# Cathedra Bitcoin Inc.

**Condensed Consolidated Interim Financial Statements**

For the three and nine months ended September 30, 2024

*(Unaudited and expressed in Canadian dollars, unless otherwise noted)*

**Cathedra Bitcoin Inc.**
**Condensed Consolidated Interim Statements of Financial Position**
**As at September 30, 2024 and December 31, 2023**
(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| As at: | Notes | | September 30, 2024 | | December 31, 2023 (Note 2) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | $ | 669,499 | $ | 122,188 |
| Digital currencies | 4 | | 3,811,795 | | 54,027 |
| Trade and other receivables | 5 | | 773,704 | | 1,336,413 |
| Due from related parties | 17 | | 20,795 | | - |
| Prepaid expenses | 6 | | 1,482,317 | | 436,457 |
| Deposits | 7 | | 139,136 | | - |
| Inventory | 2 | | 933,928 | | - |
| **Total current assets** | | **$** | **7,831,174** | **$** | **1,949,085** |
| **Non-current assets** | | | | | |
| Deposits | 7 | | 2,522,905 | | 3,722,769 |
| Other non-current asset | 8 | | 871,623 | | 525,734 |
| Property and equipment | 9 | | 8,016,790 | | 4,060,262 |
| Right-of-use assets | 10 | | 2,301,946 | | 1,321,854 |
| Investment in associate | 11 | | 1,092,844 | | - |
| Investments | 12 | | 905,814 | | - |
| Goodwill | 2 | | 25,128,781 | | - |
| **Total assets** | | **$** | **48,671,877** | **$** | **11,579,704** |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables and accrued liabilities | 13 | | 3,674,869 | | 1,687,781 |
| Due to related parties | 17 | | 12,882 | | 2,438,351 |
| Income tax payable | 18 | | 2,010,269 | | 797,566 |
| Contract liabilities | | | 26,393 | | 318,565 |
| Customer liabilities | | | 772,354 | | - |
| Decommissioning liability | | | 30,373 | | - |
| Current portion of lease liabilities | 10 | | 1,172,360 | | 135,379 |
| **Total current liabilities** | | **$** | **7,699,500** | **$** | **5,377,642** |
| **Non-current liabilities** | | | | | |
| Customer liabilities | | | 700,846 | | 3,102,669 |
| Lease liabilities | 10 | | 1,165,221 | | 1,202,200 |
| Convertible loan | 14 | | 4,959,164 | | - |
| Deferred income tax liability | 2,18 | | 6,784,771 | | - |
| **Total liabilities** | | **$** | **21,309,502** | **$** | **9,682,511** |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 15 | | 22,984,416 | | 1,362 |
| Reserves | 16 | | 3,641,809 | | - |
| Accumulated other comprehensive income (loss) | | | 765,927 | | (44,948) |
| Retained earnings (deficit) | | | (29,777) | | 1,940,779 |
| **Total shareholders' equity** | | **$** | **27,362,375** | **$** | **1,897,193** |
| **Total liabilities and shareholders' equity** | | **$** | **48,671,877** | **$** | **11,579,704** |

Nature of operations (Note 1)
Segment reporting (Note 22)
Events after reporting period (Note 23)

Approved by the Board of Directors and authorized for issue on November 27, 2024:

______***"Antonin Scalia"***_____Director ________***"David Jaques"*** _________Director

# Cathedra Bitcoin Inc.

## Condensed Consolidated Interim Statements of Income or Loss and Comprehensive Income or Loss

**For the three and nine months ended September 30, 2024**

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| | | | Three months ended | | | | Nine months ended | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Notes** | | **September 30, 2024** | | **September 30, 2023 (Note 2)** | | **September 30, 2024** | | **September 30, 2023 (Note 2)** |
| **Revenues** | 4 | $ | 5,857,825 | $ | 4,875,100 | $ | 17,421,183 | $ | 9,404,328 |
| **Cost of revenues** | | | | | | | | | |
| Operating costs | | | (3,680,115) | | (3,707,639) | | (11,801,418) | | (6,927,838) |
| Depreciation | 8,9,10 | | (1,417,185) | | (185,202) | | (1,807,572) | | (398,658) |
| **Gross profit** | | **$** | **760,525** | **$** | **982,259** | **$** | **3,812,193** | **$** | **2,077,832** |
| Realized gain (loss) on sale of digital currencies | 4 | | (1,243) | | 10,074 | | 7,777 | | 63,872 |
| **Profit before operating expenses** | | **$** | **759,282** | **$** | **992,333** | **$** | **3,819,970** | **$** | **2,141,704** |
| **Operating expenses** | | | | | | | | | |
| Director fees | 17 | | 53,015 | | – | | 53,015 | | – |
| Management and consulting fees | 17 | | 115,251 | | – | | 161,765 | | – |
| Office and administration | | | 175,787 | | 129,620 | | 273,905 | | 440,946 |
| Professional fees | | | 547,689 | | – | | 901,431 | | – |
| Salaries and wages | 17 | | 129,151 | | – | | 129,151 | | – |
| Share-based compensation | 16,17 | | 93,605 | | – | | 93,605 | | – |
| Travel | | | 74,377 | | – | | 74,377 | | – |
| **Total operating expenses** | | **$** | **(1,188,875)** | **$** | **(129,620)** | **$** | **(1,687,249)** | **$** | **(440,946)** |
| **Operating profit (loss)** | | **$** | **(429,593)** | **$** | **862,713** | **$** | **2,132,721** | **$** | **1,700,758** |
| **Other income (expenses)** | | | | | | | | | |
| Foreign exchange loss | | | (984,137) | | – | | (984,137) | | – |
| Net finance costs | 10,14,16 | | (1,521,812) | | (10,636) | | (1,540,287) | | (24,662) |
| Transaction costs | 2 | | (341,841) | | – | | (341,841) | | – |
| Gain on disposal of subsidiary | 11 | | – | | – | | 404,640 | | – |
| Investment loss | 11 | | (331,788) | | – | | (285,509) | | – |
| Revaluation loss on digital currencies | 4 | | (140,975) | | – | | (145,799) | | (74) |
| **Income (loss) from continuing operations before income taxes** | | **$** | **(3,750,146)** | | **852,077** | **$** | **(760,212)** | | **1,676,022** |
| Current income tax expense | 18 | | (359,125) | | (244,909) | | (1,210,344) | | (434,223) |
| **Net (loss) income** | | **$** | **(4,109,271)** | **$** | **607,168** | **$** | **(1,970,556)** | **$** | **1,241,799** |
| **Other comprehensive income (loss)** | | | | | | | | | |
| Translation adjustment | | | 810,875 | | (4,858) | | 810,875 | | (4,858) |
| **Total comprehensive income (loss)** | | **$** | **(3,298,396)** | **$** | **602,310** | **$** | **(1,159,681)** | **$** | **1,236,941** |
| **Basic and diluted (loss) earnings per common share** | | **$** | **(0.01)** | **$** | **0.00** | **$** | **(0.00)** | **$** | **0.00** |
| Weighted average number of common shares outstanding - basic | | | 806,407,195 | | 625,342,908 | | 686,138,216 | | 625,342,908 |

# Cathedra Bitcoin Inc.

**Condensed Consolidated Interim Statements of Changes in Equity**

**For the nine months ended September 30, 2024 and 2023**

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| | Share capital | Reserves | Accumulated other comprehensive income (loss) | Retained earnings (Deficit) | Total shareholders' equity |
|---|---|---|---|---|---|
| **Balance - January 1, 2023** | **$ 1,362** | **$ -** | **$ -** | **$ (238,695)** | **$ (237,333)** |
| Translation adjustment | - | - | (4,858) | - | (4,858) |
| Net income for the period | | | | 1,241,799 | 1,241,799 |
| **Balance - September 30, 2023** | **$ 1,362** | **$ -** | **$ (4,858)** | **$ 1,003,104** | **$ 999,608** |
| | | | | | |
| **Balance - January 1, 2024** | **$ 1,362** | **$ -** | **$ (44,948)** | **$ 1,940,779** | **$ 1,897,193** |
| Multiple voting shares issued in connection with business combination | 22,927,027 | 2,305,125 | - | - | 25,232,152 |
| Share-based compensation | - | 93,605 | - | - | 93,605 |
| Subordinate voting shares issued on RSU vesting | 56,027 | (56,027) | - | - | - |
| Warrants repricing | - | 1,299,106 | - | - | 1,299,106 |
| Translation adjustment | - | - | 810,875 | - | 810,875 |
| Net loss for the period | - | - | - | (1,970,556) | (1,970,556) |
| **Balance - September 30, 2024** | **$ 22,984,416** | **$ 3,641,809** | **$ 765,927** | **$ (29,777)** | **$ 27,362,375** |

Business Combination (Note 2)
Share Capital (Note 15)
Reserves (Note 16)

# Cathedra Bitcoin Inc.
## Condensed Consolidated Interim Statements of Cash Flows
### For the nine months ended September 30, 2024 and 2023
(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| For the nine months ended: | | September 30, 2024 | | September 30, 2023 (Note 2) |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net income (loss) for the period | $ | (1,970,556) | $ | 1,241,799 |
| | | | | |
| **Non-cash items:** | | | | |
| Depreciation | | 1,807,572 | | 403,171 |
| Share-based compensation | | 93,605 | | - |
| Net finance costs | | 1,540,287 | | 24,698 |
| Gain on disposal of subsidiary | | (404,640) | | - |
| Investment loss | | 285,509 | | - |
| Current income tax expense | | 1,210,344 | | 434,223 |
| Revaluation loss on digital currencies | | 145,799 | | - |
| Foreign exchange | | 984,137 | | - |
| | | | | |
| **Changes in non-cash working capital items:** | | | | |
| Digital currencies | | (1,301,234) | | (39,999) |
| Trade and other receivables | | 284,683 | | (5,475,069) |
| Prepaid expenses | | (919,186) | | (242,204) |
| Deposits | | 1,898,073 | | (3,114,660) |
| Inventory | | 2,211 | | - |
| Trade payables and accrued liabilities | | (188,615) | | 1,173,444 |
| Customer liabilities | | (1,386,276) | | 6,585,997 |
| Decommissioning liability | | (45,992) | | - |
| Advances from (repayment to) related parties | | (2,706,675) | | 1,238,069 |
| **Cash flows generated by (used in) operating activities** | **$** | **(670,954)** | **$** | **2,229,469** |
| Income tax paid | | (5,222) | | - |
| Interest received | | 18,510 | | - |
| **Net cash generated by (used in) operating activities** | **$** | **(657,666)** | **$** | **2,229,469** |
| | | | | |
| **INVESTING ACTIVITIES** | | | | |
| Proceeds from sale of bitcoin, net of fees | $ | 1,355,436 | $ | - |
| Acquisition of business, net of cash and cash equivalents acquired | | 1,429,575 | | - |
| Purchase of property and equipment | | - | | (2,362,590) |
| Investment in associate | | (903,980) | | - |
| **Net cash generated by (used in) investing activities** | **$** | **1,881,031** | **$** | **(2,362,590)** |
| | | | | |
| **FINANCING ACTIVITIES** | | | | |
| Payment of lease obligations | $ | (604,424) | $ | (100,918) |
| Repayment of interest on convertible loan | | (50,171) | | - |
| **Net cash used in financing activities** | **$** | **(654,595)** | **$** | **(100,918)** |
| | | | | |
| Effect of foreign exchange rate fluctuation | | (21,459) | | (487) |
| **Decrease in cash** | **$** | **547,311** | **$** | **(234,526)** |
| **Cash and cash equivalents, beginning of period** | **$** | 122,188 | **$** | 295,255 |
| **Cash and cash equivalents, end of period** | **$** | **669,499** | **$** | **60,729** |

Supplemental cash flow information (Note 21)

## 1. Nature of Operations

Cathedra Bitcoin Inc. ("Cathedra", "we", "our" or the "Company") develops and operates high-density compute infrastructure across North America. We host bitcoin mining clients across a portfolio of three data centers (30 megawatts total) in Tennessee and Kentucky. Additionally, we are a 25% partner in a joint venture that owns and operates a 60-megawatt data center in North Dakota, which also hosts bitcoin miners since its completion in November 2024. Cathedra also operates a fleet of proprietary bitcoin mining machines at our own and third-party data centers, producing approximately 400 PH/s of hash rate. We are focused on expanding our portfolio of data center infrastructure for high-density compute applications including bitcoin mining and artificial intelligence. Cathedra is headquartered in Vancouver, British Columbia, and our shares trade on the TSX Venture Exchange (the "TSXV") under the symbol CBIT and on the OTCQB Venture Market under the symbol CBTTF. The Company was incorporated under the Business Corporations Act (Ontario) on July 13, 2011, and our registered and records office is located at 320 – 638 Broughton Street, Vancouver, British Columbia, Canada, V6G 3K3.

These condensed consolidated interim financial statements ("Interim 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 condensed consolidated interim 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.

## 2. Business Combination

On July 23, 2024, the Company completed a business combination (the "Kungsleden Merger") with Kungsleden, Inc. ("Kungsleden"), a developer and operator of alternative high-density compute infrastructure.

The Kungsleden Merger was completed according to the terms of a share exchange agreement dated March 6, 2024, as amended on June 18, 2024 (together, the "Share Exchange Agreement"), between Cathedra, Kungsleden and Kungsleden's shareholders (the "Vendors", and together with the Company and Kungsleden, the "Parties").

Pursuant to the terms of the Share Exchange Agreement, Cathedra acquired all of the outstanding shares of Kungsleden from the Vendors in exchange for 6,253,429 multiple voting shares of Cathedra (the "Multiple Voting Shares") on the basis of an exchange ratio of one common share of Kungsleden for approximately 6.253429078 Multiple Voting Shares. The 6,253,429 Multiple Voting Shares issued to the Vendors are convertible into 625,342,908 subordinate voting shares of Cathedra (the "Subordinate Voting Shares"). The Kungsleden Merger resulted in the Vendors owning (on a non-diluted basis) approximately 72.5% of the equity of the Company and existing Cathedra shareholders owning the remaining 27.5% of the equity of the Company. The Vendors hold approximately 80% of the voting rights of Cathedra and existing Cathedra shareholders own the remaining 20%.

The Kungsleden Merger has been accounted for using the acquisition method under IFRS 3, Business Combinations ("IFRS 3"), which requires that one of Cathedra or Kungsleden be determined to be the acquirer for accounting purposes. The Kungsleden Merger has been accounted for as a reverse take-over of Cathedra by Kungsleden. The entities which are party to the Kungsleden Merger meet the definition of a business. These condensed consolidated interim financial statements reflect the continuance of Kungsleden and the acquisition and assumption of Cathedra's identifiable assets and liabilities, respectively, at fair value.

Kungsleden is deemed to have issued 379,310 common shares in exchange for all of the issued and outstanding shares of Cathedra. The consideration for shares issued is $23,504,237, based on Kungsleden's enterprise value of $93,457,280. The Company issued the following replacement awards: 3,505,364 stock options, 1,716,881 restricted share units and 51,144,882 share purchase warrants valued $1,727,915 exercisable into subordinate voting shares of Cathedra; see Note 16 for details on valuation approach and assumptions used to value replacement awards. Additionally, the Company recognized a convertible loan with an equity conversion component of $577,210 as part of the deemed share consideration.

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| | $ |
|---|---|
| **Consideration:** | |
| Deemed share consideration | 23,504,237 |
| Replacement awards | 1,727,915 |
| **Total consideration** | **25,232,152** |
| | |
| **Assets acquired:** | |
| Cash and cash equivalents | 1,429,575 |
| Digital currencies | 4,029,042 |
| Other receivables | 136,545 |
| Prepaid expenses | 349,593 |
| Deposits | 1,643,960 |
| Inventories | 954,772 |
| Property and equipment | 4,986,820 |
| Right-of-use assets | 1,510,745 |
| Investments | 913,658 |
| Goodwill | 25,128,781 |
| **Total assets acquired** | **41,083,491** |
| | |
| **Liabilities assumed:** | |
| Trade payables and accrued liabilities | 2,637,725 |
| Interest payable | 12,543 |
| Decommissioning liability | 77,610 |
| Lease liabilities | 1,510,745 |
| Convertible loan | 4,827,945 |
| Deferred income tax liability | 6,784,771 |
| **Total liabilities assumed** | **15,851,339** |
| | |
| **Net assets acquired** | **25,232,152** |

Reorganization

For the period from August 12, 2022 through December 31, 2022 and for the period from January 1, 2023 to September 12, 2023, the Kungsleden Business was operated through Poimen Trust ("Poimen"), a trust certified under the State of Tennessee, controlled by the shareholders of the Company. The trustees of Poimen also are the shareholders of the Company. The Company was created to transform the Kungsleden Business from a Trust to a Corporation through a reorganization under common control ("Transformation"). The Transformation resulted in the transfer of all assets and liabilities and contracts related to the Kungsleden Business at their historical book values from Poimen to the Company on September 13, 2023, the date on which the Company was incorporated.

## 3. Material Accounting Policy Information

**Basis of Preparation**

*Statement of Compliance*

The Interim Financial Statements as at September 30, 2024, and for the three and nine months then ended have been prepared in accordance with International Accounting Standard ("IAS 34") Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the Company's Audited Financial Statements. Selected explanatory notes are included in the Interim Financial Statements to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last audited financial statements.

These Interim Financial Statements were approved and authorized for issuance by the Board of Directors on November 27, 2024.

These interim financial statements have been prepared on an accrual basis and are based on historical cost basis except for a certain financial instrument which is measured at their fair value.

The Interim Financial Statements of the Company are presented in Canadian dollars unless otherwise indicated, the reporting currency of the Company.

*Basis of Consolidation*

Subsidiaries

The Interim 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.

The entities contained in the Interim Financial Statements are as follows:

| Entity Name | Place of Business and Operations | Functional Currency | Equity Percentage |
|---|---|---|---|
| Cathedra Bitcoin Inc. (the "Company") – parent | Canada | CAD | n/a |
| Kungsleden, Inc. ("Kungsleden" or "K Inc.") | United States | USD | 100% owned by parent |
| Sentinel Technology, LLC | United States | USD | 100% owned by K Inc. |
| Churchill Technologies LLC | United States | USD | 100% owned by K Inc. |
| Two Keys Technologies LLC | United States | USD | 100% owned by K Inc. |
| North Campbell HoldCo LLC | United States | USD | 100% owned by K Inc. |
| Fortress Blockchain Holdings Corp. ("FBHC") | Canada | CAD | 100% owned by parent |
| Fortress Blockchain (US) Holdings Corp. ("FBUS") | United States | USD | 100% owned by FBHC |
| Cathedra Lease Co LLC ("CLC") | United States | USD | 100% owned by FBUS |

Associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights.

*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.

*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.

*Amendments to IAS 1 – Presentation of Financial Statements*

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current Liabilities with Covenants. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override and incorporate the previous amendments, Classification of Liabilities as Current or Non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024, and adoption of these amendments did not have an effect on our financial statements

*Recent Pronouncements Not Yet Effective and That Have Not Been Adopted Early*

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

Amendments to IAS 21 – Lack of Exchangeability

The amendments to IAS 21 provide additional guidance on when a currency is exchangeable and on how to determine the exchange rate when it is not. The amendments also require the disclosure of additional information when a currency is not considered exchangeable. The amendments are applied prospectively for annual periods beginning on or after 1 January 2025, with early application permitted. No significant impact to the Company's consolidated financial statements is expected.

Implementation of IFRS 18 – Presentation and Disclosure of Financial Statements

The introduction of IFRS 18 will provide all entities applying IFRS with more guidance on the presentation and disclosure of information in general purpose financial statements. The new standard will clarify guidance on how to present and disclose information that faithfully represents an entity's assets, liabilities, equity, revenue and expenses. The new standards are applied retrospectively for annual periods beginning on or after 1 January 2027, with early adoption permitted provided that this fact is disclosed. The Corporation is currently assessing the expected impact of this standard.

Implementation of IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information - and IFRS S2 – Climate-related Disclosures

The adoption of IFRS S1 and S2 will introduce new requirements surrounding sustainability and climate-related disclosures for annual reporting purposes. The Canadian Sustainability Standards Board proposed Canadian-specific modifications to the standards issued by the International Sustainability Standards Board in June 2023. The Canadian specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025. The Canadian Securities Administrators have not yet confirmed whether the new standards will be mandatory for Canadian reporting issuers. The Corporation is currently assessing the expected impact of adopting these standards.

**Material Accounting Policies**

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at acquisition date at fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liability assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units (CGUs) or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date that the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Digital currencies

The Company accounts for its digital currencies on hand at the end of a reporting period, if any, under IAS 38, *Intangible Assets*, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt, and subsequently measured under the revaluation model. Under the revaluation model, increases in the digital currencies' carrying amount is recognized in other comprehensive income and under accumulated other comprehensive income in equity, while decreases are recorded in the consolidated statements of loss and comprehensive loss. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of digital currencies previously recognized in profit or loss. There is no recycling of gains from other comprehensive income in the consolidated statements of loss and comprehensive loss, except to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in the consolidated statements of loss and comprehensive loss, that increase is recorded in the consolidated statements of loss and comprehensive loss. The fair value of digital currencies on hand at the end of the reporting period is calculated as the quantity of digital currencies on hand multiplied by the price quoted on Coin Metrics as at the reporting date. Any difference between the fair value of the digital currencies recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as gain or loss on sale of digital currencies.

The Company has continued to classify digital currencies on hand at the end of a period as current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Company values its bitcoin based on the price quoted on Coin Metrics which is an average of quoted rates from various cryptocurrency exchanges. Coin Metrics data is derived from real-time (block-by-block) market price with over 400 metrics for over 100 assets and it has data feed of aggregate network data metrics for all of the top cryptocurrency assets. Management considers this fair value to be a level 2 input under IFRS 13 fair value measurement fair value hierarchy as the price on this source represents the average quoted prices on multiple digital currency exchanges.

Non-monetary transactions

In the normal course of its business, the Company enters into non-monetary transactions. These non-monetary transactions, which are otherwise payable in cash, are accounted for at their fair market value. Non-monetary transactions consist of digital currencies paid for its mining and revenue-sharing fees. Payments are measured at fair value using the price of the digital currencies provided at the time of the transaction.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). Financial assets classified at amortized cost are measured using the effective interest method.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets or financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents and Investments are measured at FVTPL. Trade and other receivables, due from related parties, deposits, trade payables and accrued liabilities, due to related parties, income tax payable, contract liabilities and customer liabilities are measured at amortized cost.

*Impairment of financial assets*

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

*Financial liabilities*

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

Accounts payable, interest payable, and loan payable are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in the statement of profit or loss.

Revenue recognition

Revenue is recorded at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract

3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation The Company has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

For arrangements priced at fiat currency, the Company recognizes revenue based on the contract price. For arrangement priced at cryptocurrency, the Company recognizes revenue based on the spot price of the cryptocurrency to fiat currency on the date when it is earned.

*Hosting revenue*

The Company hosts and provides energized space and operating and maintenance services to third-party mining companies who locate their mining hardware at its data centers. The Company accounts for these agreements as a single performance obligation for services being delivered in a series with delivery being measured by monthly hosting fees of the mining hardware. As such, the Company recognizes revenue over the life of the contract as its series of distinct services are performed over the term of the contracts with its customers. The Company does not have any significant warranty obligations. The Company has determined that the contracts do not contain a significant financing component because the expected length of time between the transfer of services and receipt of consideration is less than one year, which are typically one month or less.

For certain contracts, the Company may also be entitled to a monthly noncash profit-sharing fee, which is primarily based on the actual amount of bitcoin mined by the customer's hosted mining equipment during the month. The non-cash consideration is generally paid in bitcoin. Non-cash consideration is measured at fair value at contract inception with changes in fair value attributable to reasons other than the form of consideration (other than price of bitcoin) measured as variable consideration (subject to the constraint on variable consideration) and recognized as hosting services are performed. The Company measures the profit-sharing fee at fair value at contract inception. This amount is recognized in revenue as services are performed. Changes in fair value of the non-cash consideration related for reasons other than changes in form are recognized at the end of each month as the related uncertainly is resolved and amount becomes known.

*Mining and CathedraOS revenue*

The Company recognizes revenue from the provision of transaction confirmation services for digital currency blockchains, commonly termed "digital asset mining" or "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific blockchain 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 mining, based on the daily average from Coin Metrics for bitcoin. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

*Contract assets and liabilities*

A contract asset is recognized when the Company recognizes revenue before being unconditionally entitled to consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to consideration has become unconditional.

A contract liability is recognized when the customer pays consideration for goods or services before the Company recognizes the related revenue. A contract liability would also be recognized if the Company has an unconditional right to receive non-refundable consideration before the Company recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

*Customer liabilities*

Customer liabilities include deposits from customers. Deposits from customers are reduced when they are returned back to customers or applied to trade receivables based on the contractual terms between the Company and its customers.

Inventories

Parts, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are recorded at purchase cost. Direct labor and other directly attributable costs incurred to construct new assets and upgrade existing assets are capitalized. Repairs and maintenance expenditures are recognized in the consolidated statements of operations as incurred. Significant renewals and betterments are capitalized.

Property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets as follows:

| Category | Useful Life |
|---|---|
| Equipment | 5 years |
| Facility asset, including mining containers | 5 years |
| Miners | 3 years |
| Electrical infrastructure | 10-12 years |
| Office equipment | 3 years |
| Land | Infinite |

Land acquired by the Company has an infinite useful life and therefore is not depreciated.

The depreciation method, useful life and residual value of an asset are reviewed at least at each financial year-end and adjusted, if appropriate.

When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are derecognized from the consolidated statements of financial position and the resulting gains or losses on the disposal or sale of the assets are recognized in the consolidated statements of operations.

An asset under construction is stated at cost until the construction is completed, at which time it is reclassified to the property, plant and equipment account to which it relates. During the construction period until the asset is ready for its intended use or sale, borrowing costs, which include interest expense, are capitalized in proportion to the average amount of accumulated expenditures during the period. Capitalization of borrowing costs ceases when the construction is completed, and the asset is ready for its intended use or sale.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Whenever the Company incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

The Company does not recognize right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less.

Goodwill

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property, plant and equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

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

Investment in associate

The Company accounted for investment in an associate in accordance with IAS 28. An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Company for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of investment subsequently increases.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

Income taxes

Prior to the reorganization on September 12, 2023, earnings and losses are included in the personal income tax return of the Company's shareholders. As a result, the Company did not incur any income tax obligation and the financial statements do not include a provision for income taxes.

Post the Company's reorganization on September 12, 2023, current and deferred income taxes are recognized as income or expense and included in the consolidated statements of profit or loss. Current income tax assets and liabilities are measured at the amounts expected to be recovered or paid by using the tax rates and tax laws that have been enacted or substantively enacted at each reporting date. Management periodically evaluates positions taken in the tax reporting process with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, management establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from the temporary differences arising from goodwill not deductible for tax purposes, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws at each reporting date which are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that sufficient taxable profit will be available to compensate part or all of the benefits of deferred tax assets. Unrecognized deferred tax assets are re-assessed at each reporting date and recognized if it is probable that future taxable profits will be available for recovery. Tax deductions arising from the reversal of deferred tax assets are excluded from estimates of future taxable income.

Deferred tax assets and liabilities are offset in the consolidated statements of financial position, if and only if it has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same Tax Authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Company determines the recognition and measurement of tax assets and liabilities that contain uncertainty over income tax by considering the assumptions used in the examination of tax treatments by the tax authorities, the probability that the tax authorities will accept uncertain tax treatment and re-consideration or estimation if there is a change in facts and circumstances.

If the acceptance of tax treatment is probable, the measurement is in line with income tax fillings. If the acceptance of tax treatment is not probable, the Company uses tax amounts using the method that provides a better prediction of resolution (i.e., most likely amount or expected value). Due to the complexity of some of these uncertainties, their ultimate resolution may result in payments that are materially different from current estimates. Any such differences will be reflected as adjustments to income tax expenses in the periods in which they are determined.

Convertible loan

Convertible loans/debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible instrument requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

All derivative instruments are measured at fair value including embedded derivatives contained within financial or non-financial contracts that are not closely related to the host contract. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss .

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the convertible loan are allocated to the liability component and embedded derivative component in proportion to the allocation of the gross proceeds. Transaction costs relating to the embedded derivative liability component are included in the equity component and transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortized over the expected life of the convertible loan using the effective interest method.

Decommissioning liability

A legal or constructive obligation to incur restoration costs may arise when mining equipment are deployed at hosting facilities. Such cost arising from the restoration of the hosting site to its original condition, discounted to their net present value, are provided for and charged to the statement of loss and comprehensive loss, as soon as the obligation to incur such costs arises. Discounting has not been performed on the obligations as at September 30, 2024 as the effect of the time value of money was not material.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to their fair value and any residual in the proceeds is allocated to the warrants.

Share-based compensation

The Company operates a stock option plan and restricted share unit (“RSU”) plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions on grant date. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Earnings (loss) per share

Earnings (loss) per share is computed by dividing net income (loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options and share purchase warrants, the number of additional shares for inclusion in diluted earnings per share calculations is determined when the exercise price is less than the average market price of the Company’s common shares; the stock options and share purchase warrants are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share. The incremental number of common shares under restricted share units is included in the calculation of diluted earnings per share.

Common shares that could potentially dilute basic net loss and net loss per common share in the future that could be issued from the exercise of share options and warrants are not included in the computation of the diluted loss per common share because to do so would be anti-dilutive.

**Use of Estimates, Assumptions, and Judgements**

The preparation of the Interim Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amount of expenses during the reporting period.

The preparation of the Interim Financial Statements requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company’s Interim Financial Statements include:

*Revenue Recognition*

The Company recognizes revenue from the provision of transaction confirmation services for digital currency blockchains, commonly termed "digital asset mining" or "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific blockchain 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 mining, based on the daily average from Coin Metrics for bitcoin.

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.

**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.

*Useful Life and Residual Value*

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.

*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 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.

*Business Combination – Purchase Price Allocation*

The consideration transferred (or deemed consideration) and acquired assets and assumed liabilities are recognized at fair value on the date of the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the consideration transferred (or deemed consideration) and acquired intangible assets (including goodwill), property and equipment, other assets and the liabilities assumed are based on estimates and assumptions. The measurement is largely based on the projected cash flows, discount rates and market conditions at the date of acquisition.

Areas of significant estimates and judgments also include:

- Collectability of trade and other receivables
- Completeness of trade payables and accrued liabilities
- Valuation of right-of-use assets and lease liabilities
- Valuation of convertible loans

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 4. Digital Currencies and Revenues

*Mining and Profit-Sharing 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.

For the three and nine months ended September 30, 2024, the Company generated revenues of $1,392,146 and $1,555,043, respectively (three and nine months ended September 30, 2023 - $129,227 and $419,555, respectively).

| | BTC Units | Amount ($) |
|---|---|---|
| **Bitcoin balance as at December 31, 2022** | **0.68** | **15,120** |
| Bitcoin earned via profit sharing arrangement | 11.91 | 419,564 |
| Bitcoin sold | (11.07) | (443,502) |
| Loss on sale of bitcoin | – | 63,872 |
| Revaluation loss | – | (74) |
| Translation adjustment | – | 303 |
| **Bitcoin balance as at September 30, 2023** | **1.52** | **55,283** |
| | | |
| **Bitcoin balance as at December 31, 2023** | **0.85** | **47,429** |
| Bitcoin acquired in business combination | 44.40 | 4,029,042 |
| Revenue from bitcoin mined | 16.63 | 1,383,473 |
| Bitcoin earned via profit sharing arrangement | 1.88 | 175,144 |
| Bitcoin paid for fees | (0.40) | (33,645) |
| Bitcoin sold | (18.72) | (1,581,478) |
| Gain on sale of bitcoin | – | 7,777 |
| Revaluation loss | – | (145,799) |
| Translation adjustment | – | (71,501) |
| **Bitcoin balance as at September 30, 2024** | **44.64** | **3,810,442** |

Digital currencies balance as at September 30, 2024 includes the balance of Tether (USDT) valued at $1,353 (December 31, 2023 - $6,598). The Company receives payments in USDT from customers, typically converting them into fiat currency quickly.

*Hosting Revenue*

During the three and nine months ended September 30, 2024, the Company generated hosting revenue of $4,465,679 and $15,866,140, respectively (three and nine months ended September 30, 2023 - $4,745,873 and $8,984,773, respectively). One customer accounted for approximately 81% and 72% of total hosting revenue during the three and nine months ended September 30, 2024, respectively.

## 5. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and claimed sales tax input tax credits. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method.

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| | | September 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Trade receivables | $ | 128,385 | $ | 1,336,413 |
| Accrued receivables | | 561,910 | | – |
| Sales tax input tax credits | | 83,409 | | – |
| **Total trade and other receivables** | **$** | **773,704** | **$** | **1,336,413** |

## 6. Prepaid Expenses

| | | September 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| General and administrative | $ | 363,661 | $ | – |
| Hosting business utilities | | 1,118,656 | | 436,457 |
| **Total prepaid expenses** | **$** | **1,482,317** | **$** | **436,457** |

## 7. Deposits

| | | September 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Utility deposits | $ | 2,026,749 | $ | 3,722,769 |
| Lease deposits | | 496,156 | | – |
| Bitcoin mining deposits | | 139,136 | | – |
| **Total deposits** | **$** | **2,662,041** | **$** | **3,722,769** |
| Less: current portion of deposits | | 139,136 | | – |
| **Non-current portion of deposits** | **$** | **2,522,905** | **$** | **3,722,769** |

## 8. Other Non-Current Asset

In November 2022 and July 2023, the Company contributed US$450,000 and US$350,000 to regulated power and utility entities as a form of aid in construction for the required infrastructure maintenance pursuant to the terms of the arrangements. The Company amortizes the amounts over the term of 12 and 6 years, respectively, the terms of the contracts, on a straight-line basis. Amortization expense is included in cost of revenues: depreciation in the consolidated statement of income or loss and comprehensive income or loss. For the three and nine months ended September 30, 2024, the Company incurred depreciation expense of $108,178 and $138,762, respectively (three and nine months ended September 30, 2023 - $15,091 and $45,414, respectively).

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 9. Property and Equipment

| | Infrastructure | Mining equipment | Construction-in-progress | Land | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance, December 31, 2023** | **$ 3,051,267** | **$ 780,334** | **$ 539,862** | **$ 136,658** | **$ 4,508,121** |
| Additions from business combination | 1,917,194 | 3,069,626 | – | – | 4,986,820 |
| Additions | – | 724,579 | – | – | 724,579 |
| Disposals | (73,620) | – | (546,229) | – | (619,849) |
| Translation adjustment | 25,801 | (34,820) | 6,367 | 2,820 | 168 |
| **Balance, September 30, 2024** | **$ 4,920,642** | **$ 4,539,719** | **$ –** | **$ 139,478** | **$ 9,599,839** |
| | | | | | |
| **Accumulated depreciation and impairment** | | | | | |
| **Balance, December 31, 2023** | **$ 325,518** | **$ 122,341** | **$ –** | **$ –** | **$ 447,859** |
| Additions | 516,852 | 618,626 | – | – | 1,135,478 |
| Translation adjustment | 2,932 | (3,220) | – | – | (288) |
| **Balance, September 30, 2024** | **$ 845,302** | **$ 737,747** | **$ –** | **$ –** | **$ 1,583,049** |
| | | | | | |
| **Carrying amount** | | | | | |
| Balance, December 31, 2023 | $ 2,725,749 | $ 657,993 | $ 539,862 | $ 136,658 | $ 4,060,262 |
| **Balance, September 30, 2024** | **$ 4,075,340** | **$ 3,801,972** | **$ –** | **$ 139,478** | **$ 8,016,790** |

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 10. Right-of-Use Assets and Lease Liabilities

On March 1, 2023, and July 26, 2023, the Company entered into two agreements to lease building property in Kentucky state. The building properties are used by the Company to provide hosting services to arms-length bitcoin mining customers. The leases have an initial term of 10 years and 6 years, respectively, and the Company will make lease payments of US$10,000 and US$1,000 per month, respectively. The Company used a 3.09% and 2.83% interest rate, its estimated incremental borrowing rate, to calculate the present value of the lease payments on initial measurement.

On July 23, 2024, as part of the business combination with Cathedra (Note 2), the Company acquired right-of-use assets and lease liabilities comprising two building property lease agreements (the "CBIT leases") with remaining lease terms of 10 and 18 months respectively. The Company will make lease payments on the CBIT leases of US$103,680 and US$11,200 per month.

| **Right-of-use asset** | | **Building Properties** |
|---|---|---|
| **Cost** | | |
| **Balance, January 1, 2023** | **$** | **-** |
| Additions | | 1,441,732 |
| **Balance, December 31, 2023** | **$** | **1,441,732** |
| Additions from business combination (Note 2) | | 1,510,745 |
| Translation adjustment | | 242 |
| **Balance, September 30, 2024** | **$** | **2,952,719** |
| | | |
| **Depreciation** | | |
| **Balance, January 1, 2023** | **$** | - |
| Depreciation charge in the year | | 119,878 |
| **Balance, December 31, 2023** | **$** | **119,878** |
| Depreciation charge in the period | | 533,579 |
| Translation adjustment | | (2,684) |
| **Balance, September 30, 2024** | **$** | **650,773** |
| | | |
| **Net book value** | | |
| Balance, December 31, 2023 | $ | 1,321,854 |
| **Balance, September 30, 2024** | **$** | **2,301,946** |

For the three and nine months ended September 30, 2024, the Company recognized depreciation expense of $455,695 and $533,579, respectively (three and nine months ended September 30, 2023 - $27,651 and $62,069, respectively). As of September 30, 2024, the Company is committed to minimum lease payments as follows:

| | | **September 30, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | | | | |
| Less than one year | $ | 1,273,376 | $ | 174,583 |
| One to five years | | 755,404 | | 698,333 |
| More than five years | | 539,960 | | 657,332 |
| **Total undiscounted lease labilities** | **$** | **2,568,740** | **$** | **1,530,248** |
| | | | | |
| **Lease liabilities** | **$** | **2,337,581** | **$** | **1,337,579** |
| Current | $ | (1,172,360) | $ | (135,379) |
| Non-current | $ | 1,165,221 | $ | 1,202,200 |

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

During the three and nine months ended September 30, 2024, the Company recognized total interest expense of $70,447 and $90,892, respectively (three and nine months ended September 30, 2024 - $7,929 and $18,354, respectively) in connection with its lease liabilities.

## 11. Investment in Associate

The consolidated statements of financial position show the following amounts relating to investment in associate:

| | | September 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Cost of investment in associate | $ | 1,389,934 | $ | - |
| Share of profit or loss, net dividend received | | (285,509) | | - |
| Translation adjustment | | (11,581) | | - |
| | **$** | **1,092,844** | **$** | **-** |

On January 10, 2024, Kungsleden sold 75% of its member interest to the other four members which resulted in de-consolidation of the Tirpitz and Tirpitz became an associate of Kungsleden. Kungsleden recognized a gain of $404,640 on disposal of subsidiary during the nine months ended September 30, 2024.

Details of the associate as of September 30, 2024, are as follows:

| Name of company | Jurisdiction of incorporation and operation | Ownership interest | Principal activity |
|---|---|---|---|
| Tirpitz Technology HoldCo LLC | Tennessee | 25% | Hosting services |

Summarized financial information of Tirpitz is set out below:

| As at: | | September 30, 2024 |
|---|---|---|
| Current assets | $ | 1,624,692 |
| Non-current assets | | 21,246,408 |
| Current liabilities | | 6,681,308 |
| Non-current liabilities | | 1,737,196 |

| For the nine months ended: | | September 30, 2024 |
|---|---|---|
| Revenue | $ | 3,169,070 |
| Profit (loss) for the period | | (1,142,036) |
| Dividends received during the period | | – |

Reconciliation of the above summarized financial information to the carrying amount of the investment in associate recognized in the condensed consolidated interim financial statements:

| | | September 30, 2024 |
|---|---|---|
| Net assets of associate | $ | 14,452,596 |
| Capital contributed by other members of associate in excess of the Company's ownership | | (10,081,220) |
| Adjusted net assets of associate | | 4,371,376 |
| Kungsleden's ownership interest | | 25% |
| **Carrying amount of the Company's interest in associate** | **$** | **1,092,844** |

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 12. Investments

Initial valuation of investments is based on the acquisition cost. Subsequent valuations reflect asset appraisals, as well as market transaction data, such as financing rounds. The Company's holdings in private companies are generally valued utilizing net asset values. As of September 30, 2024, Cathedra holds the following investments without exercise of significant influence over them:

*Low Time Preference Fund II, LLC*

On November 12, 2021, Cathedra subscribed for limited liability company interests in Low Time Preference Fund II, LLC, for a total value of $312,925 (US$250,000). As of September 30, 2024, the fair value of this investment is $393,658 (December 31, 2023 - $nil).

*Silvermoon Inc.*

On May 5, 2022, Cathedra received 35,000,000 common shares of Silvermoon Inc. ("Silvermoon") as part a non-arm's length share exchange agreement for giving up a 100% ownership in The Good Shepherd Land and Livestock Company Limited, a UK based legal entity. Cathedra held 35,000,000 common shares as of July 23, 2024, and September 30, 2024, which represents approximately 21.6% of the issued and outstanding common shares of Silvermoon. The Company exercised no significant influence as of July 23, 2024, and September 30, 2024, therefore the investment is classified and accounted for at FVTPL. As of September 30, 2024, the fair value of this investment is $512,156 (December 31, 2023 - $nil).

## 13. Trade Payables and Accrued Liabilities

| | | **September 30, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Trade payables | $ | 1,833,460 | $ | 1,686,917 |
| Accrued liabilities | | 1,841,409 | | 864 |
| **Total accounts payable and accrued liabilities** | **$** | **3,674,869** | **$** | **1,687,781** |

## 14. Convertible Loan

In connection with the closing of business combination, the Company amended the conversion price of 3.5% senior secured convertible debentures of the Company due November 11, 2025, originally issued to the debenture holder on November 11, 2021 (the "Debentures"), from $0.78 to $0.15. The aggregate principal amount outstanding of the Debentures is $5,733,728.

The Company applied a debt modification accounting for the change in terms in accordance with IFRS 9, *Financial Instruments*. The market rate of 18.5% was used to estimate a liability component of the convertible loan.

*Liability Component*

| | | |
|---|---|---|
| Balance, December 31, 2023 | $ | - |
| Recognized in business combination (Note 2) | | 4,827,945 |
| Accretion (i) | | 131,219 |
| **Balance, September 30, 2024** | **$** | **4,959,164** |

(i) Accretion expense is included in net finance costs in the condensed consolidated interim statement of income or loss.

*Equity Component*

The equity component of convertible loan of $577,210 was recognized in the business combination (Note 2).

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 15. Share Capital

On July 22, 2024, in connection with the business combination the Company altered the articles of the corporation, which was approved by the Company's shareholders at its annual and special meeting of shareholders:

a. Changed the name of its common shares to "subordinate voting shares";
b. Created a new class of multiple voting shares convertible into 100 subordinate voting shares;
c. Added special rights and restrictions to the subordinate voting shares and the multiple voting shares, pursuant to which, among other things, the holders of the multiple voting shares are entitled to 1.52 votes per multiple voting share held. On an "as converted" basis, assuming the conversion of the multiple voting shares to subordinate voting shares, the holders of multiple voting shares will have 1.52 votes per subordinate voting share compared to 1 vote per subordinate voting share by the holders of the subordinate voting shares.

*Authorized*

Unlimited number of subordinate voting shares without par value. Each subordinate voting share entitles the holder to one vote.

Unlimited number of multiple voting shares without par value. Each multiple voting share is convertible into 100 subordinate voting shares and entitles the holder to 1.52 votes.

*Issued and Outstanding*

- Upon the closing of the business combination on July 23, 2024, 237,513,935 subordinate voting shares and 6,253,429 multiple voting shares were issued and outstanding.
- On August 7, 2024, the Company issued 580,708 subordinate voting shares to its employees as a result of vesting of restricted share units (RSUs).

*Post-merger share capital*

| **Multiple voting shares ("MVS")** | **No.** |
|---|---|
| Kungsleden's common shares on the acquisition date | 1,000,000 |
| Share exchange ratio (Note 2) | 6.253429078 |
| Multiple voting shares issued in exchange for Kungsleden's common shares | 6,253,429 |
| **Balance, September 30, 2024** | **6,253,429** |

| **Subordinate voting shares ("SVS")** | **No.** |
|---|---|
| Cathedra's common shares on the acquisition date | 237,513,935 |
| Exchange ratio | 1.00 |
| Subordinate voting shares of the Resulting Issuer | 237,513,935 |
| Issued on RSU vesting | 580,708 |
| **Balance, September 30, 2024** | **238,094,643** |

| | **September 30, 2024** | **December 31, 2023** |
|---|---|---|
| An equivalent number of SVS based on an a 'if converted' basis (convertible from MVS) | 625,342,908 | 625,342,908 |
| SVS outstanding | 238,094,643 | – |
| **The total SVS, including SVS on an a 'if converted' basis** | **863,437,551** | **625,342,908** |

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 16. Reserves

*Replacement Awards in Business Combination*

The stock options were fair valued using the Black Scholes option pricing model. The weighted average inputs used in the Black Scholes model were as follows:

| | |
|---|---|
| Share price on business combination date | $0.10 |
| Exercise price | $0.50 |
| Risk-free interest rate | 3.60% |
| Expected annualized share volatility | 130.00% |
| Expected dividend yield | 0.00% |
| Expected life (years) | 1.95 |
| **Fair value of stock option** | **$0.04** |

The share purchase warrants were fair valued using the Black Scholes option pricing model. The weighted average inputs used in the Black Scholes model were as follows:

| | |
|---|---|
| Share price on business combination date | $0.10 |
| Exercise price | $0.94 |
| Risk-free interest rate | 3.58% |
| Expected annualized share volatility | 130.00% |
| Expected dividend yield | 0.00% |
| Expected life (years) | 1.97 |
| **Fair value of share purchase warrant** | **$0.03** |

The restricted share units were valued using the fair value of subordinate voting share of the Company on the issuance date.

*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 July 22, 2024. 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 86,254,193 subordinate voting shares of the Company to be reserved for reserved for grant of restricted share units (“RSU”).

- On July 23, 2024, the Company granted 8,141,544 RSUs to its officers and directors. 1/3 of RSUs vest annually until July 27, 2027.
- On August 17, 2024, the Company cancelled 94,032 RSUs to settle withholding tax obligations due to issuance of subordinate voting shares to its employees.

For the three and nine months ended September 30, 2024, the Company recognized share-based compensation of $93,605 and $93,605, respectively (2023 - $nil and $nil, respectively).

A summary of changes in restricted share units outstanding for the nine months ended September 30, 2024, follows:

| | |
|---|---|
| **Balance, December 31, 2023** | **-** |
| Granted as replacement for Cathedra's RSUs | 1,716,881 |
| Granted | 8,141,544 |
| Exercised | (580,708) |
| Cancelled | (94,032) |
| **Balance, September 30, 2024** | **9,183,685** |

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

*Stock Options*

A summary of changes in stock options follows:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2023** | **-** | **-** |
| Granted as replacement for Cathedra's stock options | 3,605,364 | 0.50 |
| Expired | (100,000) | 0.51 |
| **Balance, September 30, 2024** | **3,505,364** | **0.50** |

The weighted average remaining life of outstanding stock options as of September 30, 2024, was 2.08 years.

The stock options outstanding and exercisable as of September 30, 2024, are as follows:

| Exercise price ($) | Number of stock options outstanding | Weighted average remaining life |
|---|---|---|
| 0.13 | 10,000 | 3.07 |
| 0.35 | 88,841 | 2.63 |
| 0.41 | 177,682 | 2.27 |
| 0.49 | 250,000 | 1.91 |
| 0.49 | 2,000,000 | 1.92 |
| 0.50 | 90,000 | 3.39 |
| 0.53 | 88,841 | 2.22 |
| 0.56 | 650,000 | 1.98 |
| 0.60 | 150,000 | 3.39 |
| **Outstanding** | **3,505,364** | **2.08** |
| **Exercisable** | **3,487,596** | **2.08** |

The weighted average exercise price of options outstanding and exercisable as of September 30, 2024, is $0.50.

For the three and nine months ended September 30, 2024, the Company recognized share-based compensation of $nil and $nil, respectively (2023 - $nil and $nil, respectively).

*Warrants*

On September 27, 2024, the Company repriced an aggregate of 36,819,700 outstanding subordinate voting share purchase warrants (the “Warrants”). The Warrants were also amended to include a mandatory acceleration provision which provides that, if for any 10 consecutive trading days following the effective date of the repricing, the closing price of the Company’s subordinate voting shares on the TSXV exceeds $0.15, the amended Warrants’ expiry date will be accelerated such that holders will have 30 calendar days to exercise the Warrants. $1,299,106 was recording as a financing fee and included in net finance costs in the consolidated statement of income or loss and comprehensive income or loss. The following weighted average inputs were used in the Black Scholes option-pricing model:

| | Weighted average |
|---|---|
| Grant date share price | 0.10 |
| Exercise price | 0.12 |
| Expected life (years) | 1.96 |
| Volatility | 109.49% |
| Dividend yield | 0% |
| Risk free rate | 2.91% |

A summary of changes in warrants outstanding for the nine months ended September 30, 2024, follows:

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2023** | **-** | **–** |
| Issued as replacement for Cathedra's warrants | 51,144,882 | 0.94 |
| **Balance, September 30, 2024** | **51,144,882** | **0.37** |

The warrants outstanding as of September 30, 2024, are as follows:

| Exercise price ($) | Number of stock options outstanding | Weighted average remaining life |
|---|---|---|
| 0.12 | 36,819,700 | 1.96 |
| 0.54 | 2,687,500 | 2.64 |
| 0.63 | 887,682 | 1.48 |
| 0.79 | 2,687,500 | 2.64 |
| 1.04 | 2,687,500 | 2.64 |
| 1.29 | 2,687,500 | 2.64 |
| 1.54 | 2,687,500 | 2.64 |
| **0.37** | **51,144,882** | **2.13** |

## 17. Related Party Transactions and Balances

*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 Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer and President ("COO"), Chief Fields Operation and Manufacturing Officer ("CMO"), Chief Technology Officer ("CTO"), and Directors of the Company. The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2024, and 2023 are as follows:

| | Three months ended: | | Nine months ended: | |
|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Director fees | $ 53,015 | $ - | $ 53,015 | $ - |
| Consulting or professional fees: | | | | |
| CEO | 50,442 | - | 50,442 | - |
| CFO | 42,047 | - | 42,047 | - |
| Transaction costs: | | | | |
| CEO | 136,407 | - | 136,407 | - |
| COO | 136,407 | - | 136,407 | - |
| Directors | 69,225 | - | 69,225 | - |
| Share-based payments: | | | | |
| CEO | 15,601 | - | 15,601 | - |
| COO | 15,601 | - | 15,601 | - |
| CMO | 7,800 | - | 7,800 | - |
| CTO | 7,800 | - | 7,800 | - |
| Directors | 46,803 | - | 46,803 | - |
| Wages and salaries: | | | | |
| COO | 41,624 | - | 41,624 | - |
| CMO | 15,126 | - | 15,126 | - |
| CTO | 30,251 | - | 30,251 | - |
| **Total** | **$ 668,149** | **$ -** | **$ 668,149** | **$ -** |

As at September 30, 2024, the Company has a receivable of $20,795 (December 31, 2023 - $nil) from a director of the Company and a payable of $12,882 (December 31, 2023 - $nil) owed to an entity controlled by the CFO of the Company. As of December 31, 2023, Kungsleden owed $2,438,351 to the shareholders of Kungsleden, most of this balance was repaid during the nine months ended September 30, 2024.

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

## 18. Income Taxes

The Company recognized a deferred income tax liability of $6,784,771 related to the goodwill arising from the business combination (Note 2). During the three and nine months ended September 30, 2024, the Company recognized current income tax expense of $359,125 and $1,210,344, respectively (three and nine months ended September 30, 2023 - $244,909 and $434,223, respectively).

## 19. 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 a 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, trade and other receivables, and due from related parties. Under certain of our hosting agreements, we are obligated to pay security deposits to the hosting provider at the beginning of the term. If one or more of our hosting providers suffers an adverse credit event, we may be unable to recover part or all of the outstanding deposits. We limit our exposure to credit loss by holding our cash with reputable, well-capitalized financial institutions and performing careful due diligence on potential hosting partners prior to entering into a binding agreement which would require us to pay a security deposit. The carrying amount of financial assets represents the maximum credit exposure for each.

The carrying amount of financial and digital assets represents the maximum credit exposure.

| | | **September 30, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Digital currencies | $ | 3,811,795 | $ | 54,027 |
| Trade and other receivables | | 773,704 | | 1,336,413 |
| Due from related parties | | 20,795 | | - |
| Deposits | | 2,662,041 | | 3,722,769 |
| | **$** | **7,268,335** | **$** | **5,113,209** |

We believe the Company has no significant credit risk other than what is disclosed herein.

*Liquidity Risk*

Liquidity risk is the risk that we will not be able to meet our financial obligations. We manage our liquidity risk by ensuring that we have enough cash to meet our near-term financial liabilities at all times. As at September 30, 2024, we had a working capital surplus of $131,674 (December 31, 2023 – working capital deficit of $3,428,557).

Cash flows related to trade payables and accrued liabilities, customer liabilities and convertible loan included below may occur at different times or amounts. A maturity analysis of our outstanding obligations of September 30, 2024, is as follows:

| | | Undiscounted Contractual Cash Flows | | | |
|---|---|---|---|---|---|
| **As at September 30, 2024** | **Total carrying amount $** | **Contractual cash flows $** | **Less than 1 year $** | **1 – 5 years $** | **More than 5 years $** |
| Trade payables and accrued liabilities | 3,674,869 | 3,674,869 | 3,674,869 | - | - |
| Due to related parties | 12,882 | 12,882 | 12,882 | - | - |
| Income tax payable | 2,010,269 | 2,010,269 | 2,010,269 | - | - |
| Contract liabilities | 26,393 | 26,393 | 26,393 | - | - |
| Customer liabilities | 1,473,200 | 1,473,200 | 772,354 | 700,846 | - |
| Lease liabilities | 2,337,581 | 2,568,740 | 1,273,376 | 755,404 | 539,960 |
| Convertible loan | 4,959,164 | 5,733,728 | - | 5,733,728 | - |
| **Total** | **14,494,358** | **15,500,081** | **7,770,143** | **7,189,978** | **539,960** |

*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 Price Volatility*

As of September 30, 2024, we held a digital currency balance in bitcoin and USDT that is subject to market pricing and price volatility. Bitcoin prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, bitcoin has no underlying backing or contracts to enforce recovery of invested amounts. Our profitability is related to the current and future market price of bitcoin; in addition, we may not be able to liquidate our holdings of bitcoin at our desired price if necessary. Investing in bitcoin is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. Bitcoin has a limited history, its fair values have historically been volatile, and the value of our bitcoin holdings could decline rapidly. A decline in the market price of bitcoin could negatively impact our future operations. Historical performance of bitcoin is not indicative of its future performance. We recorded a loss on revaluation of digital currencies in the amount of $145,799 during the nine months ended September 30, 2024 (September 30, 2023 - $74).

We do not hedge our bitcoin holdings, but we actively monitor bitcoin pricing, market volatility and our own liquidity needs to determine an appropriate risk mitigation strategy on a continuous basis.

*Interest Rate Risk*

The 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. We are exposed to interest rate risk on the variable rate of interest we earn on bank deposits and right-of-use leases. The interest rate risk on bank deposits is insignificant, as our deposits are all short-term. The coupon on our outstanding convertible debenture is fixed and therefore has limited exposure to changes 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. We are exposed to currency risk as we have legal entities domiciled in the United States which hold financial assets in US dollars and bitcoin while our functional currency is the Canadian dollar. We do not hedge our exposure to fluctuations in foreign exchange rates.

If the US dollar had changed against the Canadian dollar by 10% at period end, the Company's net income and comprehensive income would change by approximately $352,000, resulting from the translation of the US dollar denominated financial instruments.

*Custody Risk*

We hold our digital currencies with a third-party custodian. Our custody strategy is designed to balance security and availability of our bitcoin. We continuously monitor our cash and bitcoin holdings with our third-party custodian.

Our current service provider for bitcoin custody is an institutional counterparty that is licensed, regulated, and insured. At any time, in excess of 98% of our bitcoin holdings (excluding any bitcoin that is being traded at that time) is held in a cold-storage, multi-signature, segregated trust account that is titled in the name of one of our US subsidiaries. Prior to onboarding with our current custodian, we performed extensive due diligence, examining the new custodian's internal control procedures to ensure security, availability, integrity, and confidentiality of the custodian's information and systems. Our current custodian maintains SOC 1 Type II and SOC 2 Type II compliance, which we review periodically to ensure the custodian maintains a secure technology infrastructure and that its systems are designed and operating effectively.

*Loss of Access Risk*

The loss of access to the private keys associated with our bitcoin holdings may be irreversible and could adversely affect an investment. An amount of bitcoin is spendable only by whoever possesses the private key associated with the address on which the bitcoin is held. To the extent a private key is lost, destroyed, or otherwise compromised, and no backup is accessible, we may be unable to access the associated bitcoin. As of September 30, 2024, 44.64 bitcoin equivalent to $3,810,442 is held with our third-party custodian in our name (December 31, 2023 - 0.85 bitcoin equivalent to $47,429).

*Fair Value Hierarchy*

We apply 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.

We hold investments in private companies that are classified as FVTPL and is recorded at fair value using unobservable inputs; it is therefore classified as level 3 within the fair value hierarchy. The net asset value of the private company is used to adjust the investment to fair value.

The carrying value of our trade and other receivables, due to and from related parties, trade payables and accrued liabilities, deposits, and convertible loan approximates fair value because of the relatively short periods to maturity of these instruments and the low credit risk.

## 20. Capital Management

Our objective when managing capital is to provide attractive risk-adjusted returns to shareholders while accounting for liquidity needs.

We include equity, comprised of share capital and deficit, in the definition of capital.

(*Unaudited and expressed in Canadian dollars, unless otherwise noted*)

Our primary objective with respect to capital management is to ensure that we have sufficient cash resources to fund our ongoing operations and to pursue potential growth opportunities. To secure the additional capital necessary to pursue certain plans, we may attempt to raise additional funds through the issuance of securities.

We monitor capital on the basis of maintaining sufficient liquidity to satisfy our financial obligations.

## 21. Supplemental Cash Flow Information

Non-cash transactions for the nine months ended September 30, 2024, and 2023 are as follows:

| For the nine months ended September 30: | 2024 | 2023 |
|---|---|---|
| Property, plant and equipment contribution by the shareholder | $ 724,579 | $ - |
| Property, plant and equipment disposal through de-consolidation of a subsidiary | 546,229 | - |
| Investment in associate | 73,284 | - |
| Subordinate voting shares issued on vesting of RSUs | 56,027 | - |

## 22. Segment Reporting

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

The following table summarizes relevant financial information by the business division based in the US, the Company operated in one operating segment, which is hosting business, in the comparative period.

*Three months ended September 30, 2024:*

| September 30, 2024 | Bitcoin Mining ($) | Hosting ($) | Corporate ($) | Total ($) |
|---|---|---|---|---|
| Revenue | 1,383,473 | 4,474,352 | - | 5,857,825 |
| Cost of revenue | 1,723,577 | 3,373,723 | - | 5,097,300 |
| Net income/(loss) | (1,052,784) | 155,464 | (3,211,951) | (4,109,271) |
| Non-current assets | 24,508,611 | 15,426,278 | 905,814 | 40,840,703 |

*Nine months ended September 30, 2024:*

| September 30, 2024 | Bitcoin Mining ($) | Hosting ($) | Corporate ($) | Total ($) |
|---|---|---|---|---|
| Revenue | 1,383,473 | 16,037,710 | - | 17,421,183 |
| Cost of revenue | 1,723,577 | 11,885,413 | - | 13,608,990 |
| Net income/(loss) | (1,052,784) | 2,294,179 | (3,211,951) | (1,970,556) |
| Non-current assets | 24,508,611 | 15,426,278 | 905,814 | 40,840,703 |

## 23. Events After Reporting Period

On October 17, 2024, the Company issued 944,692 subordinate voting shares for vested RSUs.