300,000)
Loan receivable principal collected in ETH	(2,000)	-
Balance, end of period	<u>1,381,663</u>	<u>350,855</u>

On April 26, 2022, the Company made a loan in the amount of \$600,000 to an unrelated party. The loan accrues 6% interest per annum until the outstanding balance of the loan is fully paid within 12 months of the closing date. On January 9th, 2023 the Company amended the agreement to have maturity date of July 1st, 2023. As such time the remaining principal outstanding and interest will come due. As of December 31, 2022, \$23,855 interest has been accrued, \$300,000 of the principal has been repaid. During the nine months ended September 30, 2023, \$11,081 interest has been accrued (\$23,855 – December 31, 2022). As of September 30, 2023 the entirety of the remaining principal and interest had been collected.

On November 7th, 2022, the Company acquired a \$27,000 non-interest bearing loan receivable to an unrelated party through its business combination transaction with Blockchain Foundry Inc. On February 28, 2023 the Company settled the loan for \$25,000 cash repayment and 1 ETH.

On July 7th, 2023, through its business combination transaction with Coinsquare Limited, the Company acquired a \$382,686 interest bearing promissory note receivable to an unrelated party. The note accrues 5% interest per annum until the loan fully repaid on June 15, 2024. During the three and nine months ended the company has accrued \$5,009 in interest.

On July 7th, 2023, through its business combination transaction with Coinsquare Limited, the Company acquired a \$1,000,000 non-interest bearing loan receivable to an unrelated party. At inception the company received BTC as collateral from the third party valued at 120% of the loan assets. The Company is entitled to automatically liquidate the collateral in its sole discretion if the value of the collateral decreases to 105% of the value of the loaned assets. The loan has no maturity date but it has a call option exercisable on 30 days prior notice to the loan holder. The collateralized BTC is valued at of \$1,466,257 as of September 30, 2023.

13. INVESTMENTS

Investments held	Method	September 30, 2023	December 31, 2022
Coral Capital Holdings LLC	FVTPL	264,800	270,880
Metaverse Group Limited	FVTPL	49,500	49,500
Aurigin Inc.	FVTPL	211,619	216,478
NXM Labs Inc.	FVTPL	405,600	-
Blockchange I	FVTPL	3,560,005	-
Blockchange II	FVTPL	556,371	-
Balance, end of period		5,047,895	536,858

Activities relating to the investments held by the Company during the nine months ended September 30, 2023, and twelve months end December 31, 2022, are as follows:

	September 30, 2023	December 31, 2022
Balance, beginning of period	536,858	-
Investments purchased during the period	-	871,390
Acquired from the business combinations (Note 5)	4,550,323	265,978
Sale of Investment	(104,828)	-
Change in fair value of investment	-	(617,850)
Gain (loss) on revaluation of investment due to foreign exchange	65,542	17,340
Balance, end of period	5,047,895	536,858

The Company records the following investment in equity instruments as financial assets at fair value through profit and loss. A gain on the revaluation of investments due to foreign exchange was recognized during the nine months ended September 30, 2023, in the amount of \$65,542.

On October 19, 2021, the Company made a strategic equity investment of \$617,850 in FTX Trading Limited in the form of a private placement. On November 21, 2022, the company impaired its investment of FTX Trading Limited to \$Nil as management believed it would not be able to recover the amount.

On December 20, 2021, the Company acquired an equity investment of \$49,500 in Metaverse Group Limited through its business combination transaction with First Ledger Corporation. Metaverse Group Limited is a leading vertically integrated real estate company focused on the metaverse economy.

On November 7, 2022, as part of the business combination with Blockchain Foundry Inc., WonderFi acquired an equity investment in Aurigin Inc. with a fair value of \$214,499.

On July 7, 2023, as part of the business combination with Coinsquare Limited., the Company acquired an investment in of Blockchange Ventures with a fair value of \$4,046,705. Blockchange is a venture capital firm that seeks to vest in early stage blockchain companies, protocols, and applications.

On July 7, 2023, as part of the business combination with Coinsquare Limited., the Company acquired 100,000 in the common shares of Connect First Credit Union Ltd (“Connect First”) with a fair value of \$104,828. During the nine months ended September 30th, the Company sold the entirety of its investment for a cash consideration of \$104,828.

On July 7, 2023, as part of the business combination with Coinsquare Limited., the Company acquired 460,954 in the preferred shares of NCM Labs Inc. (“NXM”) with a fair value of \$398,790.

14. INVESTMENT IN ASSOCIATE

Through its business combination with Coinsquare Limited the Company holds a 42.63% interest in Tetra Trust Company (“Tetra”) as of September 30, 2023. The Company has determined that it has significant influence over the investee. The Company accounts for its investment in its associate using the equity method.

As at September 30, 2023 the carrying value of the investment in Tetra Trust Company was \$10,657,500. The following table summarises the financial information of Tetra as included in its own financial statements.

Statements of Financial Position

	September 30, 2023
Assets	
Cash	6,036,906
Other current assets	339,042
Total current assets	6,375,948
Non-current assets	3,254,335
Total assets	9,630,283
Liabilities	
Current liabilities	241,278
Non-current liabilities	113,300
Total liabilities	354,578
Total net assets	9,275,705

Statement of Loss

	July 7, 2023 to September 30, 2023
Revenue	266,023
Operating expenses	1,203,941
Other gain	(2,373)
Total net loss	935,545

The following table reconciles the summarized financial information of Tetra to the carrying amount of the Company's investment in the entity.

	September 30, 2023
Percentage Ownership Interest	42.63%
Company's share of net assets	3,954,233
Change in fair value of net assets	6,703,267
Carrying amount of interest in equity affiliates	10,657,500
Company's Share of Loss for the Period	398,822
	September 30, 2023
Balance, beginning of period	-
Acquired in business combinations (Note 5)	11,056,322
Allocation of net loss for the period	(398,822)
Balance, end of period	10,657,500

As at September 30, 2023, the Company determined there were no indicators of impairment.

15. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

The following table presents the right-of-use assets and lease liabilities for the nine months ended September 30, 2023 and twelve months ended December 31, 2022:

	<u>Right-of-use assets</u>
<u>Cost:</u>	
As of December 31, 2021	-
Acquired from business combinations (Note 5)	403,429
Modifications	(1,435)
As of December 31, 2022	401,994
Additions during the period	223,568
Acquired from business combinations (Note 5)	598,628
Disposals	(59,295)
As of September 30, 2023	1,164,895
<u>Depreciation:</u>	
As of December 31, 2021	-
Depreciation during the period	(172,899)
As of December 31, 2022	(172,899)
Depreciation during the period	(188,053)
Disposals	27,178
As of September 30, 2023	(333,774)
<u>Carrying Amount:</u>	
As of December 31, 2022	229,095
As of September 30, 2023	831,121
	<u>Lease liabilities</u>
As of December 31, 2021	-
Acquired from the Business Combinations	403,429
Modifications	(1,435)
Interest expense during the period	15,186
Payment during the period	(182,792)
As of December 31, 2022	234,388
Additions during the period	223,568
Acquired from the Business Combinations	499,375
Interest expense during the period	24,173
Disposal	(32,118)
Payment during the period	(229,368)
As of September 30, 2023	720,018

Notes to Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

Commitments	September 30, 2023	December 31, 2022
Current Portion of Lease Liabilities	414,293	234,388
Long Term Lease Liabilities	305,725	-
	720,018	234,388

Commitments	September 30, 2023	December 31, 2022
2023	131,438	234,388
2024	341,181	-
2025	78,126	-
2026	78,124	-
2027	78,127	-
2028	13,022	-

16. INTANGIBLE ASSETS

	<u>Technology</u>	<u>Customer relationships</u>	<u>Brand</u>	<u>Domain Names</u>	<u>Total</u>
<u>Cost:</u>					
As of December 31, 2021	-	-	-	-	-
Acquired from business combination (Note 5)	15,463,000	35,350,000	4,391,000	-	55,204,000
Impairment during the period	<u>(2,258,951)</u>	<u>(5,131,735)</u>	<u>(638,235)</u>	-	<u>(8,028,921)</u>
As of December 31, 2022	13,204,049	30,218,265	3,752,765	-	47,175,079
Acquired from business combination (Note 5)	-	-	-	36,644	36,644
Diposal	<u>(2,339,000)</u>	<u>(708,372)</u>	<u>(683,000)</u>	-	<u>(3,730,372)</u>
As of September 30, 2023	10,865,049	29,509,893	3,069,765	36,644	43,481,351
<u>Amortization:</u>					
As of December 31, 2021	-	-	-	-	-
Amortization during the period	<u>(1,129,023)</u>	<u>(3,723,728)</u>	<u>(329,592)</u>	-	<u>(5,182,343)</u>
As of December 31, 2022	(1,129,023)	(3,723,728)	(329,592)	-	(5,182,343)
Amortization during the period	<u>(3,103,011)</u>	<u>(3,578,666)</u>	<u>(888,258)</u>	-	<u>(7,569,935)</u>
Diposal	<u>2,339,000</u>	<u>708,372</u>	<u>683,000</u>	-	<u>3,730,372</u>
As of September 30, 2023	(1,893,034)	(6,594,022)	(534,850)	-	(9,021,906)
<u>Carrying Amount:</u>					
As of December 31, 2022	12,075,026	26,494,537	3,423,173	-	41,992,736
As of September 30, 2023	8,972,015	22,915,871	2,534,915	36,644	34,459,445

Effective June 14, 2023, the Company prospectively changed its accounting policy for the amortization of technology and brand names acquired in the Coinberry Limited business combination (Note 5). The change in policy has been summarized in Note 4 of the Interim Condensed Consolidated Financial Statements.

17. GOODWILL

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Net carrying value, beginning of period	-	-
Acquired from the Business Combination (Note 5)	29,642,917	112,506,864
Impairment during the period	-	(112,506,864)
Net carrying amount, end of period	<u>29,642,917</u>	<u>-</u>

18. TRADE AND OTHER PAYABLES

The Company has trade and other payables as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Liquidity provider loan, on demand, non-interest bearing	1,805,981	3,776,448
Other accounts payables and accrued liabilities	9,226,053	5,779,610
Holdback share consideration (Note 5)	-	462,748
	<u>11,032,034</u>	<u>10,018,806</u>

19. LOAN PAYABLE

On August 18, 2022, the Company received a loan of 20 BTC and 200 ETH with a three-month repayment term. The loan requires 133% cash collateral initially in the amount of \$1,218,000 with 3.50% annualized interest rate in digital assets. On December 6, 2022 the Company extended the agreement for an additional three-month repayment term, ending March 6, 2023. On March 6, 2023, the Company fully repaid the 20 BTC and 200 ETH.

20. RELATED PARTY PAYMENTS

Company's related parties consist of entities where the executive officers and directors of the Company are principals meaning 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.

Key management personnel compensation comprised of share-based compensation, and any salaries paid to these individuals.

During the three and nine months ended September 30, 2023 and September 30, 2022, related party transactions were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Share-based payments ⁽¹⁾	428,838	542,292	671,484	4,332,116
Salaries and benefits ⁽²⁾	642,909	382,766	1,724,733	1,284,136
Professional fees ⁽³⁾	-	-	-	25,729
Acquisition payments ⁽⁴⁾	3,394,421	-	3,394,421	-
	4,466,168	925,058	5,790,638	5,641,981

- (1) The Company issued options and RSUs to directors and key management personnel of the Company and recorded the share-based payments related to such issuances based on the vesting schedules.
- (2) Salaries and benefits paid to key management personnel during the three and nine months ended September 30, 2023 and 2022.
- (3) Avisar Everyday Solutions (“Avisar”) was related to the Company through a key management personnel until February 21, 2022. Expense incurred for professional fees for the three and nine months ended September 30, 2023 were \$Nil (\$25,729 - September 30, 2022). As of September 30, 2023, all related party amounts owed to Avisar were paid in full.
- (4) Pursuant to the business combination agreement for CoinSmart and Coinsquare, there were 15,363,357 shares issued to related parties with a fair value of \$2,688,587, as well as cash payments made to certain board of directors members totalling \$250,000. Additionally, restricted stock units were issued to key management personnel vesting immediately with a total fair value of \$455,834.

21. WARRANT LIABILITIES

For the period ended September 30, 2023, the Company’s warrant liabilities are composed of units from the following issuances of warrants:

	Bought Deal	Private Placement
Closing date	4-Feb-22	30-Jan-23
Warrants issued	10,183,333	22,800,000
Stock Price	\$1.86	\$0.27
Warrants strike price	\$3.10	\$0.30
Fair value of warrants on issuance	\$0.30	\$0.06
Warrants term	2 years	2 years

Warrant valuation assumptions:

Valuation model at issuance	Market quote	Binomial model
Valuation model as at September 30, 2023	Market quote	Binomial model
Fair value of warrants as at September 30, 2023	0.01	0.03

The change in warrant liabilities is as follows:

	October 26, 2021		February 4, 2022		January 30, 2023		Total Amount (\$)
	Warrants		Warrants		Warrants		
	Units	Amount (\$)	Units	Amount (\$)	Units	Amount (\$)	
As of December 31, 2021	6,760,002	6,016,402	-	-	-	-	6,016,402
Recognition of derivative warrant liabilities on issuance of warrants	-	-	10,183,333	3,055,000	-	-	3,055,000
Revaluation of derivative warrant liabilities	-	(5,644,602)	-	(2,545,834)	-	-	(8,190,436)
As of December 31, 2022	6,760,002	371,800	10,183,333	509,166	-	-	880,966
Recognition of derivative warrant liabilities on issuance of warrants	-	-	-	-	22,800,000	1,388,520	1,388,520
Revaluation of derivative warrant liabilities	-	169,000	-	(407,333)	-	(738,720)	(977,053)
As of September 30, 2023	6,760,002	540,800	10,183,333	101,833	22,800,000	649,800	1,292,433

Warrant liability related to January 30, 2023 private placement

On January 30, 2023, the Company completed a private placement with the issuance of 22,800,000 Units at a price of \$0.22 per unit for aggregate gross proceeds to the Company of \$5,016,000. Each Unit consists of one common share of the Company and one share purchase warrant of the Company. Each warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.30 until January 30, 2025.

In the event of an additional rights offering, the exercise price and number of shares that such Warrants may be convertible to, may be adjusted. The adjustment results in variability in both the conversion price and the number of shares to be issued, and as such, the Warrants breach the fixed-for-fixed requirement and are classified as a derivative liability measured through FVTPL.

This warrant liability was measured on the issuance period, by using a Binomial Model based on the facts and circumstances on the issuance date. The fair value of the warrants has been measured at \$1,388,520 on issuance. The fair value of the warrants as at September 30, 2023 was determined to be \$649,800 using a Binomial Model. A resulting \$738,720 gain has been recorded in the interim condensed consolidated statements of loss and comprehensive loss for the period ending September 30, 2023.

22. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Share Capital Activity

	<u>Number of shares</u>	<u>Amount (\$)</u>
Balance as of December 31, 2022	214,637,855	209,164,509
Issuance of common shares through private placements (v)	22,800,000	3,237,374
Conversion of restricted shares units (viii)	4,820,807	986,212
Shares issued for Business Combinations (ii) (iii) (vi)	390,590,976	68,510,568
Shares issued for services (i) (ii) (iii) (iv) (vii)	18,036,577	3,127,382
Balance as of September 30, 2023	650,886,215	285,026,045
	<u>Number of shares</u>	<u>Amount (\$)</u>
Balance as of December 31, 2021	76,365,823	48,917,646
Issuance of common shares through private placements (ix)	18,750,000	38,699,286
Issuance of common shares for services (x) (xi) (xii)(xiii) (xiv)(xv)(xvii) (xviii)	5,124,168	5,615,942
Issuance of common shares for business combinations (xi) (xiv) (xvi)	112,207,075	115,289,507
Issuance of common shares to settle contingent liabilities	4,808,733	4,089,633
Exercise of options (xix)	379,717	340,590
Exercise of warrants (xx)	6,800	143,655
Conversion of restricted shares units (xxi)	1,003,839	1,215,891
Repurchase of shares (xxii)	(4,008,300)	(5,147,641)
Balance as of December 31, 2022	214,637,855	209,164,509

- (i) On July 24, 2023, WonderFi issued 829,220 common shares of the Company to a former director for settlement of all outstanding fees totalling \$149,258.
- (ii) On July 7, 2023, WonderFi issued 270,920,353 common shares of the Company to the shareholders of Coinsquare Limited on a 6.9467:1 basis with respect to the Coinsquare Business Combination (Note 5). The Company also issued 10,704,135 common shares to advisors for consulting fees totalling \$1,873,224.
- (iii) On July 7, 2023, WonderFi issued 117,924,334 common shares of the Company to the shareholders of CoinSmart Financial Inc. on a 1.8015:1 basis with respect to the Coinsquare Business Combination (Note 5). The Company also issued 4,659,222 common shares to advisors for consulting fees totalling \$815,364.
- (iv) On July 7, 2023, WonderFi issued 500,000 common shares of the Company to a former advisor for settlement of all outstanding fees totalling \$87,500.
- (v) On January 30, 2023, the Company completed a private placement with the issuance of 22,800,000 Units at a price of \$0.22 per unit for aggregate gross proceeds to the Company of \$5,016,000. Each Unit consists of one common share of the Company and

one share purchase warrant of the Company. Each warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.30 until January 30, 2025. An amount of \$3,627,480 was allocated to Share capital and an amount of \$1,388,520 to warrant liability.

The Company incurred cash-based share issuance costs of \$368,567 regarding the private placement, of which \$102,026 was recorded to the statement of loss and comprehensive loss and \$266,541 to share capital. As part of the private placement, the Company also issued 1,368,000 compensation options to certain agents. Each compensation option exercisable into one common share at an exercise price of \$0.22 for a period of 24 months following the completion of the offering. The fair value of the compensation option has been measured using the Black-Scholes option pricing model at \$170,863 and has been recorded as share issuance costs. An amount of \$47,298 was recorded to the statement of loss and comprehensive loss and \$123,565 was recorded to share capital. The following assumptions were used in the calculation of broker warrants as per Black-Scholes option pricing model:

	<u>Weighted average assumptions</u>
Share price at grant date	\$0.19
Exercise price	\$0.22
Expected volatility (based on comparable publicly listed entities)	138%
Expected life (years)	2.00
Expected dividends	Nil
Risk-free interest rate	3.67%

- (vi) On April 10, 2023, WonderFi issued 1,746,289 common shares of the Company, totaling \$462,748, to the shareholders of BCF to satisfy the holdback consideration pursuant to the terms of the purchase agreement (Note 5).
- (vii) On April 20, 2023, the Company issued 1,344,000 common shares totaling \$202,036 to fulfill payment of a sponsorship agreement with a third-party vendor.
- (viii) A total of 4,820,807 common shares of the Company were issued to the employees, and directors of the Company upon vesting of the RSUs at the fair value of \$986,212 during the nine months ended September 30, 2023.
- (ix) On February 4, 2022, the Company completed a private placement with the issuance of 18,750,000 Units at a price of \$2.40 per unit for aggregate gross proceeds to the Company of \$45,000,000 which \$5,000,001 was received in digital assets. Each Unit consists of one common share of the Company and one-half Warrant of the Company. An amount of \$42,187,500 was allocated to share capital and an amount of \$2,812,500 to warrant liability. Overallotment Warrants of 808,333 were also issued. Each Warrant is exercisable to acquire one Common Share of the company at an exercise price of \$3.10 until February 4, 2024, for an amount of \$242,500 allocated to warrant liability.

The Company incurred cash-based share issuance costs of \$3,378,527 with respect to the private placement, \$214,056 was recorded to the statement of loss and comprehensive loss. As part of the private placement, the Company also issued 1,151,042 broker warrants and 26,271 overallotment broker warrants to certain agents. Each broker warrant is exercisable to acquire one common share and one-half Warrant of the Company at an exercise price of \$3.10 until February 4, 2024. The fair value of the broker warrants and overallotment broker warrants has been measured using the market price of the warrants at \$345,313 and \$7,881 respectively and has been recorded as share issuance costs, \$29,463 in total has been recorded in the statement of loss and comprehensive loss.

- (x) On February 7, 2022, the Company issued 1,000,000 common shares to advisors as consulting fees totaling \$1,780,000.
- (xi) On March 25, 2022, WonderFi issued 66,640,584 common shares of the Company to the shareholders of FLC on a 2.3528:1 basis with respect to the Bitbuy Business Combination (Note 5). The Company also issued 1,650,683 common shares relating to broker fees totaling \$2,426,504 and 1,708,733 shares for the contingent liability settlement for \$2,477,633.
- (xii) On March 25, 2022, the Company issued 1,000,000 common shares to advisors as consulting fees totaling \$1,230,000.
- (xiii) The company issued 921,453 and 185,185 common shares on April 8, 2022 and September 30, 2022 for \$1,369,961 finder's fee of FLC acquisition and \$100,000 listing sponsorship service respectively.
- (xiv) On July 4, 2022, WonderFi issued 25,825,645 common shares of the Company to the shareholders of Coinberry on a 1.1129:1 basis with respect to the Coinberry Business Combination (Note 5). The Company also issued 1,275,000 common shares to advisors for consulting fees totalling \$471,750 and 3,100,000 shares for the settlement of a contingent liability of \$1,612,000.
- (xv) On September 21, 2022, the Company issued 27,785 common shares to advisors for consulting fee totalling \$10,680.
- (xvi) On November 7, 2022, WonderFi issued 19,740,846 common shares of the Company to the shareholders of BCF on a 4.64037:1 basis with respect to the BCF Combination (Note 5).
- (xvii) On December 28, 2022, the Company issued 50,000 common shares to advisors for consulting fee totalling \$5,500.

- (xviii) On December 28, 2022, the Company issued 14,062 common shares to advisors for consulting fee totalling \$1,546.
- (xix) A total of 379,717 stock options were exercised for 340,590 common shares of the Company for cash proceeds of \$123,720 during the twelve months ended December 31, 2022, which an amount of \$340,590 was added to share capital and the difference to the contributed surplus.
- (xx) A total of 6,800 warrants were exercised for 6,800 common shares of the Company for cash proceeds of \$6,800, during the twelve months ended December 31, 2022, which an amount of \$143,655 was added to share capital and the difference to the contributed surplus.
- (xxi) A total of 1,003,839 common shares of the Company were issued to the employees, and directors of the Company upon vesting of the RSUs at the fair value of \$1,215,891.
- (xxii) On February 17, 2022, the Company announced its intent to commence a Normal Course Issuer Bid (“NCIB”). As at September 30, 2022, the Company repurchased 4,008,300 of its common shares on the open market through its broker at an average purchase price of \$1.28 per share for a total of \$5,156,317. Of these common shares, 607,900 shares were cancelled on February 28, 2022, and 3,400,400 shares were cancelled on March 31, 2022.

Options

The Company has established a Stock Option Plan under which, the Board of Directors may, from time to time, grant options to directors, officers, employees, or consultants of the Company. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Company. Under the Stock Option Plan, the exercise price of an option cannot be lower than the closing price on the TSX on the trading date preceding the date of grant. Each stock option and all rights thereunder shall be expressed to expire on the date as set out in the option agreement or the maximum term of 10 years, whatever comes earlier.

The weighted average inputs used in the measurement of the fair values at grant date of the stock options are as follows:

	Weighted average assumptions
Share price at grant date	\$0.20
Exercise price	\$0.24
Expected volatility (based on comparable publicly listed entities)	140%
Expected life (years)	3.92
Expected dividends	Nil
Risk-free interest rate	4.16%

The weighted average of the fair value of granted options was estimated on dates of grant at \$0.14. Volatility was based upon comparable trading entities.

A summary of the Company stock options as at and during the nine months ended September 30, 2023 and twelve months ended December 31, 2022 is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life
Balance as of December 31, 2022	11,624,155	0.73	4.53
Granted	13,469,152	0.24	
Expired / cancelled / forfeited	(9,105,107)	0.57	
Balance as of September 30, 2023	15,988,200	0.40	3.99
Exercisable as of September 30, 2023	9,476,291	0.82	4.23
	Number of options	Weighted average exercise price	Weighted average remaining life
Balance as of December 31, 2021	2,008,052	0.91	4.53
Granted	14,562,361	1.00	
Exercised	(379,717)	0.50	
Expired / cancelled / forfeited	(4,566,541)	1.52	
Balance as of December 31, 2022	11,624,155	0.73	4.53
Exercisable as of December 31, 2022	3,023,266	0.82	4.23

The Company recorded share-based payments expense net of forfeited reversal based on the graded vesting schedule of the granted options of \$669,165 during the three months ended September 30, 2023 (\$1,918,804 – September 30, 2022) and \$208,224 during the nine months ended September 30, 2023 (\$4,824,352 – September 30, 2022).

Restricted Share Units

The Board of Directors may, from time to time, award RSUs to directors, officers, and employees. Under the incentive plan the maximum number of shares the Company is entitled to issue from treasury for payments in respect of awards of stock options and RSUs cumulatively should not exceed 10% of the total number of shares issued and outstanding. Upon vesting, the awardees of the RSUs will receive one common share of the Company for each RSU held. These RSUs include service conditions only.

The vesting of RSUs is based on the following service condition schedule:

Number of RSUs Granted	Fair Value per RSUs (\$)	First Vesting Date	Vesting Criteria
280,000	0.25	23-Sep-21	6.25% vest every 3 months
1,450,000	1.05	29-Oct-21	10% vest every 3 months
100,000	2.39	19-Jan-22	8.33% vest every 3 months
460,000	2.39	16-Apr-22	8.33% vest every 3 months
300,000	1.96	7-May-22	8.33% vest every 3 months
50,000	1.31	21-Feb-22	100% vest immediately
660,000	1.31	21-May-22	8.33% vest every 3 months
20,000	0.59	17-May-22	100% vest immediately
1,110,000	0.59	17-Aug-22	8.33% vest every 3 months
500,000	0.52	4-Aug-22	4.17% every month
100,000	0.52	4-Oct-22	8.33% vest every 3 months
100,000	0.52	4-Jul-22	100% vest immediately
100,000	0.355	12-Jan-23	8.33% vest every 3 months
56,250	0.185	30-Nov-22	25% every 3 months
270,000	0.185	28-Feb-23	8.33% every 3 months
400,000	0.235	19-Feb-23	8.33% every 3 months
747,384	0.17	24-Feb-23	100% vest immediately
510,000	0.195	11-Apr-23	100% vest immediately
1,250,000	0.165	18-May-23	100% vest immediately
1,500,000	0.175	7-Jul-23	50% vesting immediately, 50% vesting sixth months thereafter
1,148,816	0.185	10-Jul-23	100% vest immediately
600,000	0.185	10-Jul-23	50% immediate vesting, 4.17% every quarter thereafter
1,250,000	0.185	10-Jul-24	50% vesting on first anniversary, 4.166% every quarter thereafter
121,528	0.18	4-Aug-23	100% vest immediately
417,000	0.135	14-Sep-23	100% vest immediately
1,500,000	0.175	14-Sep-23	50% vesting immediately, 50% vesting sixth months thereafter

A summary of the Company's RSUs as at and during the nine months ended September 30, 2023 and twelve months ended December 31, 2022 is as follows:

	Number of RSUs
Balance as of December 31, 2022	4,190,698
Granted	9,044,728
Vested and Issued	(4,834,870)
Expired / cancelled / forfeited	(2,531,844)
Balance as of September 30, 2023	5,868,711
Balance as of December 31, 2021	1,667,500
Granted	4,126,250
Vested and Issued	(1,003,052)
Expired / cancelled / forfeited	(600,000)
Balance as of December 31, 2022	4,190,698

The Company recorded share-based payments expense net of forfeited reversal based on the graded vesting schedule of the granted RSUs of \$233,016 during the three months ended September 30, 2023 (an expense of \$1,81,683 – September 30, 2022) and a recovery of \$625,616 during the nine months ended September 30, 2023 (an expense of \$2,428,177 – September 30, 2022).

Brokers warrants

A summary of the Company's warrants as at and during the nine months ended September 30, 2023 and twelve months ended December 31, 2022 as follows:

	<u>Number of Warrants</u>
Balance as of December 31, 2022	10,515,141
Granted	1,317,256
Expired / cancelled / forfeited	<u>(1,493,398)</u>
Balance as of September 30, 2023	<u>10,338,999</u>
Balance as of December 31, 2021	8,096,203
Granted	2,425,738
Exercised	<u>(6,800)</u>
Balance as of December 31, 2022	<u>10,515,141</u>

The Company recorded share issuance costs for the broker warrants granted of Nil during the three months ended September 30, 2023 (Nil – September 30, 2022) and Nil during the nine months ended September 30, 2023 (\$345,816 – September 30, 2022).

Escrow Shares

The Company and certain shareholders of the Company entered into voluntary Lock-up Agreements where certain common shares are subject to resale restrictions, as per the escrow schedules.

Pooled shares for the FLC Business Combination (Note 5) shall be released as follows:

<u>Number of Pooled Shares</u>	<u>First Release Date</u>	<u>Release Policy</u>
42,947,658	25-Mar-22	8.33% every month
23,465,727	25-Jul-22	25% every 4 months
1,935,928	25-Mar-23	100% on date of release

Pooled shares for the Coinberry Business Combination (Note 5) shall be released as follows:

<u>Number of Pooled Shares</u>	<u>First Release Date</u>	<u>Release Policy</u>
16,411,816	4-Oct-22	12.5% every 3 months
10,821,408	4-Aug-22	8.33% every month
3,100,000	4-Jul-22	25% every month

Pooled shares for the Blockchain Foundry Inc. Business Combination (Note 5) shall be released as follows:

Number of Pooled Shares	First Release Date	Release Policy
1,736,022	10-Nov-22	100% on date of release
273,586	25-Feb-23	100% on date of release
273,586	7-May-23	100% on date of release
273,590	7-Aug-23	100% on date of release
273,590	7-Nov-23	100% on date of release

Pooled shares for the Coinsquare Limited and CoinSmart Financial Inc. Business Combinations (Note 5) shall be released as follows:

Number of Pooled Shares	First Release Date	Release Policy
556,811	7-Aug-23	100% on date of release
556,811	7-Sep-23	100% on date of release
556,811	7-Oct-23	100% on date of release
556,811	7-Nov-23	100% on date of release
4,946,948	7-Jan-24	100% on date of release
4,946,948	7-Jul-24	100% on date of release
1,000,000	7-Jan-25	100% on date of release

As at September 30, 2023, total of 18,435,539 (December 31, 2022 – 39,819,642) shares remain in escrow as part of the pooling agreements.

23. ADDITIONAL DETAILS TO THE STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2023	2022
Changes in working capital items		
Trade and other receivables	2,106,817	(1,183,389)
Prepaid expenses	514,240	(25,270)
Income tax receivable	(563,900)	(281,563)
Trade and other payables	(8,577,445)	(6,162,830)
Digital asset inventory	1,277,279	16,498
Purchase of digital assets	-	(3,417,169)
Disposal of digital assets	944,866	13,633,091
	(4,298,143)	2,579,368

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurements

IFRS 13, *Fair-Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

	Category	Fair Value as at September 30, 2023	Fair Value as at December 31, 2022
Financial assets at FVTPL			
Digital assets	Level 2	-	664,092
Digital asset inventory	Level 2	7,821,955	1,543,318
Client digital assets	Level 2	602,573,703	161,015,890
Investments	Level 3	5,047,895	536,858
Financial liabilities at FVTPL			
Client digital assets liabilities	Level 2	602,573,703	161,015,890
Warrant liabilities	Level 2	1,292,433	880,966
Contingent consideration	Level 2	5,480,267	-

There was no movement of financial instruments between levels during the period.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

Digital currencies risk and risk management

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company holds digital assets on reputable custodian and liquidity providers with a total value of \$7,821,955 as at September 30, 2023 (December 31, 2022 - \$664,092). At September 30, 2023, had the market price of the Company's holdings of digital assets changed by 10% with all other variables being constant, the corresponding digital asset value change would amount to approximately \$782,196.

Some fiat and digital assets of Bitbuy are held on account with various third-party digital asset trading platforms. These deposits are held on account to allow for successful completion of user purchases and sales of digital assets. These digital assets are transferred to Bitbuy's digital custodian accounts and fiat funds are transferred to financial institutions on an ongoing basis.

25. LOSS PER SHARE

No diluted loss per share has been calculated for the three and nine months ended September 30, 2023 and three and nine months ended September 30, 2022, given the Company's loss position, as the effect would be antidilutive. Basic loss per share is calculated by dividing the net loss by the weighted average number of shares.

The Basic and fully diluted loss per share for the three and nine months ended September 30, 2023 and September 30, 2022 are as follows:

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Net loss	weighted average # of shares	Loss per share	Net loss	weighted average # of shares	Loss per share
Basic and fully diluted loss per share	(10,004,871)	622,573,013	(0.02)	(8,522,449)	192,565,135	(0.04)
	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Net loss	weighted average # of shares	Loss per share	Net loss	weighted average # of shares	Loss per share
Basic and fully diluted loss per share	(21,127,396)	365,502,011	(0.06)	(35,969,091)	149,780,780	(0.24)

26. SEGMENT INFORMATION

The Company operates through three reportable segments: Trading, Payments and Corporate. Trading consists of operations from the Company's crypto exchange platforms; Bitbuy, Coinsquare and CoinSmart. The Payments segment consists of operations from SmartPay the company's global crypto payment processing division. Other general operations and those pertaining to M&A activities are reported under the Corporate segment.

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision-maker has been identified as the President and Chief Executive Officer. All revenues and non-current assets are in Canada.

	Three Months Ended September 30, 2023			
	Trading	Payments	Corporate	Total
Revenue	8,543,732	1,357,544	-	9,901,276
Salaries and wages	3,469,959	173,661	701,353	4,344,973
Bank and transaction fees	1,256,243	166,842	141,629	1,564,714
Marketing	275,228	18,722	74,435	368,385
Professional and consulting fees	854,723	57,640	1,052,293	1,964,656
Software licenses	1,164,006	44,653	236,020	1,444,679
Commissions	1,277,877	360,085	-	1,637,962
General and administrative expenses	426,720	37,537	237,827	702,084
Compliance fees	297,027	17,985	80,733	395,745
Acquisition costs	(44)	-	5,038,494	5,038,450
Share-based payments	-	-	902,181	902,181
Depreciation and amortization	3,498,356	2,629	779	3,501,764
Net financial expenses	(434,554)	(195,546)	(767,982)	(1,398,082)
Segment net loss before income taxes	(3,541,809)	673,336	(7,697,762)	(10,566,235)

	Three Months Ended September 30, 2022			
	Trading	Payments	Corporate	Total
Revenue	3,329,628	-	-	3,329,628
Salaries and wages	2,533,497	-	899,451	3,432,948
Bank and transaction fees	466,740	-	118,218	584,958
Marketing	619,338	-	840,698	1,460,036
Professional and consulting fees	276,527	-	932,365	1,208,892
Software licenses	940,531	-	96,886	1,037,417
General and administrative expenses	(24,250)	-	502,860	478,610
Compliance fees	189,838	-	-	189,838
Acquisition costs	819,900	-	518,269	1,338,169
Share-based payments	-	-	2,252,726	2,252,726
Depreciation and amortization	1,883,056	-	3,871	1,886,927
Net financial expenses	(346,480)	-	(46,609)	(393,089)
Segment net loss before income taxes	(4,029,069)	-	(6,118,735)	(10,147,804)

Notes to Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

	Nine Months Ended September 30, 2023			
	Trading	Payments	Corporate	Total
Revenue	13,990,727	1,357,544	-	15,348,271
Salaries and wages	6,797,676	173,661	2,258,529	9,229,866
Bank and transaction fees	2,180,957	166,842	269,228	2,617,027
Marketing	710,072	18,722	404,631	1,133,425
Professional and consulting fees	1,785,942	57,640	2,917,627	4,761,209
Software licenses	2,845,647	44,653	332,830	3,223,130
Commissions	1,277,877	360,085	-	1,637,962
General and administrative expenses	595,063	37,537	1,436,019	2,068,619
Compliance fees	761,305	17,985	411,885	1,191,175
Acquisition costs	260,018	-	7,320,633	7,580,651
Share-based payments	-	-	(417,391)	(417,391)
Depreciation and amortization	7,933,221	2,629	20,335	7,956,185
Net financial expenses	(1,208,088)	(195,546)	(976,631)	(2,380,265)
Segment net loss before income taxes	(9,948,963)	673,336	(13,977,695)	(23,253,322)

	Nine Months Ended September 30, 2022			
	Trading	Payments	Corporate	Total
Revenue	6,479,881	-	-	6,479,881
Salaries and wages	4,696,334	-	2,881,576	7,577,910
Bank and transaction fees	1,171,276	-	168,689	1,339,965
Marketing	1,825,723	-	2,724,459	4,550,182
Professional and consulting fees	1,376,916	-	540,310	1,917,226
Software licenses	1,356,049	-	320,217	1,676,266
General and administrative expenses	327,829	-	1,268,219	1,596,048
Compliance fees	383,590	-	-	383,590
Acquisition costs	819,900	-	11,875,586	12,695,486
Share-based payments	-	-	7,252,530	7,252,530
Depreciation and amortization	3,629,627	-	10,143	3,639,770
Net financial expenses	2,210,916	-	(880,022)	1,330,894
Segment net loss before income taxes	(11,318,279)	-	(26,161,707)	(37,479,986)

27. SUBSEQUENT EVENTS

- Bitbuy closes transaction to acquire CoinSmart client accounts, a continuation of the migration plan to operate one trading platform.
- Bitbuy begins offering Apple Pay for cryptocurrency purchases in Canada.
- Bitbuy enters into strategic partnership with Localcoin, Canada's largest bitcoin ATM provider.