Cathedra Bitcoin Inc.

Management's Discussion and Analysis

For the year ended December 31, 2024

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Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Cathedra Bitcoin Inc. constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2024. The MD&A is intended to help the reader understand Cathedra Bitcoin Inc. ("Cathedra", "we", "our" or the "Company"), our operations, financial performance, current and future business environment and the opportunities and risks facing the Company. The risks are explicitly set out in the "Business Risks and Uncertainties" section of this MD&A. In addition, certain statements in this MD&A incorporate forward-looking information and readers are advised to review the cautionary note regarding forward-looking statements in the "Forward-Looking Statements" of this MD&A.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements ("Financial Statements") for the Company for the year ended December 31, 2024, and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the reporting period are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Company and its operations can be obtained from SEDAR+ on www.sedarplus.ca.

This MD&A contains information up to and including April 29, 2025.

Forward-Looking Statements

This MD&A contains certain "forward-looking information" within the meaning of Canadian securities legislation. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made, and they involve a number of assumptions, risks and uncertainties. Consequently, there can be no assurances that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The forward-looking information includes information about our growth or expansion plans regarding mining digital currencies and businesses that may not come to fruition. Forward-looking information involving the costs and future revenues from mining bitcoin are dependent on market factors, including but not limited to the price of bitcoin, network hash rate, and difficulty, that are beyond our control and may differ materially from our assumptions.

Forward-looking information includes information about our plans for future acquisitions; the expected electrical consumption and tariffs at our various data centers; additional opportunities to be identified in the future to contribute to growth of revenue and mining equipment; our business goals and objectives, and other forward-looking information including but not limited to information concerning the intentions, plans and future actions of the Company. The forward-looking information in this MD&A reflects the current expectations, assumptions, and/or beliefs of the Company based on information currently available to us that are all subject to change. In connection with the forward-looking information contained in this MD&A, we have made assumptions about our ability to mine bitcoin; and that there will be no regulation or law that will prevent or significantly hinder us from operating our business. We have also assumed that no significant events occur outside of our normal course of business. Although we believe that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance, and accordingly, undue reliance should not be put on such information due to the inherent uncertainty therein.

Overview

Cathedra Bitcoin Inc. (TSX-V: CBIT; OCTQB: CBTTF) develops and operates digital infrastructure assets across North America with the goal of maximizing its per-share bitcoin holdings. The Company hosts bitcoin mining clients across its portfolio of three data centers (30 megawatts total) in Tennessee and Kentucky. Cathedra also operates a fleet of proprietary bitcoin mining machines at its own and third-party data centers, producing approximately 400 PH/s of hash rate. Cathedra is headquartered in Vancouver and its shares trade on the TSX Venture Exchange under the symbol CBIT and on the OTCQB Venture Market under the symbol CBTTF.

Recent Developments

Business Combination with Kungsleden, Inc.

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").

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 consolidated financial statements reflect the continuance of Kungsleden and the acquisition and assumption of Cathedra's identifiable assets and liabilities, respectively, at fair value.

A summary of material changes resulting from the Kungsleden Merger is provided herein. For further information, readers are referred to the management information circular of the Company dated June 18, 2024 (the "Circular") which is available under our SEDAR+ profile at www.sedarplus.ca.

Consolidated Capitalization

After giving effect to the Kungsleden Merger, the following securities of the Company were outstanding as of the date hereof: 237,513,935 Subordinate Voting Shares, 6,253,429 Multiple Voting Shares, 3,505,364 stock options, 9,858,425 RSUs, and 51,144,882 Subordinate Voting Share warrants.

Repricing and Refinancing of Convertible Debentures

In connection with the closing of the Kungsleden Merger, we amended the conversion price (the "Debenture Repricing") of our outstanding 3.5% senior secured convertible debentures due November 11, 2025 (the "Maturity Date"), 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 as of December 31, 2024 was $5,733,728.

On March 19, 2025, we restructured the outstanding debt whereby the convertible loan's principal amount was extinguished through repayment of the outstanding principal with $4,586,982 plus accrued interest. It implies a 20% discount to par on the outstanding principal amount of the convertible loan. In addition, the holder of the convertible loan agreed to surrender 10,897,000 share purchase warrants of the Company for cancellation. Concurrently, we entered into a new loan of US$2,494,693 to partially repay the outstanding principal amount of the convertible loan. The loan is secured by approximately 50 of the Company's bitcoin, carries interest at a rate of 13% per annum, payable monthly; and is interest-only until maturity on March 18, 2026.

Escrow

In connection with the Kungsleden Merger, certain principals of Cathedra and Kungsleden have entered into escrow agreements with Computershare Investor Services, Inc., as escrow agent (the "Escrow Agent"). 7,965,879 Subordinate Voting Shares and 2,800,000 options to purchase Subordinate Voting Shares were deposited with the Escrow Agent in accordance with a Tier 2 Value Escrow Agreement (the "Tier 2 Escrow Agreement"). In addition, 263,676 Subordinate Voting Shares, 6,128,361 Multiple Voting Shares, 88,841 stock options to purchase Subordinate Voting Shares, and 7,414,415 RSUs were deposited with the Escrow Agent in accordance with a Tier 1 Value Escrow Agreement (the "Tier 1 Escrow Agreement").

Under the terms of the Tier 2 Escrow Agreement, 10% of such escrowed securities were released upon the date of the exchange bulletin from the TSXV (the "Exchange Bulletin"), with the balance to be released in six tranches of 15% every six months thereafter. Under the terms of the Tier 1 Escrow Agreement, 10% of such escrowed securities were released on the date of the Exchange Bulletin, with the balance to be released in three tranches of 25% every six months thereafter.

Warrants Amendment and Repurchase

On August 19, 2024, we announced our intention to reduce the exercise price of an aggregate of 36,819,700 outstanding subordinate voting share purchase warrants of the Company (the "Warrants"). 14,794,700 Warrants were issued in connection with a bought deal that closed on March 26, 2021 (the "Bought Deal Warrants"), 16,025,000 Warrants were issued in connection with an offering of convertible debenture units that closed on November 11, 2021 (the "Debenture Warrants"), and 6,000,000 Warrants were issued in connection with private placement of units that closed on June 9, 2022 (the "Unit Warrants").

We reduced the exercise price of the Warrants to $0.12 and amended the Warrants to include an acceleration provision (the "Amendments"). The Bought Deal Warrants have an original exercise price of $0.82 and expire on March 26, 2026, and the Debenture Warrants have an original exercise price of $0.95 and expire on November 11, 2026. The Unit Warrants expire on June 9, 2027, and have various exercise prices, as follows: 1,200,000 Unit Warrants have an original exercise price of $0.56; 1,200,000 Unit Warrants have an original exercise price of $0.79; 1,200,000 Unit Warrants have an original exercise price of $1.04; 1,200,000 Unit Warrants have an original exercise price of $1.29; and 1,200,000 Unit Warrants have an original exercise price of $1.54. The expiry date of the Warrants will not be amended.

The Warrants were amended to include a mandatory acceleration provision as required under the policies of the TSXV. The acceleration provisions will provide that, if for any 10 consecutive trading days (the "Premium Trading Days") following the effective date of the Amendments, the closing price of our subordinate voting shares (the "Shares") on the TSXV exceeds C$0.15, being 25% or more of the amended exercise price of the Warrants, the amended Warrants' expiry date will be accelerated such that holders will have 30 calendar days to exercise the Warrants (if they have not first expired in the normal course). We will announce any acceleration of the expiry date by press release and the 30-day period will commence seven days after the last Premium Trading Day. The terms of the Warrants will remain otherwise unchanged.

The amendments were approved by both the TSXV and the holders of Warrants in September 2024. All of the holders of the Debenture Warrants and Unit Warrants must consent to the Amendments for their respective Warrants. The Bought Deal Warrants were issued under a warrant indenture dated March 26, 2021, and in accordance with the terms thereof, we must receive the consent of holders of Bought Deal Warrants representing 66 2/3% of the outstanding Bought Deal Warrants to enter into a supplemental warrant indenture to effect the Amendments with respect to the Bought Deal Warrants.

On March 19, 2025, we repurchased and cancelled 10,987,000 Warrants in connection with a broader debt restructuring, described above.

Expected Sale of Tirpitz Technologies Hold Co ("T Tech")

We formed T Tech in November 2023, initially holding a 100% interest in the entity. On January 10, 2024, we reorganized the entity, giving up a 75% interest in T Tech in exchange for contribution promises.

Subsequently the Company together with other members of T Tech decided to sell T Tech. The Board of Managers, consisting of Cathedra Bitcoin Inc.'s majority shareholders, approved the sale and assets before the year-end. Accordingly, the assets and liabilities directly associated with those assets were classified as held for sale.

Formation of New Subsidiaries

In January 2025, we formed the following legal entities in preparation for prospective development of new hosting sites:

- Buckeye HPC Holdings LLC and its wholly owned subsidiary, Buckeye HPC LLC. Buckeye HPC Holdings LLC is a wholly owned subsidiary of Cathedra Bitcoin Inc.
- Buckeye Technologies HoldCo LLC and its wholly owned subsidiary, Buckeye Technologies OpCo LLC. Buckeye Technologies HoldCo LLC is a wholly owned subsidiary of Kungsleden, Inc.

Factors Affecting Our Results of Operations

Our performance and future success depend on a number of factors that present significant opportunities for us. These factors also pose risks and challenges, including those discussed in the "Business Risks and Uncertainties" section of this MD&A.

Market Value of Bitcoin

Our revenue from bitcoin mining is impacted by changes in the market value of bitcoin, which has historically experienced substantial volatility. We record revenue upon receipt of bitcoin from our mining activities at the fair market value of bitcoin received. The fair market value is determined using the spot price of the coin on the date of receipt, based on the daily average from https://coinmetrics.io/ ("Coin Metrics"). A decrease in the market value of bitcoin may have a material and adverse effect on our results of operations and financial condition.

Bitcoin Network Difficulty

The difficulty of bitcoin mining, or the amount of computational resources required to append a new block on the Bitcoin blockchain and thereby earn the associated mining rewards, directly affects our results of operations. Bitcoin mining difficulty is a measure of how much computing power is required to record a new block, and it is affected by the total amount of computing power dedicated to confirming transactions on the Bitcoin network. The Bitcoin protocol is designed such that one block is generated, on average, every ten minutes, no matter how much computing power is dedicated to confirming transactions on the network. Thus, as more computing power joins the network, the amount of computing power required to generate each block, and hence the mining difficulty, also increases.

Further, the block subsidy component of the Bitcoin network's mining rewards is programmed to be halved every 210,000 blocks mined, or approximately every four years (the "Halving"). The Halving reduces the issuance of new coins awarded to miners over time according to a pre-determined schedule. This reduction in the block subsidy spreads out the issuance of new units of bitcoin over a long period of time, resulting in an ever-smaller number of coins being mined. Bitcoin Halvings impact the amount of bitcoin we mine, which in turn may have a potential impact on our profitability, as Halvings transpire without any regard to ongoing demand. The last Halving occurred in May 2020; the forth Halving occurred on April 19, 2024, and the next Halving is expected to occur in 2028.

Power Supply and Pricing

Our operations are directly dependent on securing sufficient electrical power at competitive prices. Electricity is one of the most significant expenses incurred to run our bitcoin mining operations, and our profitability is subject to variations in the price of electricity, which is impacted by a variety of factors. We may experience loss of revenue in the event there are disruptions to our electricity supply, as such disruptions may impact our ability to operate our mining equipment.

Industry Trends

Bitcoin and other digital assets have been the focus of much regulatory attention, resulting in differing definitional outcomes without a single unifying statement. Changes to, and/or implementation of, laws and regulations (including regulatory scrutiny that increases our compliance burden) related to digital assets and digital asset mining may impact our revenue and profitability.

(Expressed in Canadian dollars, unless otherwise noted)

Technology

Developments and changes in technology impact the revenue generated by our bitcoin mining operations. Advances in bitcoin mining equipment may result in more efficient and effective mining equipment, which may affect our operating costs and revenue. The release of more efficient mining equipment can impact the price of bitcoin mining machines. Failure to leverage these developments in technology may place us at a disadvantage to our competitors and affect our results of operations.

Competition

The market for bitcoin mining has seen increasing numbers of new entrants, as well as existing entrants investing in new technology to remain competitive. The combination of these factors may result in a higher Bitcoin network difficulty, which may render our operations less competitive and reduce the amount of revenue we generate from our bitcoin mining operations.

Summary of Bitcoin Mining Results and Operations

Bitcoin Holdings Summary

The following table presents information about our bitcoin holdings and changes in the balance during the year ended December 31, 2024:

	Units (Bitcoin)	**Amount ($)**
Bitcoin balance as at December 31, 2022	**0.67**	**15,121**
Bitcoin earned via profit sharing arrangement	14.36	536,461
Bitcoin sold	(14.17)	(594,023)
Gain on sale of bitcoin	–	100,334
Unrealized revaluation loss	–	(9,298)
Unrealized translation adjustment	–	(1,166)
Bitcoin balance as at December 31, 2023	**0.86**	**47,429**
Bitcoin acquired in business combination	44.40	4,029,042
Revenue from bitcoin mined	37.89	3,851,629
Bitcoin earned via profit sharing arrangement	2.33	171,570
Bitcoin paid for fees	(0.90)	(98,255)
Bitcoin sold	(36.48)	(3,513,207)
Gain on sale of bitcoin	–	250,549
Unrealized revaluation gain	–	1,451,423
Unrealized translation adjustment	–	264,803
Bitcoin balance as at December 31, 2024	**48.10**	**6,454,983**

Digital currencies balance as at December 31, 2024 includes the balance of Tether (USDT) valued at $1,442 (December 31, 2023 - $6,598). The Company receives payments in USDT from customers, typically converting them into fiat currency quickly.

Hosting Operations Summary

The following table presents information about our hosting operations as at April 29, 2025, including details pertaining to our contracted power capacity and power and hosting rates:

(Expressed in Canadian dollars, unless otherwise noted)

Site Name	State	Total Power Capacity (MW)	Hosting Capacity (MW)	Proprietary Mining Capacity (MW)	Average Run-Rate Power Cost (US$/MWh)[(1)]	Weighted Average Fixed Hosting Rate (US$/MWh)[(2)]	Weighted Average Profit Share (%)
Tennessee	TN	10	3	7	$ 49.00	$ 70.30	–
Kentucky 1	KY	10	10	–	49.00	49.00	50%
Kentucky 2	KY	10	10	–	46.00	75.00	–
North Dakota[(3)]	ND	60	60	–	–	–	–
Total/Average		**90**	**83**	**7**	**$ 48.00**	**$ 63.08**	**n/a**

[(1)] For Tennessee, Kentucky 1, and Kentucky 2, represents implied average power rates for 2024 under new demand-response program, excluding anomalous months caused by tenant transitions.
[(2)] Represents contracted fixed hosting rates, excluding any temporary price adjustments provided to customers.
[(3)] Through a wholly owned subsidiary, Cathedra holds a minority interest in a joint venture which owns the 60-MW hosting facility in North Dakota. On December 18, 2024, the shareholders of the JV entered into a binding agreement to sell 100% of the membership units to a third-party bitcoin miner for total cash consideration of approximately US$21.0 million. The agreement was contingent upon the completion of several performance milestones which were recently achieved, and we expect the transaction to close in the coming weeks (subject to closing conditions and customary regulatory approvals). Average run-rate power cost shows cost of electricity only, excluding capacity lease.

Mining Operations Summary

The following tables present information about our bitcoin mining operations as at April 29, 2025, including details pertaining to our various lease and hosting agreements, portfolio of mining machines, and expected profitability:

Site Name	State	Contract Type	Fixed Hosting/ Power Rate (US$/MWh)	Profit Share (%)	Number of Machines	Machine Model
Tennessee	TN	N/a (owned)	$ 49.00	–	2,086	S19J Pro
Tennessee	TN	N/a (owned)	49.00	–	200	S19 XP
Washington 1	WA	Lease	46.00	–	1,050	S19J Pro
Washington 2	WA	Lease	52.50	35%	1,028	S19J Pro
Total/Average			**$ 49.22**	**8%**	**4,364**	

Site Name	Expected Break-Even Hash Price (US$/PH/s/d)[(1)]	Expected Monthly Bitcoin (BTC)[(1)(2)]	Expected Cost Per Bitcoin (US$)[(1)(3)]	Hash Rate (PH/s)[(4)]	Power Draw (kW)	Efficiency (J/TH)	Expiration Date
Tennessee	$ 35.00	3.3	$ 64,600	200	5,883	29.4	N/a (owned)
Tennessee	25.00	0.5	47,100	28	600	21.4	N/a (owned)
Washington 1	29.00	1.2	54,300	76	2,000	26.3	Q4 2025
Washington 2	35.00	1.4	76,300	85	2,400	28.1	Month-to-month
Total/Average	**$ 33.00**	**6.3**	**$ 64,200**	**390**	**10,883**	**27.9**	

Note: Includes only active bitcoin mining operations and does not account for machines in storage or which are not deployed. Metrics assume 100% up-time.
[(1)] These items are non-IFRS measures or ratios and should not be considered a substitute or alternative for IFRS measures. See "Non-IFRS Measures and Ratios" section in this MD&A below.
[(2)] Represents expected monthly gross bitcoin production assuming current bitcoin mining conditions, reflecting hash price of US$51/PH/s/d and bitcoin price of US$95,000.
[(3)] Cost per bitcoin metric assumes network hash rate of 850 EH/s and transaction fees equal to 1.0% of the total block reward.
[(4)] Expected gross hash rate produced by the Company's machines (excludes revenue share component).

(Expressed in Canadian dollars, unless otherwise noted)

Results of Operations

The following table highlights our quarterly results for the eight most recently completed quarters:

	Three months ended			
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
	$	$	$	$
Total revenue	5,722,540	5,857,825	5,696,309	5,867,049
Net income / (loss)	1,681,909	(4,040,147)	1,146,369	1,126,481
Comprehensive income / (loss)	1,889,978	(3,278,800)	1,258,862	1,197,695
Basic earnings (loss) per share	0.00	(0.01)	0.00	0.00
Diluted earnings (loss) per share	0.00	(0.01)	0.00	0.00

	Three months ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	$	$	$	$
Total revenue	5,548,664	4,875,102	2,535,974	1,993,118
Net income	1,344,512	607,167	191,131	443,481
Comprehensive income	1,382,067	618,114	87,402	443,938
Basic earnings per share	0.00	0.00	0.00	0.00
Diluted earnings per share	0.00	0.00	0.00	0.00

(Expressed in Canadian dollars, unless otherwise noted)

Comparative Results for the three months ended December 31, 2024, and 2023

The following table presents information about the results of our operations during the three months ended December 31, 2024, and 2023:

Three months ended		**December 31, 2024**		**December 31, 2023**	**Variance $**	**Variance %**
Revenues	$	5,722,540	$	5,548,664	173,876	3%
Cost of revenues						
Operating costs		(3,790,967)		(3,981,678)	190,711	-5%
Depreciation		(1,450,412)		(166,372)	(1,284,040)	772%
Gross profit		**481,161**		**1,400,614**		
Realized gain on sale of digital currencies		248,375		36,463	211,912	581%
Profit before operating expenses		**729,536**		**1,437,077**		
Operating Expenses						
Director fees		75,986		-	75,986	100%
Management and consulting fees		120,376		12,262	108,114	882%
Office and administration		216,402		175,109	41,293	24%
Professional fees		483,488		61,890	421,598	681%
Salaries and wages		171,411		-	171,411	100%
Share-based compensation		124,361		-	124,361	100%
Travel		(41,235)		-	(41,235)	100%
Total operating expenses	**$**	**(1,150,789)**	**$**	**(249,261)**		
Operating profit (loss)	**$**	**(421,253)**	**$**	**1,187,816**		
Other income (expenses)						
Foreign exchange gain		3,192,682		-	3,192,682	100%
Net finance costs		(334,310)		(138,267)	(196,043)	142%
Other income		-		302,453	(302,453)	-100%
Revaluation loss on digital currencies		-		(963)	963	-100%
Unrealized loss on investment		(14,321)		-	(14,321)	100%
Income from continuing operations before income taxes		**2,422,798**		**1,351,039**		
Current income recovery (expense)		(473,272)		402,193	(875,465)	-218%
Income from continuing operations	**$**	**1,949,526**	**$**	**1,753,232**		
Loss from discontinued operation		(267,617)		(408,720)	141,103	-35%
Net income	**$**	**1,681,909**	**$**	**1,344,512**		
Other comprehensive income (loss)						
Items that may be reclassified to income or loss						
Exchange differences on translation of foreign operations		(2,209,262)		37,555	(2,246,817)	-5983%
Exchange differences on translation of discontinued operation		965,908		-	965,908	100%
Revaluation gain on digital currencies		1,451,423		-	1,451,423	100%
Total comprehensive income	**$**	**1,889,978**	**$**	**1,382,067**		

Bitcoin Production

Our mining operations produced 21.26 bitcoin during the three months ended December 31, 2024, compared to nil bitcoin during the three months ended December 31, 2023, an increase of 21.26 bitcoin. Kungsleden acquired Cathedra's bitcoin mining operations and bitcoin holdings of 44.40 bitcoin through the Kungsleden Merger, completed on July 23, 2024. During the three months ended December 31, 2023, Kungsleden earned no bitcoin through profit-sharing arrangement and did not have bitcoin mining operations.

Revenue

<u>Mining and Profit-Sharing Revenue</u>

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 months ended December 31, 2024, we generated bitcoin mining and profit-sharing revenues of $2.4 million (three months ended December 31, 2023 – profit-sharing revenue of $0.1 million).

Hosting Revenue

During the three months ended December 31, 2024, the Company generated hosting revenue of $3.3 million (three months ended December 31, 2023 - $5.4 million). The decline in hosting revenue was primarily due to underutilized rack space at one of our data centers in October 2024, as we transitioned hosting clients. Furthermore, one of the facilities was occupied by our own bitcoin mining machines contributing to a reduction in hosting revenue.

Cost of Revenues

Operating costs (cost of revenues) during the three months ended December 31, 2024, were $3.8 million compared to $4.0 million during the three months ended December 31, 2023, a decrease of $0.2 million. The decrease was largely due to reduced electricity consumption as one of our data centers was not fully occupied in October 2024 during a transition period between hosting clients.

Depreciation expense (cost of revenues) during the three months ended December 31, 2024, was $1.5 million compared to $0.2 million during the three months ended December 31, 2023, an increase of $1.3 million. The increase was largely due to the integration of Cathedra's operating costs from our bitcoin mining business following the completion of the Kungsleden Merger on July 23, 2024.

Operating Expenses

Our operating expense composition has changed considerably since the completion of the Kungsleden Merger on July 23, 2024. Consequently, comparing the current period with the prior year period is not meaningful. A notable item in the operating expenses is professional fees of $0.5 million, which primarily relate to the accounting, legal, and advisory fees incurred in efforts to prepare the Company for a listing on a major US stock exchange.

Foreign Exchange Gain

We carry material intercompany balances denominated in the US dollars that are re-translated to a functional currency of Canadian subsidiaries at each reporting period end date. Foreign exchange gain during the three months ended December 31, 2024, was $3.2 million compared to a foreign exchange gain of $nil million during the three months ended December 31, 2023, an increase of $3.2 million. The large swing in foreign exchange gain was due primarily to the strengthening of the US dollar against the Canadian dollar during the three months ended December 31, 2024.

Interest Expense

Interest expense during the three months ended December 31, 2024, was $0.3 million compared to $0.1 million during the three months ended December 31, 2023, an increase of $0.2 million. The increase was primarily due to two new lease arrangements added as a result of the Kungsleden Merger.

Loss from discontinued operation

The loss from discontinued operation is attributable to T Tech's operations. As we made the decision to sell this subsidiary, the results of its operations are presented separately on the statement of income.

(Expressed in Canadian dollars, unless otherwise noted)

Comparative Results for the years ended December 31, 2024, and 2023

The following table presents information about the results of our operations during the years ended December 31, 2024, and 2023:

Year ended		**December 31, 2024**		**December 31, 2023**	**Variance $**	**Variance %**
Revenues	$	23,143,723	$	14,952,858	8,190,865	55%
Cost of revenues						
Operating costs		(16,102,353)		(10,952,347)	(5,150,006)	47%
Depreciation		(3,168,279)		(565,023)	(2,603,256)	461%
Gross profit		**3,873,091**		**3,435,488**		
Realized gain on sale of digital currencies		250,549		100,334	150,215	150%
Profit before operating expenses		**4,123,640**		**3,535,822**		
Operating Expenses						
Director fees		129,001		-	129,001	100%
Management and consulting fees		282,141		29,030	253,111	872%
Office and administration		428,502		271,757	156,745	58%
Professional fees		1,384,919		109,882	1,275,037	1160%
Salaries and wages		300,562		-	300,562	100%
Share-based compensation		217,966		-	217,966	100%
Travel		33,142		-	33,142	100%
Total operating expenses	**$**	**(2,776,233)**	**$**	**(410,669)**		
Operating profit	**$**	**1,347,407**	**$**	**3,125,153**		
Other income (expenses)						
Foreign exchange loss		2,208,663		-	2,208,663	100%
Net finance costs		(1,952,690)		(117,288)	(1,835,402)	1565%
Transaction costs		(341,841)		-	(341,841)	100%
Other income		-		28,468	(28,468)	-100%
Revaluation loss on digital currencies		-		(9,298)	9,298	-100%
Unrealized loss on investment		(14,321)		-	(14,321)	100%
Income from continuing operations before income taxes		**1,247,218**		**3,027,035**		
Current income tax expense		(513,330)		(32,024)	(481,306)	1503%
Income from continuing operations	**$**	**733,888**	**$**	**2,995,011**		
Loss from discontinued operation		(819,276)		(408,720)	(410,556)	100%
Net income/(loss)	**$**	**(85,388)**	**$**	**2,586,291**		
Other comprehensive income (loss)						
Items that may be reclassified to income or loss						
Exchange differences on translation of foreign operations		(1,391,457)		(54,770)	(1,336,687)	2441%
Exchange differences on translation of discontinued operation		1,093,157		-	1,093,157	100%
Revaluation gain on digital currencies		1,451,423		-	1,451,423	100%
Total comprehensive income	**$**	**1,067,735**	**$**	**2,531,521**		

Bitcoin Production

Our mining operations produced 37.89 bitcoin during the year ended December 31, 2024, compared to nil bitcoin during the year ended December 31, 2023, an increase of 37.89 bitcoin. Kungsleden acquired Cathedra's bitcoin mining operations and bitcoin holdings of 44.40 bitcoin through the Kungsleden Merger, completed on July 23, 2024. During the year ended December 31, 2023, Kungsleden earned bitcoin through profit-sharing arrangement with several hosting clients and did not have bitcoin mining operations.

Revenue

<u>Mining and Profit-Sharing Revenue</u>

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 year ended December 31, 2024, we generated bitcoin mining and profit-sharing revenues of $4.0 million (the year ended December 31, 2023 - profit-sharing revenue of $0.5 million).

<u>Hosting Revenue</u>

During the year ended December 31, 2024, we generated hosting revenue of $19.1 million (the year ended December 31, 2023 - $14.5 million). Hosting revenue increased due to business expansion, with two out of three facilities completed and occupied after Q1 2023.

Cost of Revenues

Operating costs during the year ended December 31, 2024, were $16.1 million compared to $11.0 million during the year ended December 31, 2023, an increase of $5.1 million. The increase was largely due to the integration of Cathedra's operating costs from bitcoin mining business following the completion of the Kungsleden Merger on July 23, 2024, and the completion of two additional data centers after Q1 2023.

Depreciation expense (cost of revenues) during the year ended December 31, 2024, was $3.2 million compared to $0.6 million during the year ended December 31, 2023, an increase of $2.6 million. The increase was largely due to the integration of Cathedra's operating costs from our bitcoin mining business following the completion of the Kungsleden Merger on July 23, 2024.

Operating Expenses

Our operating expense composition has changed since the completion of the Kungsleden Merger on July 23, 2024. Consequently, comparing the current period with the comparative period is not meaningful. A notable item in the operating expenses is professional fees, which primarily relate to the efforts involved in completing the Kungsleden Merger.

Foreign Exchange Gain

We carry material intercompany balances denominated in the US dollars that are re-translated to a functional currency of Canadian subsidiaries at each reporting period end date. Foreign exchange gain during the year ended December 31, 2024, was $2.2 million compared to a foreign exchange gain of $nil million during the year ended December 31, 2023, an increase of $2.2 million. The large swing in foreign exchange loss was due primarily to the strengthening of the US dollar against the Canadian dollar during the year ended December 31, 2024.

Interest Expense

Interest expense during the year ended December 31, 2024, was $2.0 million compared to $0.1 million during the year ended December 31, 2023, an increase of $1.9 million. The increase was primarily due to a one-time financing fee charge because of warrant repricing in September 2024.

Transaction Costs

We paid out one-time bonuses to executives and directors of the Company for the completion of the reverse takeover transaction.

Loss from discontinued operation

The loss from discontinued operation is attributable to T Tech's operations. As we made the decision to sell this business line, the results of its operations are presented separately on the statement of income.

Liquidity and Capital Resources

We used $0.8 million of cash in our operating activities during the year ended December 31, 2024. As at December 31, 2024, we had cash and cash equivalents of $0.1 million, total digital currencies of $6.5 million (48.1 bitcoin and 1,442 USDT), total shareholders' equity of $28.1 million, and retained earnings of $2.9 million.

During the year ended December 31, 2024, we sold 36.48 bitcoin for proceeds of approximately $3.5 million. For the foreseeable future, we expect to liquidate bitcoin in sufficient quantities to at least cover our cash obligations. To the extent we generate cash profits, we may also choose to purchase bitcoin in the open market, with an eye toward growing our per-share bitcoin holdings over time.

Management expects to incur ongoing capital expenditures in the next 12 months related to the purchase of new bitcoin mining machines and the acquisition or development of its own data centers. Management expects these initiatives will require resources beyond the Company's existing financial resources as at the date hereof. Management believes that the Company's existing financial resources, combined with projected cash and bitcoin inflows from mining activities, will be sufficient to enable the Company to meet its operating and capital requirements for at least 12 months from the date hereof.

(Expressed in Canadian dollars, unless otherwise noted)

Cash Flows

The following table summarizes our sources and uses of cash during the years ended December 31, 2024, and 2023:

	Year ended	
Cash provided by (used in):	**December 31, 2024**	**December 31, 2023 (Note 2)**
Operating activities	$ (788,683)	$ 2,341,446
Investing activities	4,432,134	(3,435,303)
Financing activities	(3,658,002)	915,824
Decrease in cash	**$ (14,551)**	**$ (178,033)**

Operating Activities

Net cash used by operating activities during the year ended December 31, 2024, was $0.8 million compared to cash generated by operating activities of $2.3 million during the year ended December 31, 2023, a decrease of $3.1 million. The decrease was due to non-recurring transaction-related costs incurred in connection with the Kungsleden Merger, which we completed on July 23, 2024; temporarily underutilized rack space during the transition between data center tenants; lower realized hosting rates due to a decline in hash price and bitcoin mining profitability; and professional fees incurred in the effort to prepare for a potential listing on a major US stock exchange.

Investing Activities

We generated $4.4 million of cash through our investing activities during the year ended December 31, 2024, compared to $3.4 million of cash used in investing activities during the year ended December 31, 2023, an increase of $7.8 million. The increase is explained by proceeds from sale of bitcoin, net of fees, of $3.0 million and $1.4 million of cash and cash equivalents acquired in the business combination with Cathedra. Furthermore, we did not incur expenditures on purchase of property and equipment and other non-current assets of $3.0 million and $0.5 million, respectively, as we did in the year ended December 31, 2023.

Financing Activities

Net cash used in financing activities was $3.7 million during the year ended December 31, 2024, compared to $0.9 million of net cash generated by financing activities during the year ended December 31, 2023, a decrease of $4.6 million. The decrease is due largely to repayment of $2.5 million made to shareholders of the Company and other related parties compared to the advance of $0.9 million received from shareholders of the Company and other related parties in 2023; increased lease payments from $0.1 million during the year ended December 31, 2023 to $1.0 million during the year ended December 31, 2024; and the repayment of $0.1 million interest accrued on convertible loan during the year ended December 31, 2024 (the year ended December 31, 2023 - $nil).

Outstanding Share Data

As at April 29, 2025, 6,253,429 multiple voting shares; 239,136,784 subordinate voting shares; 3,505,364 stock options; 8,141,544 restricted share units; 39,360,200 warrants; and 887,682 broker warrants (each broker warrant can be exercised into one broker unit comprised of one common share and one warrant) were issued and outstanding. There are voluntary and TSX-V-imposed resale restrictions on certain of these securities.

Off-Balance Sheet Arrangements

As of December 31, 2024, and the date of this MD&A, we have no off-balance sheet arrangements.

Related Party Transactions and Balances

Key management personnel include those persons with 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 years ended December 31, 2024 and 2023 are as follows:

For the year ended		**December 31, 2024**		**December 31, 2023**
Director fees:	$	129,001	$	-
Management, consulting and professional fees:				
CEO		103,709		-
CFO		97,750		-
Transaction costs:				
CEO		136,308		-
COO		136,308		-
Directors		69,225		-
Professional fees:				
Director		23,620		-
Share-based payments:				
CEO		36,328		-
COO		36,328		-
CMO		18,164		-
CTO		18,164		-
Directors		108,982		-
Wages and salaries:				
COO		102,798		-
CMO		36,973		-
CTO		73,947		-
Total	**$**	**1,127,605**	**$**	**-**

As of December 31, 2024, the Company has a total due to related parties balance of $672,411 (December 31, 2023 - $2,266,378) to directors and management of the Company. The majority of the outstanding prior year balance was settled during the year ended December 31, 2024. The balances are due on demand and bear no interest.

Non-IFRS Measures and Ratios

In addition to financial measures presented under IFRS, we consistently evaluate our use of and calculation of the non-IFRS financial measures, such as "Expected Break-Even Hash Price" and "Expected Cost Per Bitcoin."

Hash price is an expression of daily revenue per unit of bitcoin mining hash rate. Hash price is computed by dividing total bitcoin mining revenue per day (denominated in USD) by the total Bitcoin network hash rate (denominated in petahashes per second, or PH/s). Bitcoin mining data provider Hashrate Index offers historical and current views of hash price at the following website: https://data.hashrateindex.com/network-data/btc. Expected Break-Even Hash Price is an estimate of the level of daily revenue produced by one PH/s of hash rate at which our machines cease to produce gross profit. We compute Expected Break-Even Hash Price by dividing expected daily direct mining costs by expected net hash rate of our machines. Expected daily direct mining costs are based on expected power draw of the Company's machines and the contracted hosting/power rate for those machines (excluding non-cash costs such as depreciation). Expected net hash rate deducts any of our hash rate which is contracted to hosting partners as part of a revenue share agreement. The Expected Break-Even Hash Price can be compared against current spot hash price to determine the profitability of each of our sites based on current bitcoin mining conditions.

Estimated Cost Per Bitcoin is an estimate of the go-forward direct cash cost that we will incur for each bitcoin we mine over a given period. We compute our cost per bitcoin by dividing expected direct mining costs by expected gross bitcoin production during a given period. Expected direct mining costs are based on the expected power draw of our machines and the contracted hosting/power rate for those machines (excluding non-cash costs such as depreciation). Expected gross bitcoin production is based on the expected gross hash rate of our machines, current network hash rate, and the current level of transaction fees.

We believe Expected Break-Even Hash Price and Expected Cost Per Bitcoin can be important financial measures because they allow management, investors, and our board of directors to evaluate and compare our operating results from period-to-period by making such adjustments.

Expected Break-Even Hash Price and Expected Cost Per Bitcoin are provided in addition to, and should not be considered to be a substitute for, or superior to, other measures of profitability, operating efficiency, or performance under IFRS. Expected Break-Even Hash Price and Expected Cost Per Bitcoin have limitations as analytical tools, and one should not consider such measures either in isolation or as substitutes for analyzing our results as reported under IFRS.

Business Risks and Uncertainties

Our business involves significant risks and uncertainties, some of which are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this MD&A and our Financial Statements. The risks and uncertainties described below are not the only ones we face. Additional risk and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth, and future prospects, as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Limited Operating History

We have a limited operating history upon which an evaluation of the Company and its prospects can be based. In particular, the Company has a limited history with its mining operations and remains in the early stage of development. The Company is subject to many risks common to venture enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success.

The Company is dependent on retained earnings for substantially all of its working capital needs, and there is no assurance that additional funding will be available to it for further development and growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

The Company incurs substantial expenses in the establishment and operating of its business. A significant portion of the Company's financial resources have been and will continue to be directed to the development of its business and related activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the required funds will be available for future expansion of the Company's business. If the Company does not have access to the required funds to continue the operation and development of its business and operational activities, and to the extent that it does not generate cash flow and income, the Company's long-term viability may be materially and adversely affected.

Business Risks and Uncertainties

There are a number of risk factors associated with Cathedra and its business. Shareholders should carefully consider each of the risks described below. Cathedra's success will depend on a number of things, including the expertise, ability, judgment, discretion, integrity and execution of its management. The risks and uncertainties below are not the only ones facing Cathedra. Additional risks and uncertainties not presently known to Cathedra or that it currently considers immaterial may also impair the Company's business operations and cause the value of the Company to decline. If any of the following risks actually occur, Cathedra's business may be harmed and its financial condition may suffer significantly.

Liquidity and Future Financing Risk

Cathedra may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that Cathedra will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. Moreover, future activities may require the Company to alter its capitalization significantly and, if additional financing is raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of current holders of the Common Shares. The inability of the Company to access sufficient capital for its operation could have a material adverse effect on the Company's financial condition and results of operations.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Going Concern Risk

The Cathedra Financial Statements have been prepared using accounting principles applicable to a going concern which assumes an entity will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Cathedra's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving its growth plans. The Cathedra Financial Statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should it be unable to continue as a going concern.

Cash Flow Risk

The Company may sell its coins to pay for expenses incurred, irrespective of then-current coin prices. Consequently, Cathedra's coins may be sold at a time when the price is low, resulting in a negative effect on its profitability. The Company believes that the risk of this outcome is preferred over potentially greater risks of holding coin inventories and speculating in the price of coins.

Access to Power and Electricity Rate Risks

The Company's operations are dependent on its ability to maintain reliable and economical sources of power in order to run its cryptocurrency mining assets. While the Company believes its source of power is reliable and current regional infrastructure limits the likelihood of power interruptions, any suspension of its power supply could result in a material and adverse effect on the Company. The Company conducts cryptocurrency mining at its data center in Washington State. The Grant County Public Utility District ("GCPUD") is the electricity supplier to the Company's Washington State Operation. The cost of electricity offered by GCPUD is available online and is summarized in the GCPUD's rate schedules. The Company's current and future operations, anticipated growth, and sustainability of hydroelectricity at economic prices for the purposes of cryptocurrency mining in Washington poses certain risks. There is no assurance that a particular electricity rate structure will remain in effect and the Company's electricity supplier, GCPUD, is under no obligation to lock in rates for any period of time.

Any further increases to the Company's hosting or electricity rates at its data center operation may limit the profitability of its cryptocurrency mining operations and have a material and adverse effect on the Company's profitability. Any interruption of electrical supply would also have a material and adverse effect on the Company's business.

Regulatory Requirements

Governmental regulation may affect the Company's activities and the Company may be affected to varying degrees by government policies and regulations. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Governments may take regulatory action that may increase the cost and/or subject cryptocurrency mining companies to additional regulation.

The operations of the Company may also require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required.

The Company's operations will be subject to environmental regulations, which make operations expensive or prohibitive. The continued evolvement of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or cause delays in the development of mining projects.

Cryptocurrency Industry Risks

The further development and acceptance of the cryptocurrency industry is subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of cryptocurrency may adversely affect an investment in the Company. Cryptocurrency may be used, among other things, to buy and sell goods and services which is a new and rapidly evolving industry subject to a high degree of uncertainty. The factors that affect the further development of the cryptocurrency industry include: (i) continued worldwide growth in the adoption and use of cryptocurrency; (ii) government and quasi-government regulation of cryptocurrency and their use, or restrictions on or regulation of access to and operation of cryptocurrency systems; (iii) changes in customer demographics and public tastes and preferences; (iv) the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; (v) the wide-spread adoption of cryptocurrency to hedge against economic instability and inflation; and (vi) general economic conditions and the regulatory environment relating to cryptocurrency. A decline in the popularity or acceptance of cryptocurrency would harm the business and affairs of the Company.

Risk of Loss, Theft, or Restriction on Access

Although the Company stores its coins offline, there is a risk that some of the Company's coins could be lost or stolen. Any of these events may adversely affect the Company's operations and, consequently, the Company's profitability.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held. The Company publishes the public key relating to its digital wallets when it verifies the receipt of cryptocurrency transfers and disseminates such information into the network but needs to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its coins and such private keys cannot be restored. Any loss of private keys relating to the Company's digital wallets could adversely affect the Company's investments and profitability.

Bitcoin transactions are irrevocable and stolen or incorrectly transferred bitcoin may be irretrievable. Bitcoin transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of bitcoin or a theft of bitcoin generally will not be reversible, and the Company may not be capable of seeking compensation for any such transfer or theft. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's bitcoin through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred bitcoin. The Company will also be unable to convert or recover bitcoin transferred to uncontrolled accounts.

Risk of Malicious Actors

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to "mining", it may be able to alter the blockchain on which cryptocurrency transactions rely. In such circumstances, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new cryptocurrency or transactions using such control. The malicious actor or botnet could double spend its own cryptocurrency and prevent the confirmation of other users' transactions for so long as it maintains control. Such changes could have a material and adverse effect on the Company's operations.

Risk of Reduced Incentives

As the number of bitcoin awarded for solving a block in the blockchain decreases, the incentive for miners to contribute processing power to the Bitcoin network (the "Network") will transition from a set reward to transaction fees. In order to incentivize miners to continue to contribute processing power to the Network, the Network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. If miners demand higher transaction fees to record transactions in the blockchain or a software upgrade automatically charges fees for all transactions, the cost of using bitcoin may increase and the marketplace may be reluctant to accept bitcoin as a means of payment. Existing users may be motivated to switch from bitcoin to another digital currency or back to fiat currency. Decreased use and demand for cryptocurrencies may adversely affect their value and result in a reduction in cryptocurrencies index price and, consequently, the price of the Company's common shares.

Facility Development Risk

The continued development of existing and planned facilities is subject to various factors and may be delayed or adversely affected by such factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

Risk of Non-Availability of Insurance

When considered practical to do so, the Company will maintain insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the industry may impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk.

Bitcoin Network Risks

The open-source structure of the Network protocol means that the core developers of the Network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Network protocol. A failure to properly monitor and upgrade the Network protocol could damage the Network.

The core developers of the Network can propose amendments to the Network's source code through software upgrades that alter the protocols and software of the Network and the properties of Bitcoin, including the irreversibility of transactions and limitations on the mining of new bitcoin. Proposals for upgrades and related discussions take place on online forums, including www.github.com and www.bitcointalk.org. To the extent that a significant majority of the users on the Network install such software upgrade(s), the Network would be subject to new protocols and software.

The acceptance of the Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Network could result in a "fork" in the blockchain underlying the Network, result in the operation of two separate networks. Without an official developer or group of developers that formally control the Network, any individual can download the Network software and make desired modifications, which are proposed to users and miners on the Network through software downloads and upgrades, typically posted to Bitcoin development forums. A substantial majority of miners and Bitcoin users must consent to such software modifications by downloading the altered software of upgrade; otherwise, the modifications do not become a part of the Network. Since the Network's inception, modifications to the Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin network remains a coherent economic system.

If, however, a proposed modification is not accepted by a vast majority of miners and users but is nonetheless accepted by a substantial population of participations in the Network, a "fork" in the blockchain underlying the Network could develop, resulting in two separate Bitcoin networks. Such a fork in the blockchain typically would be addressed by community-led efforts to merge the forked blockchain, and several prior forks have been so merged. However, in some cases, there may be a permanent "hard fork" in the blockchain, and a new cryptocurrency may be formed as a result of that "hard fork". For example, Bitcoin Cash™ was created through a fork in the blockchain. Where such forks occur on the blockchain, the Company will follow the chain with the greatest proof of work in the fork.

Momentum Pricing Risk

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, cryptocurrency prices may be more likely to fluctuate in value due to changing investor confidence in the future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's inventory and/or revenues, thereby having a material and adverse effect on the Company's business.

Cryptocurrency Exchange Risk

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other commodities. For example, during the past three years, a number of bitcoin exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed cryptocurrency exchanges were not compensated or made whole for the partial or complete loss of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide the larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action. Such attacks to cryptocurrency exchanges may have a material and adverse effect on the price of cryptocurrencies, and accordingly, the Company's operations.

Banking Risk

A number of companies that provide Bitcoin- and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Bitcoin- and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. Many businesses that provide Bitcoin- and/or other cryptocurrency-related services may continue to have difficulty in finding banks willing to provide them with bank accounts and other banking services which may be decrease the usefulness of cryptocurrencies as a payment system. The inability to secure banking services may also harm public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing Bitcoin- and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and have a material and adverse effect on the Company's business.

Risk of System Failure

The Company's operations will be dependent on its own and third-party operators' ability to maintain its equipment in effective working order and to protect its systems against cyber security breaches, damage from fire, natural disaster, power loss, telecommunications failure or similar events. Security procedures implemented by the Company are technical and complex, and the Company depends on the security procedures to protect the storage, acceptance and distribution of data relating to its inventory or cryptocurrencies. The Company's third-party operators' security procedures may not protect against all errors, software flaws (i.e., bugs) or vulnerabilities. Defects in the security procedures may only be discovered after a failure in the Company's mining operations or safekeeping and storage of its inventory of cryptocurrencies. While the Company will continually review and seek to upgrade its technical infrastructure and provide for certain system redundancies and backup power to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

Technological System Risk

The success of the Company is dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. The Company's ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to maximize the efficiency of its miners.

As technological change occurs, the security threats to the Company's bitcoin and mining systems will likely adapt and previously unknown threats may emerge. The Company's third-party operators' ability to adopt technology in response to changing security needs or trends may pose a challenge to the Company's business. To the extent that the Company's third-party operators are unable to identify and mitigate or stop new security threats, the Company's cryptocurrencies may be subject to theft, loss destruction or other attack, which would have a material and adverse effect on the Company' business.

Competitive Risk

The Company will compete with other users and/or companies that are mining cryptocurrencies and other financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Company, or exchange-traded funds (ETFs). Market and financial conditions, and other conditions beyond the Company's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly, which could limit the market for the Company's Shares and reduce their liquidity.

Technological Obsolescence Risk

To remain competitive, the Company will continue to invest in hardware and equipment required for maintaining the Company's activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment.

Hardware Supply Risk

The increase in interest and demand for cryptocurrencies may lead to a shortage of capable hardware as individuals and businesses purchase equipment for mining and other cryptocurrency-related uses. Equipment will also require replacement from time to time and any shortages of bitcoin mining machines or graphics processing units may lead to unnecessary downtime as the Company searches for replacement equipment.

Risk of Equipment Breakdown

The Company purchased cryptocurrency mining machines in connection to the acquisition of its data center operation in Washington State and the Kentucky and Tennessee Mines. It is possible that serious defects or deficiencies could arise in these machines, which would make it difficult or impossible for the Company to meet its expected operational levels and could result in a material and adverse effect on the Company's business.

Profit Risk

Further development and acquisitions of server farms and the ongoing operation of the Company's existing data centers will require additional capital and monthly expenses. The Company's operating expenses and capital expenditures may increase in subsequent years as necessary consultants, personnel and equipment associated with the maintenance of the data center in Washington State and any other mining facility the Company may acquire are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital.

There can be no assurance that the Company will generate net profits in future periods. Further, there can be no assurance that the Company will be cash flow positive in future periods. In the event that the Company fails to achieve profitability in future periods, the value of the Company's Common Shares may decline. In addition, if the Company is unable to achieve or maintain positive cash flows, the Company would be required to seek additional financing, which may not be available on favorable terms, if at all.

Third-Party Risk

The Company relies on services and software developed and maintained by third-party vendors. The Company also expects that it may incorporate in the future software from third-party vendors and open-source software. The Company's business may be disrupted if this software, or functional equivalents of this software, were either no longer available to the Company or no longer offered to it on commercially reasonable terms. In either instance, the Company would be required to redesign services to function with alternate third-party software or open-source software.

Intellectual Property Risk

The Company cannot assure its shareholders that its activities will not infringe on patents, trademarks or other intellectual property rights owned by others. If the Company is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If the Company is found to have infringed on the patents, trademarks or other intellectual property rights of others, the Company may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of the Company from the ordinary operation of its business and could increase costs of doing business, resulting in a material adverse impact on the business, financial condition or results of operations of the Company.

Contractual Risk

The Company is a party to various contracts and it is always possible that the other contracting parties may not fully perform their obligations.

Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the Company's forecasted uses of funds and other budgets may be adversely affected.

Geopolitical Risk

Crises may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Company's digital currency inventory.

The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the price of bitcoin. For example, in March 2013, a report of uncertainty in the economy of the Republic of Cyprus and the imposition of capital controls by Cypriote banks motivated individuals in Cyprus and other countries with similar economic situations to purchase bitcoin. This resulted in a significant short-term positive impact on the price of cryptocurrencies. However, as the purchasing activity of individuals in this situation waned, speculative investors engaged in significant sales of cryptocurrencies, which significantly decreased the price of cryptocurrencies. Crises of this nature in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance which would, in turn, adversely affect the Company.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Company's operations and profitability.

Litigation Risk

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favorably, it may have a material and adverse effect on the Company. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand. Securities litigation as well as potential future proceedings could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on the Company's financial position and business more generally.

Key Personnel Risk

Our success is largely dependent on the performance of our proposed directors and officers. Certain members of our management team have experience in the cryptocurrency industry, while others have experience in other areas including financial management, corporate finance and sales and marketing. The experience of these individuals is expected to contribute to our continued success and growth. Cathedra will be relying on its directors and officers, as well as independent consultants and advisory board, for various aspects of our business. The amount of time and expertise expended on our affairs by our management team, consultants, advisory board members and directors will vary according to Cathedra's needs. The Company does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any director and officer, key employee or consultant, could have a material adverse effect on its operations.

Failure of the Company's Physical Infrastructure

The Company's business depends on providing customers with highly reliable solutions. The Company must safeguard its customers' infrastructure and equipment located at the Company's facilities and ensure business operations remain operational at all times. If the Company does not maintain its facilities, it may be unable to continue providing the service to its customers.

Furthermore, the Company has service level commitment obligations to certain customers. As a result, service interruptions or significant equipment damage at any Company facility could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. Because the Company's facilities are critical to many of its customers' businesses, service interruptions or significant equipment damage in the Company's facilities could also result in lost profits or other indirect or consequential damages to its customers. The Company cannot guarantee that a court would enforce any contractual limitations on our liability in the event that one of the Company's customers brings a lawsuit against it as a result of a problem at one of the Company's facilities and the Company may decide to reach settlements with affected customers irrespective of any such contractual limitations. Any such settlement may result in a reduction of revenue. In addition, any loss of service, equipment damage or inability to meet the Company's service level commitment obligations could reduce the confidence of its customers and could consequently impair its ability to obtain and retain customers, which would adversely affect both its ability to generate revenues and its results of operations.

Risks of Expansion Efforts

The Company is considering the acquisition or lease of additional properties and the construction of new facilities beyond those projects already announced. The Company will be required to commit substantial operational and financial resources to these new facilities in advance of securing customer contracts, and the Company may not have sufficient customer demand in those markets to support these facilities once they are built. In addition, unanticipated technological changes could affect customer requirements for the Company's facilities, and the Company may not have built such requirements into its facilities. Either of these contingencies, if they were to occur, could make it difficult for the Company to realize expected or reasonable returns on these investments.

Terrorist Activity or Other Acts of Violence

The continued threat of terrorist activity and other acts of war or hostility both domestically and abroad by terrorist organizations, organized crime organizations, or other criminals along with violence stemming from political unrest, contribute to a climate of political and economic uncertainty. Due to existing or developing circumstances, the Company may need to incur additional costs in the future to provide enhanced security, including cybersecurity and physical security, which could have a material adverse effect on its business and results of operations. These circumstances may also adversely affect the Company's ability to attract and retain customers and employees, its ability to raise capital and the operation and maintenance of its facilities.

Need for Significant Electrical Power

The Company's operations require significant amounts of electrical power, and, as the Company continues to expand its operations, it anticipates its demand for electrical power will continue to grow. The fluctuating price of electricity and the availability of low-cost electricity to power the Company's expansion, may inhibit the Company's profitability. If the Company is unable to obtain sufficient electrical power on a cost-effective basis, it may not realize the anticipated benefits of its significant capital investments and it may not be able to successfully implement its strategic growth plans.

Additionally, the Company's operations could be materially adversely affected by prolonged power outages. The Company may have to reduce or cease operations in the event of an extended power outage, or as a result of unavailability or increased cost of electrical power. If this were to occur, the business and results of operations could be materially and adversely affected.

Accounting Policies, Critical Accounting Estimates, and Internal Controls

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

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

Significant Judgments

Revenue Recognition

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

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

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.

(Expressed in Canadian dollars, unless otherwise noted)

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

Financial Instruments and Financial 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 and receivables. 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.

		December 31, 2024		**December 31, 2023**
Digital currencies	$	6,456,425	$	54,027
Trade		1,448,900		1,336,413
Deposits		2,621,716		2,147,668
	$	**10,527,041**	**$**	**3,538,108**

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 December 31, 2024, we had a working capital surplus of $14,997,845 (December 31, 2023 – working capital deficit of $1,764,919).

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 December 31, 2024, is as follows:

		Undiscounted Contractual Cash Flows			
As at December 31, 2024	**Total carrying amount $**	**Contractual cash flows $**	**Less than 1 year $**	**1 – 5 years $**	**More than 5 years $**
Trade payables and accrued liabilities	2,478,212	2,478,212	2,478,212	-	-
Due to related parties	672,411	672,411	672,411	-	-
Income tax payable	522,299	522,299	522,299	-	-
Contract liabilities	149,452	149,452	149,452	-	-
Customer liabilities	2,075,697	2,075,697	1,328,644	747,053	-
Lease liabilities	1,827,922	2,523,383	1,273,376	710,047	539,960
Convertible loan	5,134,121	5,733,728	5,733,728	-	-
Total	**12,860,114**	**14,155,182**	**12,158,122**	**1,457,100**	**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 December 31, 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 $nil during the year ended December 31, 2024 (December 31, 2023 - $9,298).

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 $71,000, 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 December 31, 2024, 48.10 bitcoin equivalent to $6,454,983 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, 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.

Management's Report on Internal Control Over Financial Reporting

The information provided in the consolidated financial statements and the accompanying MD&A is the responsibility of management. Management is required to make a number of judgments, assumptions and estimates when preparing these financial statements and MD&A, including estimates to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on prudent judgments and have been properly reflected in the accompanying financial statements, but actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Management is responsible for the internal controls over the operations and financial reporting, including internal controls related to maintaining records that reflect the transactions, acquisitions, and dispositions of the assets of the Company. As all controls and processes are subject to certain limitations, management acknowledges that the internal controls may not prevent or detect all misstatements due to error or fraud.