



Cathedra

Cathedra Bitcoin Inc.

Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2023 and 2022

(In Canadian Dollars)

(Unaudited)



NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Cathedral Bitcoin Inc. for the three months ended March 31, 2023, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an auditor.



Cathedra Bitcoin Inc.

Condensed Interim Consolidated Statements of Financial Position

(In Canadian Dollars)

(Unaudited)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 3,453,439	\$ 3,224,504
Digital currencies (Note 5)	379,073	39,499
Receivables (Note 15)	167,827	157,854
Accrued receivable (Note 6)	-	1,240,733
Prepaid expenses	355,657	425,785
Deposits (Note 8)	925,120	3,381,471
	5,281,116	8,469,846
Non-current assets		
Deposits (Note 8)	773,846	215,552
Receivables (Note 15)	24,119	38,035
Property and equipment (Note 9)	15,196,647	13,713,264
Investment in associates (Note 3)	3,014,128	3,014,128
Investments (Note 4)	280,232	312,925
Total assets	\$ 24,570,088	\$ 25,763,750
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 2,088,781	\$ 2,314,578
Current portion of lease liability (Note 10)	152,053	149,174
	2,240,834	2,463,752
Non-current liabilities		
Lease liability (Note 10)	289,510	328,934
Convertible loan (Note 13)	18,869,172	18,196,163
Total liabilities	21,399,516	20,988,849
Equity		
Share capital (Note 14)	37,455,772	37,455,772
Reserves (Note 14)	19,700,671	19,064,553
Deficit	(53,985,871)	(51,745,424)
Total equity	3,170,572	4,774,901
Total liabilities and equity	\$ 24,570,088	\$ 25,763,750

Nature of operations (Note 1)

Subsequent events (Note 20)

Approved by the Board of Directors and authorized for issue on May 26, 2023:

“Antonin Scalia” Director

“David Jaques” Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.



Cathedra Bitcoin Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(In Canadian Dollars)

(Unaudited)

	<i>Three months period ended March 31, 2023</i>	<i>Three months period ended March 31, 2022</i>
Revenue (Note 5)	\$ 2,016,978	\$ 3,107,724
Cost of revenue		
Operating costs	(1,374,497)	(1,802,473)
Depreciation (Notes 9 and 10)	(1,194,946)	(1,657,980)
Gross profit (loss)	(552,465)	(352,729)
Loss on sale of digital currencies	(13,188)	-
Operating expenses		
Director fees (Note 15)	42,419	52,500
Depreciation (Note 9 and 10)	2,720	20,531
Interest expense	878,275	176,002
Management and consulting fees (Note 15)	32,625	33,298
Office and administration	107,942	1,082,553
Professional fees (Note 15)	129,425	158,512
Salaries and wages (Note 15)	137,482	191,630
Share-based compensation (Note 14 and 15)	546,462	1,050,640
Travel	7,058	14,024
	(1,884,408)	(2,779,690)
Operating loss	(2,450,061)	(3,132,419)
Foreign exchange losses	(49,587)	(812,329)
Gain on purchase of equipment (Note 9)	-	102,917
Interest income	27,532	1,304
Write down of investment (Note 4)	(32,693)	-
Gain on sale of coupons and credits (Note 6)	264,362	-
	209,614	(708,108)
Net loss	(2,240,447)	(3,861,467)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation adjustment	28,671	37,384
Revaluation gain on digital currencies	60,985	148,278
	89,656	185,662
Net comprehensive loss	\$ (2,150,791)	\$ (3,675,805)
Basic earnings (loss) per share	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding - basic	118,531,698	86,222,684
Diluted earnings (loss) per share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding - diluted	125,973,839	206,370,542

The accompanying notes are an integral part of these condensed interim consolidated financial statements.



Cathedra Bitcoin Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	Number of shares	Capital amount	Revaluation surplus	Reserve - Cumulative translation adjustment	Reserve - Equity reserved	Accumulated deficit	Total
Balance, December 31, 2021	86,222,684	\$ 29,570,903	\$ 1,128,548	\$ 917,936	\$ 9,684,127	\$ (6,714,358)	\$ 34,587,156
Shares issued for purchase of assets	1,000,000	455,000	-	-	-	-	455,000
Exercise of stock options	900,000	189,020	-	-	(66,520)	-	122,500
Share based compensation	-	-	-	-	1,050,640	-	1,050,640
Revaluation gain on digital currencies	-	-	148,278	-	-	-	148,278
Translation adjustment	-	-	-	43,161	-	-	43,161
Net loss for the period	-	-	-	-	-	(3,861,467)	(3,861,467)
Balance, March 31, 2022	88,122,684	\$ 30,214,923	\$ 1,276,826	\$ 961,097	\$ 10,668,247	\$ (10,575,825)	\$ 32,545,268
Balance, December 31, 2022	118,531,698	\$ 37,455,772	\$ 1,853,101	\$ 208,634	\$ 17,002,818	\$ (51,745,424)	\$ 4,774,901
Share based compensation (Note 14)	-	-	-	-	546,462	-	546,462
Revaluation gain on digital currencies	-	-	60,985	-	-	-	60,985
Translation adjustment	-	-	-	28,671	-	-	28,671
Net loss for the period	-	-	-	-	-	(2,240,447)	(2,240,447)
Balance, March 31, 2023	118,531,698	\$ 37,455,772	\$ 1,914,086	\$ 237,305	\$ 17,549,280	\$ (53,985,871)	\$ 3,170,572

The accompanying notes are an integral part of these condensed interim consolidated financial statements.



Cathedra Bitcoin Inc.
Condensed Interim Consolidated Statements of Cash Flows
(In Canadian Dollars)
(Unaudited)

	<i>Three months ended</i> <i>March 31, 2023</i>	<i>Three months ended</i> <i>March 31, 2022</i>
Operating activities		
Net loss	\$ (2,240,447)	\$ (3,861,470)
Depreciation	1,197,666	1,678,511
Share-based compensation	546,462	1,050,640
Interest accretion	878,275	999,763
Interest income	-	(1,304)
Loss (gain) on sale of digital currencies	13,188	-
Gain on acquisition of equipment	32,693	(102,917)
Bitcoin paid for services	140,710	-
Foreign exchange	49,587	812,329
Change in non-cash working capital components		
Deposits	(785,366)	(9,209,103)
Receivables	3,791	(59,063)
Accrued receivable	1,240,733	-
Prepaid expenses	69,797	4,165
Biological assets	-	58,387
Accounts payables and accrued liabilities	(233,870)	303,328
Interest payable	-	(148,151)
Digital currencies	(2,040,695)	(2,447,451)
Cash flows used in operating activities	(1,127,476)	(10,922,336)
Interest paid	(195,962)	(226,155)
Interest received	-	7,359
Net cash flows used in operating activities	(1,323,438)	(11,141,132)
Investing activities		
Purchase of property and equipment (Note 9)	(12,068)	(2,285,961)
Proceeds on sale of bitcoin	1,610,775	-
Cash provided by (used in) investing activities	1,598,707	(2,285,961)
Financing activities		
Proceeds from exercise of stock options (Note 14)	-	122,500
Proceeds from loan payable, net of transaction costs (Note 12)	-	6,608,190
Payment on lease liability (Note 10)	(45,426)	(42,551)
Cash provided by (used in) financing activities	(45,426)	6,688,139
Change in cash during the period	229,843	(6,738,954)
Effect of exchange rate changes on cash	(908)	268,194
Cash, beginning of period	3,224,504	9,443,618
Cash, end of period	\$ 3,453,439	\$ 2,972,858
Cash and cash equivalents consists of:		
Cash	\$ 352,360	\$ 2,972,858
Guaranteed investment certificate	\$ 3,101,078	\$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Cathedra Bitcoin Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2023

(In Canadian Dollars)

(Unaudited)



1. Nature of Operations

Cathedra Bitcoin Inc. (the “Company” or “Cathedra”) was incorporated under the Business Corporations Act (Ontario) on July 13, 2011. The Company’s registered and records office is located at 320 – 638 Broughton Street, Vancouver, British Columbia, Canada, V6G 3K3. The Company’s common shares are listed under the symbol “CBIT” on the TSX Venture Exchange and “CBTTF” on the OTCQX Best Market.

As of March 31, 2023, Cathedra’s diversified bitcoin mining operations span three states and five data center locations across the United States.

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company has relied on additional equity and debt financing, in addition to operating cash flow, to fund its operations. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company.

2. Significant Accounting Policies

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), following the same accounting policies, including estimates and judgments and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2022, except as described in the notes to the condensed interim consolidated financial statements. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on May 26, 2023.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below.

Cathedra Bitcoin Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2023

(In Canadian Dollars)

(Unaudited)



2. Significant Accounting Policies (cont'd)

Basis of Consolidation

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

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

As of March 31, 2023, the Company had the following wholly-owned subsidiaries:

- Fortress Blockchain Holdings Corp. incorporated in the province of British Columbia, Canada; and
- Hash Stream Inc. incorporated in the province of Ontario, Canada.

Fortress Blockchain Holdings Corp. has the following wholly-owned subsidiary:

- Fortress Blockchain (US) Holdings Corp. ("Fortress US") incorporated in Washington, USA.

Fortress US has the following wholly-owned subsidiaries:

- Standard Resources LLC (formerly Hephaestus Bitcoin SPV LLC) ("Standard") incorporated in Washington, USA;
- Chronos SPV LLC (formerly Chronos Bitcoin SPV LLC) ("Chronos") incorporated in Washington, USA;
- Entelechy Bitcoin SPV LLC ("Entelechy") incorporated in Washington, USA;
- Cathedra Lease Co LLC ("Lease Co") incorporated in New Hampshire, USA; and
- Portage Resource Holdings LLC ("Portage") incorporated in Ohio, USA.

During the year ended December 31, 2022, the Company has sold its wholly-owned subsidiary, The Good Shepherd Land and Livestock Company Limited ("TGS") (see note 3).

Functional and Presentation Currency

Transactions undertaken in foreign currencies are translated into Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of comprehensive loss. The assets and liabilities of foreign operations are translated into Canadian dollars using the period-end exchange rates. Income, expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations into Canadian dollars are recognized in other comprehensive loss and accumulated in equity.

The functional currency of Cathedra, Hash Stream Inc. and Fortress Blockchain Holdings Corp. is the Canadian dollar while the functional currency of Fortress US, Standard, Chronos, Entelechy, Lease Co and Portage is the US dollar.

Cathedra Bitcoin Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2023

(In Canadian Dollars)

(Unaudited)



2. Significant Accounting Policies (cont'd)

Comprehensive income (loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes gains and losses from translating the financial statements of an entity's whose functional currency differs from the presentation currency.

Critical Accounting Estimates, Judgments and Assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are described below.

Significant Judgments

Revenue recognition

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the daily average from <https://coinmetrics.io/> ("Coin Metrics").

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies, and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IFRS 15, Revenue from Contracts with Customers, including the stage of completion being the completion and addition of block to a blockchain and the reliability of the measurement of the digital currency received. In the event authoritative guidance is enacted by the IASB or IFRIC, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Cathedra Bitcoin Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(In Canadian Dollars)

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2. Significant Accounting Policies (cont'd)

Critical Accounting Estimates, Judgments and Assumptions (cont'd)

Significant Estimates

Fair value of financial instruments

The individual fair value attributed to the different components of a financing transaction is determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of the issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. The valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of the instrument that are not quoted in active market.

Depreciation

Depreciation of the assets in the cryptocurrency data center is based on an estimate of the assets' expected life. In order to determine the useful life of the assets in the cryptocurrency mining center, assumptions are required about a range of computing industry market and economic factors, including global hash rates dedicated to proof of work mining, network difficulty, technological changes, release and availability of newer and more efficient hardware and other inputs, and production costs. Based on the data that management has reviewed, management has determined to use the straight-line method of amortization over three years, to best reflect the current expected useful life of mining equipment. Management will review its estimates and assumptions at each reporting date and will revise its assumptions if new information supports the change.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement 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, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. 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 payments of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

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(Unaudited)



2. Significant Accounting Policies (cont'd)

Critical Accounting Estimates, Judgments and Assumptions (cont'd)

Significant Estimates (cont'd)

Digital currency valuation

Digital currency denominated assets are included in current assets. Digital currencies are carried at their fair value determined by the spot rate based on the daily average from Coin Metrics. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

Share based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the calculation of the share-based compensation; however, the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history, is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

Going Concern

In order to assess whether it is appropriate for the company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections. In arriving at this judgment, there were several assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing to raising additional financing.

Significant Influence and Control

The Company has 23% interest in the shares of Silvermoon Inc. The Company has determined that it has significant influence in Silvermoon Inc., therefore, the Company accounts for this investment using equity accounting.

Uncertainty of the income/loss recorded in the investment in associates

The financial information of the investment in associates, being a private corporation, was not readily available for the period March 31, 2023. Based on management's estimate of the income/loss on the investment in associates projected from the information provided, the income/loss in the investment in associates is not material.

Areas of significant estimates and judgments also include:

- Collectability of receivables
- Completeness of accounts payable and accrued liabilities
- Valuation of right of use assets and lease liability
- Valuation of convertible loans
- Valuation of biological assets

Cathedra Bitcoin Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2023

(In Canadian Dollars)

(Unaudited)



3. Investment in Associates

On May 5, 2022, the Company entered into a non-arm's length share exchange agreement whereby the Company's shares in The Good Shepherd Land and Livestock Company Limited were sold to Silvermoon Inc. in exchange for 35,000,000 common shares in Silvermoon Inc. (the "Silvermoon Stake"). Silvermoon Inc. is controlled by the Company's Chairman and director. The Silvermoon Stake represents 23% of the issued and outstanding common shares of Silvermoon Inc. The Company realized a gain of \$784,233 as a result of the transfer of the net assets at fair value to Silvermoon.

	\$
Fair value of net assets:	
Cash	457,567
Receivables	5,615
Biological assets	-
Property and equipment	2,633,465
Intangible assets	-
Accounts payable and accrued liabilities	(14,987)
Loan payable	(67,532)
	<u>3,014,128</u>

As at March 31, 2023, the Company had a 23% equity interest in Silvermoon Inc. Management determined that the Company has significant influence over Silvermoon Inc. and accordingly used the equity method to account for this investment. The following table summarizes the change in investment in Silvermoon Inc. for the period ended March 31, 2023:

	\$
Balance, December 31, 2021	-
Consideration paid per share exchange agreement	3,014,128
Equity loss on investment	-
Balance, December 31, 2022	3,014,128
Equity loss on investment	-
Balance, March 31, 2023	<u>3,014,128</u>

4. Investments

On November 12, 2021, the Company subscribed for limited liability company interests in Low Time Preference Fund II, LLC, for a total value of \$312,925 (US\$250,000). The investment in the private company is classified as FVTPL and are recorded at fair value using unobservable inputs and are therefore classified as level 3 within the fair value hierarchy.

	\$
Balance, December 31, 2021	312,925
Equity loss on investment	-
Balance, December 31, 2022	312,925
Equity loss on investment	(32,693)
Balance, March 31, 2023	<u>280,232</u>

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)



5. Digital Currencies and Revenue

For the period ended March 31, 2023, the Company recorded revenue of \$2,016,978 (March 31, 2022 - \$3,107,724).

Mining Revenue

Digital currencies are recorded at their fair value on the date they are received as revenues and are revalued to their current market value at each reporting date. Fair value is determined by using the daily price of Bitcoin from Coin Metrics.

Bitcoin	Units	Amount
Balance of Bitcoin as at December 31, 2021	169.25	\$ 9,924,292
Revenue from Bitcoin mined	246.85	8,809,104
Bitcoin received as part of asset purchase (Note 9)	5.41	304,385
Transaction fees	(2.14)	(102,472)
Bitcoin paid for fees and services	(36.26)	(1,415,832)
Bitcoin sold	(381.35)	(14,270,677)
Revaluation and loss from sale of Bitcoin	-	(3,209,351)
Balance of Bitcoin as at December 31, 2022	1.76	39,449
Revenue from Bitcoin mined	64.50	2,016,978
Bitcoin paid for fees and services	(7.33)	(115,067)
Bitcoin received from sale of coupons and credits (Note 6)	4.80	185,313
Bitcoin sold	(53.93)	(1,610,775)
Revaluation and loss from sale of Bitcoin	-	(136,825)
Balance of Bitcoin as at March 31, 2023	9.80	\$ 379,073

Kentucky and Tennessee Facilities

On May 23, 2022, the Company entered into a hosting agreement (the "May Hosting Agreement") under which the Company has deployed certain bitcoin mining machines at various data centers in Kentucky and Tennessee that are owned and managed by a third-party operator (together, the "Kentucky and Tennessee Facilities"). Under the May Hosting Agreement, which lasts for an initial term of 12 months, the Company pays a fixed rate of five and one-half cents (US\$0.055) per kilowatt hour, plus ten percent (10%) of gross bitcoin revenue produced by the hosted machines.

On September 28, 2022, the Company entered into a hosting agreement (the "September Hosting Agreement") under which it has deployed 372 miners from its May batch of Bitmain Antminer S19J Pro machines at a third-party data center in Tennessee. Under the terms of the September Hosting Agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of seven cents (US\$0.07) per kilowatt hour, plus five percent (5%) of gross bitcoin revenue produced by the hosted machines. On December 8, 2022, the September Hosting Agreement was amended to allow the Company to reduce the power draw to improve machine efficiency for the 372 miners deployed ("Underclock"). The revenue share was increased from 5% to 15%. The result from Underclocking of the miners is the optimization and increase in margin from the operation.

On January 23, 2023, the Company entered into a hosting agreement under which it will deploy 150 Bitmain Antminer S19 XP machines, at a third-party data center in Kentucky. Under the terms of the hosting agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of US\$0.07 per kilowatt hour, plus 10% of gross bitcoin revenue produced by the hosted machines. The Company has deployed these machines.

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(Unaudited)



5. Digital Currencies and Revenue (cont'd)

On February 3, 2023, the Company entered into a hosting agreement under which it will deploy the last of its new machines, consisting of 490 Bitmain Antminer S19J Pro and 50 Bitmain Antminer S19 XP machines, at a third-party data center in Kentucky. Under the terms of the hosting agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of US\$0.07 per kilowatt hour, plus 10% of gross bitcoin revenue produced by the hosted machines. The Company has deployed these machines.

New Washington Facility

On January 29, 2023, the Company entered into an agreement to lease a 2.5-megawatt bitcoin mining facility in Washington State. Under the lease agreement, which lasts for an initial term of 24 months, the Company will make lease payments of US\$108,000 per month, a rate equivalent to US\$0.06 per kilowatt hour, including all electricity costs. The Company also received a right of first opportunity ("ROFO") to purchase the 2.5-megawatt facility and several adjacent facilities on the same premises, which together total 10 megawatts of bitcoin mining capacity. The ROFO expires upon termination or expiration of the lease agreement. Additionally, on January 29, 2023, the Company entered into an operating agreement with a third-party service provider under which the service provider will manage the Company's bitcoin mining machines at the leased facility in exchange for 10% of the gross revenue produced by the Company's machines at the leased facility. The operating agreement lasts for an initial term of 24 months.

North Dakota Facilities

On March 29, 2021 and later amended on April 27, 2022 and September 26, 2022, the Company entered into a master license and services agreement with Great American Mining ("GAM"). The Company purchased 12 bitcoin mining containers from GAM and outfitted them with its own bitcoin mining machines. These 12 bitcoin mining containers outfitted with bitcoin mining machines were deployed at a site in North Dakota (the "North Dakota Facilities"), where they operated using flared natural gas as a power source. The Company paid to purchase the gas and lease the generators and remitted a portion of the mined bitcoin to GAM in the form of a revenue share.

In September 2022, the Company concluded its partnership with GAM, retiring the last of its machines and containers at the North Dakota Facilities. The Company tendered four of its twelve containers from the North Dakota site to GAM in exchange for waived power and generator expenses at the conclusion of the partnership. As a result, the Company realized a loss on debt settlement of \$39,136 for the year ended December 31, 2022. As of December 31, 2022, the bitcoin mining machines and containers in connection with GAM have been written down (Note 9).

6. Accrued Receivable

The Company received credits and coupons in connection with its Bitmain Antminers purchases during the year ended December 31, 2021 (see Note 8). In December 2022, the Company entered into a series of agreements with various parties to sell certain credits and coupons which it had received from Bitmain for cash. Under these credits and coupons sales, the Company has recorded an accrued receivable of \$1,240,733 which has been collected and deposited into the Company's bank account during the period ended March 31, 2023.

Cathedra Bitcoin Inc.

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(Unaudited)



6. Accrued Receivable (cont'd)

As these credits and coupons relate to the Bitmain Antminer purchases, the Company recognizes the sale of these credits and coupons as a reduction to the cost of mining equipment purchased from Bitmain. The Company does not recognize any credits and coupons in its statement of financial position unless the Company can reasonably assure that these credits and coupons can be sold and that cash will be collected. For the period ended March 31, 2023, the Company has recorded a gain on sale of credits and coupons of \$264,362 of which \$185,313 was paid in bitcoin (4.80 bitcoin).

7. Biological Assets

	Livestock
Balance at December 31, 2021	\$ 163,297
Disposal	(163,297)
Balance at December 31, 2022, and March 31, 2023	\$ -

8. Deposits

As of March 31, 2023, the Company has a deposit balance of \$1,698,966 (December 31, 2022 - \$3,597,023).

	March 31, 2023
	Total (\$)
Utility deposit	225,557
Rent and damage deposit, Washington Mine	544,298
Warehouse, New Hampshire	3,992
Kentucky and Tennessee mine	530,120
Tennessee mine	394,999
	1,698,966

	Total (\$)
Balance at December 31, 2021	18,948,825
Additions	11,464,237
Transfer to property and equipment	(22,937,060)
Impairment	(3,878,979)
Balance at December 31, 2022	3,597,023
Additions	786,140
Transfer to property and equipment	(2,683,456)
Translation adjustment	(741)
Balance at March 31, 2023	1,698,966

Cathedra Bitcoin Inc.

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9. Property and Equipment

	Land (\$)	Livestock Equipment (\$)	Facility Asset (\$)	Mining Equipment (\$)	Mining Equipment (not- available for use) (\$)	Equipment under production (\$)	Office Equipment (\$)	Total (\$)
Cost								
Balance, December 31, 2021	1,719,900	199,069	5,100,415	13,693,503	929,414	178,896	8,176	21,829,373
Additions	-	6,000	280,262	17,938,683	4,820,507	2,280,055	-	25,325,507
Disposition from share exchange agreement	(1,590,897)	(190,137)	-	-	-	-	-	(1,781,034)
Disposal	-	-	(531,428)	-	-	-	-	(531,428)
Translation adjustment	(129,003)	(14,932)	(185,497)	2,409,218	47,128	120,027	-	2,246,941
Balance, December 31, 2022	-	-	4,663,752	34,041,404	5,797,049	2,578,978	8,176	47,089,359
Additions	-	-	-	8,480,505	(5,797,049)	12,068	-	2,695,524
Translation adjustment	-	-	(3,788)	(34,340)	-	(2,095)	-	(40,223)
Balance, March 31, 2023	-	-	4,659,964	42,487,569	-	2,588,951	8,176	49,744,660
Accumulated depreciation								
Balance, December 31, 2021	-	15,851	839,285	2,252,201	-	-	6,503	3,113,840
Additions	-	9,629	914,362	6,651,573	-	-	608	7,576,172
Disposition from share exchange agreement	-	(23,436)	-	-	-	-	-	(23,436)
Disposal	-	-	(133,595)	-	-	-	-	(133,595)
Write-down of mining equipment	-	-	1,108,235	17,987,786	3,244,639	-	-	22,340,660
Translation adjustment	-	(2,044)	94,203	410,295	-	-	-	502,454
Balance, December 31, 2022	-	-	2,822,490	27,301,855	3,244,639	-	7,111	33,376,095
Additions	-	-	146,909	4,295,244	(3,244,639)	-	152	1,197,666
Translation adjustment	-	-	(2,145)	(23,603)	-	-	-	(25,748)
Balance, March 31, 2023	-	-	2,967,254	31,573,496	-	-	7,263	34,548,013
Carrying amount								
Balance, December 31, 2022	-	-	1,841,262	6,739,549	2,552,410	2,578,978	1,065	13,713,264
Balance, March 31, 2023	-	-	1,692,710	10,914,073	-	2,588,951	913	15,196,647

Depreciation expense of \$1,197,666 is from property and equipment.

During the period ended March 31, 2023, management made an assessment for any indicators of impairment and did not note any indicators of impairment regarding its CGUs.

Cathedra Bitcoin Inc.

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9. Property and Equipment (cont'd)

As at December 31, 2022, the Company identified asset impairment indicators related to a decline in bitcoin price, increase in the difficulty and costs of cryptocurrency mining and increase in market interest rates which negatively impacted the Company's discount rate. Considering these impairment indicators, and in accordance with the Company's accounting policies, management evaluated the value in use of each of the impaired CGU using discounted cash flow models to assess recoverable amount as the higher of fair value less cost to sell and value in use. Based on this work, the Company determined that its North Dakota, Washington, Kentucky and Tennessee and Harriman operations were impaired as their recoverable amount was less than carrying amount. For all impaired CGUs, fair value less costs to sell was determined to be higher than value in use, and below carrying amount, therefore management took this basis as recoverable amount when recognizing impairment. When allocating an impairment loss to an individual asset within the CGU, the carrying amount of such an asset is not reduced below its fair value less costs to sell. Value in use recoverable amounts were calculated using discounted cash flow models with the pre-tax discount rates between 20% to 23%.

As at December 31, 2022, recoverable amounts for the impaired CGUs determined through value in use were as follows:

As at December 31, 2022	Recoverable amount (\$)
Cash Generating Units	
North Dakota	2,863,900
Washington	1,794,172
Kentucky and Tennessee	2,106,371
Harriman	1,551,756
Compass	21,400
Rover inventory	2,578,979
Undeployed miners	2,795,621
Head office	1,065
	13,713,264

To reduce the carrying amount of the impaired CGUs to their recoverable amount, the following impairments were recorded in profit or loss for the year ended December 31, 2022:

As at December 31, 2022	Impairment amount (\$)
Cash Generating Units	
North Dakota	6,564,372
Washington	4,561,216
Kentucky and Tennessee	6,004,388
Harriman	3,052,050
Compass	145,139
Rover inventory	-
Undeployed miners	2,013,495
Head office	-
	22,340,660
Right of use asset (Note 10)	441,175
Deposits (Note 8)	3,878,979
Total	26,660,814

The right of use asset is part of the Washington CGU as it relates to the lease of the facility in Washington.

Cathedra Bitcoin Inc.

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9. Property and Equipment(cont'd)

Critical assumptions used in the value in use calculations as at December 31, 2022, were as follows:

As at December 31, 2022	Amount
Assumptions	
Difficulty growth rate	3.0%
Bitcoin price growth rate, per month	3.6%
Tax rate	21.0% to 27.5%
Pre-tax discount rate	20.0% to 23.0%

The most sensitive inputs to the impairment calculations were difficulty growth rate, bitcoin price growth rate and pre-tax discount rate. Any decrease in difficulty growth rate and bitcoin price growth rate or increase in discount rate would not change the impairment because to do so would impair the remaining assets within these CGUs below their fair value.

The Company leases its Legacy Washington Facility under finance agreement and the carrying amount of \$441,175 is written off for the year ended December 31, 2022.

During the year ended December 31, 2022, the Company has completed a non-arm's length asset purchase agreement for the purchase of five Bitmain S17 Miners with the CEO and COO.

	\$
Consideration paid for shares issued (1,000,000 shares with a fair value of \$0.455 per common share)	455,000
Fair value of net assets:	
Equipment	253,532
Bitcoin	304,385
	557,917
Gain on purchase of equipment	102,917

10. Right-of-use asset and lease liability

On December 15, 2020, the Company extended its lease for its Legacy Washington Facility for an additional five years. Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

On January 29, 2023, the Company entered into an agreement to lease a 2.5-megawatt bitcoin mining facility in Washington State. Under the lease agreement, which lasts for an initial term of 24 months, the Company will make lease payments of US\$108,000 per month, a rate equivalent to US\$0.06 per kilowatt hour, including all electricity costs. The Company also received a right of first opportunity ("ROFO") to purchase the 2.5-megawatt facility and several adjacent facilities on the same premises, which together total 10 megawatts of bitcoin mining capacity. The ROFO expires upon termination or expiration of the lease agreement. The lease commenced in April 2023.

Cathedra Bitcoin Inc.

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10. Right-of-use asset and lease liability (cont'd)

Washington Mine		Total
Cost		
Balance, December 31, 2021	\$	697,971
Translation adjustment		(47,677)
Balance, December 31, 2022		745,648
Translation adjustment		(606)
Balance, March 31, 2023	\$	745,042
Depreciation		
Balance, December 31, 2021	\$	145,410
Additions		145,698
Impairment		441,175
Translation adjustment		13,365
Balance, December 31, 2022		745,648
Translation adjustment		(606)
Balance, March 31, 2023	\$	745,042
Net book value		
Balance, December 31, 2022	\$	-
Balance, March 31, 2023	\$	-

Depreciation expense of \$nil (March 31, 2022 - \$34,860) for the period ended is included in cost of revenue.

The present value of future lease payments was measured using an incremental borrowing rate of 8% per annum.

Lease liability		
Balance, December 31, 2022	\$	478,108
Interest expense on lease liability		9,304
Payments on lease liability		(45,426)
Translation adjustment		(423)
Balance, March 31, 2023		441,563
Less: Current portion		152,053
Balance, March 31, 2023	\$	289,510

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10. Right-of-use asset and lease liability (cont'd)

Lease liability	
Balance, December 31, 2021	\$ 576,472
Additions	-
Interest expense on lease liability	42,491
Payments on lease liability	(129,338)
Translation adjustment	(11,517)
Balance, December 31, 2022	478,108
Less: Current portion	149,174
Balance, December 31, 2022	\$ 328,934

At March 31, 2023, the Company is committed to minimum lease payments as follows:

	March 31, 2023
Maturity analysis	
Less than one year	\$ 181,884
One to three years	310,718
Three to five years	-
Total undiscounted lease liabilities	492,602
Amount representing implicit interest	(51,039)
Lease liability	\$ 441,563

11. Accounts payable and accrued liabilities

	March 31, 2023	December 31, 2022
Accounts payable	\$ 303,331	\$ 528,899
Accrued liabilities	1,760,787	1,775,013
Due to related parties (Note 13)	24,663	10,666
	\$ 2,088,781	\$ 2,314,578

Cathedral Bitcoin Inc.

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12. Loan payable

On July 26, 2021, the Company entered into an equipment financing agreement for total proceeds of \$97,060 (US\$56,280) bearing nil% interest rate which will be repaid over the next 36 months. The loan payable of \$67,532 from the equipment financing agreement is extinguished as part of the share purchase agreement discussed in Note 3.

On December 21, 2021, the Company entered into an equipment financing agreement with NYDIG ABL for total proceeds of \$837,670 (US\$648,000) bearing an interest rate of 15% per annum which will be repaid over the next 18 months. The loan payable is collateralized by the bitcoin mining machines purchased for the Legacy Washington Facility during the year ended December 31, 2021. On December 7, 2022, the Company and NYDIG ABL has agreed to terminate the equipment financing agreement. The Company has repaid the outstanding principal balance remaining for a total of \$373,313 (US\$273,690).

On February 3, 2022, the Company entered into an equipment financing agreement with NYDIG ABL ("NYDIG Financing") that will provide approximately US\$17 million (\$21.6 million) in proceeds to fund the expansion of the Company's diversified bitcoin mining operations. The Company received \$7,089,881 (US\$5,562,000) incurring a closing fee of US\$111,240 bearing an interest rate of 14% per annum which will be repaid over the next 24 months. The loan payable is collateralized by the 1,500 bitcoin miners purchased.

On April 11, 2022, the Company advanced \$6,760,439 (US\$5,356,500) from the NYDIG Financing, incurring a closing cost of \$135,209 (US\$107,130) bearing an interest rate of 14% per annum which will be repaid over the next 24 months. The loan is collateralized by the 1,500 bitcoin miners purchased.

On May 27, 2022, the Company repaid all principal and interest due on the outstanding equipment loans advanced on February 3, 2022, and April 11, 2022 for a total of \$14,622,492 (US\$11,479,425) resulting in a loss on extinguishment of debt of \$992,666 which includes borrowing costs and payment of make-whole amount for early payment, in accordance with the terms of the loans.

	Total
Balance, December 31, 2021	905,352
Additions	13,850,320
Interests	1,290,662
Payments	(16,784,118)
Transaction fee	(289,670)
Loss from extinguishment of debt	992,666
Extinguishment of debt from share exchange agreement	(67,532)
Translation adjustment	102,320
Balance, December 31, 2022, and March 31, 2023	\$ -

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13. Convertible loan

On October 20, 2021, the Company completed its non-brokered private placement of 20,000 of 3.5% senior secured convertible debenture units (the “Convertible Debenture Units”), for aggregate gross proceeds of \$20,000,000, due 36 months following the date of issuance (“Convertible Loan”). On November 11, 2021, the Company completed an additional 5,000 Convertible Units, for aggregate gross proceeds of \$5,000,000 Convertible Loan. The Company incurred total transaction cost of \$163,610. As at March 31, 2023, the interest payable is \$nil (December 31, 2022 - \$nil).

Each Convertible Debenture Unit consists of (i) \$1,000 principal amount of senior secured convertible debenture of the Company (each, a “Debenture”); and (ii) 641 common share purchase warrants of the Company (each, a “Warrant”), with each Warrant exercisable for one common share of the Company (a “Common Share”). Each Warrant shall entitle the holder to acquire one Common Share (a “Warrant Share”) at an exercise price of \$0.95 per Warrant Share for a period of 60 months from the date of issuance. Upon the Offering being fully subscribed, there would be \$25,000,000 principal of Debentures outstanding convertible for approximately 32,051,282 Common Shares, and approximately 16,025,000 Warrants exercisable for 16,025,000 Common Shares. Interest will be payable quarterly.

The Company allocated the proceeds of \$25,000,000 first to liability component for \$18,155,564, with the residual value to the equity component for \$6,844,436. As of March 31, 2023, the liability component is \$18,869,172 and equity component is \$6,233,364.

Liability Component

	Total
Balance, December 31, 2021	\$ 18,349,701
Interest expense	(830,298)
Accretion expense	2,714,805
Repayment of loan	(2,038,044)
Balance, December 31, 2022	18,196,163
Accretion expense	673,009
Balance, March 31, 2023	\$ 18,869,172

Equity Component

	Total
Balance, December 31, 2021	\$ 6,799,640
Repayment of loan	(566,276)
Balance, December 31, 2022, and March 31, 2023	\$ 6,233,364

Cathedra Bitcoin Inc.

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14. Share Capital

a. Authorized

Unlimited number of common shares without par value

b. Issued and outstanding

The Company did not issue any common shares during the period ended March 31, 2023.

On May 20, 2022, the Company completed its first tranche of non-brokered private placement offering (the "Offering") issuing 17,916,667 units ("Units") at a purchase price of \$0.36 per Unit, for gross proceeds of approximately \$6,450,000. The Company incurred share issuance cost of \$54,570. Each Unit consists of one common share of the Company (a "Unit Share") and three-quarters of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share (a "Warrant Share") for a period of five years following the closing date. A total of up to 13,437,500 Warrants underly the Units with the following exercise prices per Warrant Share:

- 2,687,500 Warrants at an exercise price of \$0.54 per Warrant Share
- 2,687,500 Warrants at an exercise price of \$0.79 per Warrant Share
- 2,687,500 Warrants at an exercise price of \$1.04 per Warrant Share
- 2,687,500 Warrants at an exercise price of \$1.29 per Warrant Share
- 2,687,500 Warrants at an exercise price of \$1.54 per Warrant Share

On June 9, 2022, the Company completed its final tranche of non-brokered private placement offering (the "Offering") issuing 8,000,000 units ("Units") at a purchase price of \$0.36 per Unit, for gross proceeds of approximately \$2,880,000. Each Unit consists of one common share of the Company (a "Unit Share") and three-quarters of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share (a "Warrant Share") for a period of five years following the closing date. A total of up to 6,000,000 Warrants underly the Units with the following exercise prices per Warrant Share:

- 1,200,000 Warrants at an exercise price of \$0.54 per Warrant Share
- 1,200,000 Warrants at an exercise price of \$0.79 per Warrant Share
- 1,200,000 Warrants at an exercise price of \$1.04 per Warrant Share
- 1,200,000 Warrants at an exercise price of \$1.29 per Warrant Share
- 1,200,000 Warrants at an exercise price of \$1.54 per Warrant Share

On February 1, 2022, the Company issued 1,000,000 common shares with a fair value of \$0.455 per common share pursuant to the purchase and sale agreement for the equipment and financial assets entered into on September 24, 2021, and amended on January 13, 2022, with the CEO and COO of the Company. The Company recognized a gain on the acquisition of the equipment of \$102,917.

During the period ended March 31, 2023, the Company issued nil (March 31, 2022 - 900,000) common shares for stock options exercised for total proceeds of \$nil (March 31, 2022 - \$189,020).

Cathedra Bitcoin Inc.

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14. Share Capital (cont'd)

c. Restricted share units

The Company has established a long-term equity incentive plan (the "LTIP"), which was approved by the Company's shareholders at its annual and special meeting of shareholders on September 6, 2022. The LTIP includes a 10% "rolling" option plan permitting a maximum of 10% of the issue and outstanding common shares of the Company as of the date of any option grant to be reserved for option grants, and a fixed plan permitting up to 11,500,000 common shares of the Company to be reserved for reserved for grant of restricted share units ("RSU"). For the period ended March 31, 2023, the Company recognized share-based compensation expense of \$502,696 (March 31, 2022 - \$797,662).

During the period ended March 31, 2023, the Company granted 1,560,000 restricted share units to directors of the Company who opted to reduce their cash compensation as follows:

Grant Date	Number of Restricted Share Units	Vesting terms
January 6, 2023	1,560,000	100% one year following grant date

During the year ended December 31, 2022, the Company granted 3,248,976 restricted share units to employees and consultants as follows:

Grant Date	Number of Restricted Share Units	Vesting terms
January 7, 2022	787,244	20% six months following grant date and 20% six months thereafter
January 10, 2022	787,244	20% six months following grant date and 20% six months thereafter
April 4, 2022	787,244	20% six months following grant date and 20% six months thereafter
May 18, 2022	300,000	157,449 on grant date and 142,551 six months after
October 25, 2022	487,244	60% twelve months following grant date, 20% every six months thereafter
October 25, 2022	100,000	60% twelve months following grant date, 20% every six months thereafter
Total	3,248,976	

Cathedra Bitcoin Inc.

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14. Share Capital (cont'd)

d. Restricted share units (cont'd)

During the three months ended March 31, 2022, the Company granted 1,560,000 restricted share units to the directors of the Company who has opted to reduce their cash compensation.

Following is a summary of changes in restricted share units outstanding for the period ended March 31, 2023:

	Outstanding
Balance, December 31, 2021	7,587,244
Cancelled	(1,461,732)
Granted	3,248,976
Exercised	(3,492,347)
Balance, December 31, 2022	5,882,141
Granted	1,560,000
Balance, December 31, 2022	7,442,141

e. Stock options

During the three months ended March 31, 2023, the Company did not grant any stock options.

During the year ended December 31, 2022, the Company:

- granted 88,841 stock options exercisable at \$0.41 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for period ended March 31, 2023, was \$2,691.
- granted 88,841 stock options exercisable at \$0.41 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.37 and the share-based compensation expense recognized for period ended March 31, 2023, was \$2,634.
- granted 150,000 stock options exercisable at \$0.41 expiring five years from the date of the grant to a consultant of the Company. 20% of 150,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.34. The consultant has been terminated. The vested stock options were forfeited and the unvested stock options were cancelled resulting in a reversal of share-based compensation expense recognized for period ended March 31, 2023, of \$14,510.
- extended the expiry date of 1,000,000 stock options that were granted to a director of the Company from February 6, 2022, to April 6, 2022.

Cathedra Bitcoin Inc.

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14. Share Capital (cont'd)

e. Stock options (cont'd)

- granted 88,841 stock options exercisable at \$0.61 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.50 and the share-based compensation expense recognized for period ended March 31, 2023, was \$5,672.
- granted 750,000 stock options exercisable at \$0.50 expiring five years from the date of the grant to an employee of the Company. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.42 and the share-based compensation expense recognized for period ended March 31, 2023, was \$31,705.
- granted 88,841 stock options exercisable at \$0.35 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.29 and the share-based compensation expense recognized for period ended March 31, 2023, was \$3,231.
- granted 375,000 stock options exercisable at \$0.13 expiring five years from the date of the grant to a consultant. 20% of 375,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.10 and the share-based compensation expense recognized for period ended March 31, 2023, was \$6,877.
- granted 10,000 stock options exercisable at \$0.13 expiring five years from the date of the grant to a consultant. 20% of 10,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.10 and the share-based compensation expense recognized for period ended March 31, 2023, was \$183.

During the year ended December 31, 2021, the Company:

- granted 250,000 stock options exercisable at \$0.485 expiring five years from the date of the grant to management. 100,000 stock options vest immediately on the date of the grant and 50,000 on each six-month anniversary of the date of grant thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the period ended March 31, 2023, was \$2,278;
- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to management. 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.44 and the share-based compensation expense recognized for period ended March 31, 2023, was \$3,005.

Cathedra Bitcoin Inc.

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14. Share Capital (cont'd)

e. Stock options (cont'd)

The following weighted average assumptions were used in the valuation of stock options granted in the Black-Scholes Option Pricing model:

	2023	2022
Risk-free interest rate	-	1.27% - 3.66%
Expected life (years)	-	3.06
Annualized volatility	-	117.12%
Dividend rate	-	0.00%

The following is a summary of changes in stock options:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2021	6,675,341	0.42
Granted	1,640,364	0.36
Forfeited	(150,000)	0.60
Cancelled	(396,500)	0.53
Exercised	(1,900,000)	0.14
Balance, December 31, 2022	5,869,205	0.48
Forfeited	(150,000)	0.41
Balance, March 31, 2023	5,719,205	0.48

The stock options outstanding and exercisable as at March 31, 2023, are as follows:

Outstanding	Exercisable	Exercise price (\$)	Expiry date
90,000	90,000	0.500	February 19, 2028
1,050,000	1,050,000	0.600	February 19, 2028
100,000	100,000	0.510	May 3, 2024
250,000	125,000	0.485	August 27, 2026
2,000,000	1,500,000	0.490	September 1, 2026
650,000	650,000	0.560	September 24, 2026
88,841	35,536	0.530	December 21, 2026
88,841	35,536	0.410	January 7, 2027
88,841	35,536	0.410	January 10, 2027
88,841	17,768	0.610	April 4, 2027
750,000	150,000	0.500	April 25, 2027
88,841	17,768	0.350	May 18, 2027
385,000	154,000	0.130	October 25, 2027
5,719,205	3,961,144		

For the period ended March 31, 2023, the Company recognized share-based compensation expense of \$43,766 (2022 - \$296,006). The weighted average remaining life of the stock options is 3.58 years.

Cathedra Bitcoin Inc.

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14. Share Capital (cont'd)

f. Warrants

Following is a summary of changes in warrants outstanding for the period ended March 31, 2023:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2021	39,399,690	0.81
Issued	19,437,500	1.04
Expired	(3,846,154)	0.50
Balance, December 31, 2022	54,991,036	0.94
Expired	(3,846,154)	0.50
Balance, March 31, 2023	51,144,882	0.94

The warrants outstanding as at March 31, 2023, are as follows:

Outstanding	Exercise price (\$)	Expiry date
14,794,700	0.82	March 26, 2026
887,682	0.63	March 26, 2026
16,025,000	0.95	November 11, 2026
2,687,500	0.54	May 20, 2027
2,687,500	0.79	May 20, 2027
2,687,500	1.04	May 20, 2027
2,687,500	1.29	May 20, 2027
2,687,500	1.54	May 20, 2027
1,200,000	0.54	June 9, 2027
1,200,000	0.79	June 9, 2027
1,200,000	1.04	June 9, 2027
1,200,000	1.29	June 9, 2027
1,200,000	1.54	June 9, 2027
51,144,882	0.94	

The weighted average remaining life of the warrants is 3.63 years.

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15. Related Party Transactions

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Company's corporate officers.

The remuneration of directors and other members of key management personnel during the period ended March 31, 2023, and 2022, are as follows:

Year ended March 31, 2023	Salaries	Director/ Professional Fees	Share-based compensation	Total
Chief Executive Officer	\$ 16,900	\$ 5,274	\$ 158,365	\$ 180,539
Chief Operating Officer and President	25,349	5,274	158,365	188,988
Chief Financial Officer	-	32,700	21,523	54,223
Chief Field Operations and Manufacturing Officer	33,799	-	35,249	69,048
Chief Technology Officer	33,799	-	32,095	65,894
Directors	-	21,093	15,258	36,351
	<u>\$ 109,847</u>	<u>\$ 64,341</u>	<u>\$ 420,855</u>	<u>\$ 595,043</u>

Year ended March 31, 2022	Salaries	Director/ Professional Fees	Share-based compensation	Total
Chief Executive Officer	\$ 46,307	\$ 10,500	\$ 364,896	\$ 421,703
Chief Operating Officer and President	46,307	10,500	364,896	421,703
Chief Financial Officer	-	22,500	15,646	38,146
Chief Field Operations and Manufacturing Officer	54,770	-	33,420	88,190
Chief Technology Officer	48,893	-	30,519	79,412
Directors	-	31,500	206,294	237,794
	<u>\$ 196,277</u>	<u>\$ 75,000</u>	<u>\$ 1,015,671</u>	<u>\$ 1,286,948</u>

At March 31, 2023, the Company owes a balance recorded within accounts payable and accrued liabilities:

- \$1,759 to the CEO of the Company;
- \$1,759 to the COO and President of the Company;
- \$14,108 to a company controlled by the CFO of the Company;
- \$7,037 to the independent directors of the Company.

At March 31, 2023, the Company has receivables of \$78,664 (December 31, 2022 - \$95,511), of which \$24,119 (December 31, 2022 - \$38,035) is non-current, in connection to the payroll tax liabilities for the RSU grants issued to the management of the Company. The balance is repaid every pay period and will be fully paid by December 7, 2024.

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16. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The financial instruments that represent a potential concentration of credit risk consist primarily of cash, digital currencies, deposits and receivables. The Company limits its exposure to credit loss by placing its deposits with Tier-1 Canadian financial institutions. The accrued receivables are current and relates to credits and coupons that were sold. The carrying amount of financial assets represents the maximum credit exposure.

	March 31, 2023	December 31, 2022
Digital currencies	\$ 379,073	\$ 39,499
Deposit	925,120	3,381,471
Receivables	167,827	157,854
Accrued receivable	-	1,240,733
	\$ 1,472,020	\$ 4,819,557

The Company's property and equipment were pledged as collateral to the convertible loan holders. There is a risk that the convertible loan holders may be concerned and change credit terms as a result. The Company believes it has no significant credit risk other than what is disclosed.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at March 31, 2023, the Company had a working capital surplus of \$3,197,353 (December 31, 2022 - \$6,006,094), the majority of which is comprised of a cash balance of \$3,453,439 (December 31, 2022 - \$3,224,504), digital currencies balance of \$379,073 (December 31, 2022 - \$39,499), accrued receivable of \$nil (December 31, 2022 - \$1,240,733) and deposits of \$925,120 (December 31, 2022 - \$3,381,471) to settle current liabilities of \$2,455,890 (December 31, 2022 - \$2,463,752).

Cash flows related to the accounts payable and accrued liabilities and convertible debt included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations at March 31, 2023, is as follows:

	Accounts payable and accrued liabilities	Lease liability	Convertible debt	Total
2023	\$ 2,303,837	\$ 1,451,821	\$ -	\$ 3,755,658
2024	-	1,935,761	22,395,680	24,331,441
2025	-	612,774	-	612,774
Total	\$ 2,303,837	\$ 4,000,356	\$ 22,395,680	\$ 28,699,873

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16. Financial Instruments and Risk Management (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as Bitcoin prices, interest rates, foreign exchange rates and equity prices.

Bitcoin

The Company has digital currencies, Bitcoin, on March 31, 2023, that is subject to market pricing and price volatility. The Company recorded a loss on revaluation of digital currencies in the amount of \$1,506 during the period ended March 31, 2023 (December 31, 2022 - \$724,553 gain on revaluation). Digital currencies have a limited history and have had a high degree of price volatility. The historical performance of digital currencies may not be indicative of their future performance. A decline in the fair value of these digital currencies could have a significant impact on the Company's earnings. In addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required.

The Company does not hedge its Bitcoin balances but will actively monitor Bitcoin pricing, market volatility and its own balance of Bitcoin to determine an appropriate risk mitigation strategy.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits and right of use leases. The interest rate risk on bank deposits is insignificant as the deposits are short term. The interest rate on the Company's convertible loan are fixed in nature and have limited exposure to change in interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as the entities operated in Canada holds financial assets in US dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

If the US dollar had changed against the Canadian dollar by 10% at year end, the Company's net loss and comprehensive loss after taxes would change by approximately \$184,383, resulting from the translation of the US dollar denominated financial instruments.

Custody risk

The Company holds its digital currencies with a third party custodian. The Company's custody strategy is designed to maximize liquidity and efficient sourcing of its digital currencies by making those assets readily available to deploy. The Company constantly monitors its cash and the digital currencies balance it maintains with its custodian.

Cathedra Bitcoin Inc.

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16. Financial Instruments and Risk Management (cont'd)

Custody risk (cont'd)

Prior to onboarding a new custodian, the Company performs extensive due diligence procedures, which include, but are not limited to, internal control procedures to ensure security, availability, integrity and confidentiality of custodian's information and systems. The Company's custodian is SOC 2 Type II certified and undergoes a SOC 2 Type II review on an ongoing basis. The Company reviews its custodian's SOC 2 report to ensure they maintain a secure technology infrastructure and that their systems are designed and operating effectively. Additionally, the Company reviews its own complementary user entity controls in conjunction with the custodian's controls to ensure that applicable trust services criteria can be met. The Company has no reason to believe it will incur any expense associated with security breach, computer malware and computer hacking attacks because (i) it has no known or historical experience of claims to use as a basis of measurement, (ii) it accounts for and continually certifies the amount of digital assets within its controls, and (iii) it has established security around custodial private keys to minimize the risk of theft or loss.

Loss of access risk

The loss of access to the private keys associated with the Company's digital currencies holdings may be irreversible and could adversely affect an investment. Digital currencies controllable only by an individual that possesses both the unique public key and private key or key relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible, the Company may be unable to access the digital currencies. At March 31, 2023, 9.80 bitcoin equivalent to \$379,073 are held with the Company's third party custodian.

Fair value hierarchy

The Company applied the following fair value hierarchy for financial instruments that are carried at fair value. The hierarchy prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels.

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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16. Financial Instruments and Risk Management (cont'd)

The Company's investment in the private company is classified as FVTPL and are recorded at fair value using unobservable inputs and are therefore classified as level 3 within the fair value hierarchy. The net asset value of the private company and is used to adjust the investment to fair value.

The Company's investment in associates, over which it has significant influence, is recorded using the equity method of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The carrying value of the Company's receivables. Accrued receivable, accounts payable and accrued liabilities, deposits, interest payable and loan payable approximates fair value because of the relatively short periods to maturity of these instruments and the low credit risk.

17. Capital Management

The Company's objective when managing capital is to maintain liquidity while providing returns to shareholders and benefits for other stakeholders.

The Company includes equity, comprised of share capital and deficit in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources for its operations and to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations.

18. Non-Cash Transactions

	<i>Three months ended March 31, 2023</i>	<i>Three months ended March 31, 2022</i>
Non-cash transactions:		
Transfer of deposits to property and equipment	\$ 2,683,456	\$ -

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19. Segmented Information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The following summarizes relevant financial information geographically. The Company's bitcoin mining operations are located in the USA and its livestock business is located in UK.

March 31, 2023	Canada	USA	UK	Total
	(\$)	(\$)	(\$)	(\$)
Revenue	-	2,016,978	-	2,016,978
Cost of sales	-	2,569,443	-	2,569,443
Operating expenses	1,703,675	180,733	-	1,884,408
Net income/(loss)	(1,494,061)	(746,386)	-	(2,240,447)
Non-current assets	3,314,105	15,974,867	-	19,288,972

March 31, 2022	Canada	USA	UK	Total
	(\$)	(\$)	(\$)	(\$)
Revenue	-	3,107,724	-	3,107,724
Cost of sales	-	3,460,453	-	3,460,453
Operating expenses	3,052,880	414,048	41,813	3,508,741
Net income/(loss)	(3,052,880)	(766,777)	(41,813)	(3,681,470)
Non-current assets	540,939	17,883,834	1,827,440	20,252,213

20. Subsequent Events

Subsequent to March 31, 2023, the Company:

- Settled \$2,500,000 of the convertible loan by issuing 18,518,518 common shares of the Company at a price of \$0.135 per common share. The debt is payable to certain debenture holders (the "Debenture Holders") in respect of 3.5% senior secured convertible debentures of the Company due November 11, 2024 (the "Maturity Date") in the aggregate principal amount \$25,000,000 issued to the debenture holders on November 11, 2021 (the "Debentures"). The aggregate principal amount outstanding as of the date hereof is \$22,395,680;
- Roy Sebag has resigned from his position as Chairman of the Board effective April 4, 2023. President and Chief Operating Officer Drew Armstrong, who has served on the Board since September 2021, assumed the role of Chairman; and
- Issued 157,449 common shares of the Company to a consultant in connection to the vested RSU.