



Cathedra

Cathedra Bitcoin Inc.

Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Cathedral Bitcoin Inc. for the six months ended June 30, 2022 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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



Cathedra Bitcoin Inc.

Condensed Consolidated Interim Statements of Financial Position

(In Canadian Dollars)

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 4,203,484	\$ 9,443,618
Digital currencies (Note 5)	1,773	9,924,292
Receivables	226,650	90,197
Accrued GIC interest receivable	-	6,055
Prepaid expenses	47,142	19,749
Deposits (Note 6)	18,755,245	18,749,494
Biological assets (Note 3)	-	163,297
	23,234,294	38,396,702
Deposits (Note 5)	205,081	199,331
Property and equipment (Note 7)	26,469,886	18,715,533
Intangible assets	-	4,797
Right-of-use asset (Note 8)	490,684	552,560
Investment in associates (Note 3)	2,380,239	-
Investments (Note 4)	313,096	312,925
Deferred income tax assets	188,938	185,889
Total assets	\$ 53,282,218	\$ 58,367,737
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 1,010,213	\$ 2,484,412
Interest payable	-	148,151
Income taxes payable	-	1,316,493
Current portion of loan payable (Note 10)	560,425	555,720
Current portion of lease liability (Note 8)	136,380	128,934
	1,707,018	4,633,710
Non-current liabilities		
Lease liability (Note 8)	385,332	447,538
Loan payable (Note 10)	-	349,632
Convertible loan (Note 11)	19,333,719	18,349,701
Total liabilities	21,426,069	23,780,581
Equity		
Share capital (Note 12)	39,781,474	29,570,903
Reserves (Note 12)	13,254,205	11,730,611
Deficit	(21,179,530)	(6,714,358)
Total equity	31,856,149	34,587,156
Total liabilities and equity	\$ 53,282,218	\$ 58,367,737

Nature of operations (Note 1)

Subsequent events (Note 18)

Approved by the Board of Directors and authorized for issue on August 26, 2022

“Antonin Scalia” Director

“David Jaques” Director

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



Cathedra Bitcoin Inc.

(formerly Fortress Technologies Inc.)

Condensed Consolidated Interim Statements of Changes in Equity

(In Canadian Dollars)

	Number of shares	Capital amount	Revaluation surplus (Restated Note 3)	Reserve - Cumulative translation adjustment	Reserve - Equity reserved	Accumulated deficit (Restated Note 3)	Total
Balance, December 31, 2020	69,727,984	\$ 21,172,219	\$ 3,541,228	\$ 880,552	\$ 1,407,500	\$ (7,432,470)	\$ 19,569,029
Units issued for private placement	14,794,700	9,320,661	-	-	-	-	9,320,661
Share issuance costs	-	(1,294,419)	-	-	578,705	-	(715,714)
Share based compensation	-	-	-	-	38,015	-	38,015
Translation adjustment	-	-	-	92,633	-	-	92,633
Net income for the period	-	-	-	-	-	2,039,507	2,039,507
Balance, June 30, 2021	84,522,684	\$ 29,198,461	\$ 3,541,228	\$ 973,185	\$ 2,024,220	\$ (5,392,963)	\$ 30,344,131
Balance, December 31, 2021	86,222,684	\$ 29,570,903	\$ 1,128,548	\$ 917,936	\$ 9,684,127	\$ (6,714,358)	\$ 34,587,156
Shares issued for purchase of assets	1,000,000	455,000	-	-	-	-	455,000
Units issued for private placement	25,916,667	9,330,000	-	-	-	-	9,330,000
Exercise of stock options	1,900,000	433,694	-	-	(161,194)	-	272,500
Shares issued for restricted share units	157,449	46,447	-	-	(46,447)	-	-
Share issuance costs	-	(54,570)	-	-	-	-	(54,570)
Translation adjustment	-	-	-	(105,469)	-	-	(105,469)
Revaluation gain on digital currencies	-	-	121,551	-	-	-	121,551
Share based compensation	-	-	-	-	1,717,855	-	1,717,855
Net income for the period	-	-	-	-	-	(14,467,874)	(14,467,874)
Balance, June 30, 2022	115,196,800	\$ 39,781,474	\$ 1,250,099	\$ 812,467	\$ 11,194,341	\$ (21,182,232)	\$ 31,856,149

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



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

	<i>Six months ended</i> <i>June 30, 2022</i>	<i>Six months ended</i> <i>June 30, 2021</i>
Operating activities		
Net income	\$ (14,465,172)	\$ 2,039,507
Depreciation	3,614,720	428,235
Share-based compensation	1,717,855	38,015
Revaluation of digital currencies	-	(998,329)
Write down of mining equipment	2,146,803	-
Interest accretion	2,688,253	26,437
Interest income	(1,304)	(27,964)
Loss on sale of digital currencies	4,909,406	-
Gain on acquisition of equipment	(102,917)	-
Gain on share exchange agreement	(150,344)	-
Foreign exchange	1,516,541	-
Current income tax recovery	(1,316,493)	-
Change in non-cash working capital components		
Deposits	(162,562)	-
Receivables	(140,726)	(38,223)
Prepaid expenses	(26,712)	21,738
Biological assets	75,783	-
Accounts payables and accrued liabilities	(1,471,013)	(41,223)
Interest payable	(148,151)	-
Digital currencies	5,041,505	927,233
Cash flows used in operating activities	3,725,472	2,375,426
Interest paid	(667,697)	-
Interest received	7,359	78,615
Net cash flows provided by (used in) operating activities	3,065,134	2,454,041
Investing activities		
Purchase of property and equipment (Note 7)	(14,817,550)	(6,215,718)
Cash paid from share exchange agreement	(457,567)	-
Cash used in investing activities	(15,275,117)	(6,215,718)
Financing activities		
Proceeds on issuance of units (Note 12)	9,330,000	9,320,661
Proceeds from exercise of stock options (Note 12)	272,500	-
Repayment of loan payable (Note 10)	(14,578,354)	-
Proceeds from loan payable, net of transaction costs (Note 10)	14,639,731	-
Share issuance costs (Note 12)	(54,570)	(715,714)
Payment on lease liability (Note 8)	(85,453)	(83,831)
Cash provided by financing activities	9,523,854	8,521,116
Change in cash during the year	(2,686,129)	4,759,439
Effect of exchange rate changes on cash	(2,554,005)	287,994
Cash, beginning of year	9,443,618	7,048,050
Cash, end of year	\$ 4,203,484	\$ 12,095,483
Cash and cash equivalents consists of:		
Cash	\$ 4,203,484	\$ 2,089,088
Guaranteed investment certificate	\$ -	\$ 10,006,395
Non-cash transactions		
Shares issued for RSU	\$ 46,447	\$ -
Shares issued for mining equipment	\$ 239,816	\$ -

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

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)
(Unaudited)



1. Nature of Operations

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

As of August 26, 2022, Cathedra’s diversified bitcoin mining operations produce 217 PH/s and span four states and five locations in the United States.

The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the future availability of equity or debt financing. The above events and conditions indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements have been prepared on the basis the Company will operate as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “*Interim Financial Reporting of the International Financial Reporting Standards*” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), following the same accounting policies, including estimates and judgments and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2021 except as described in the notes to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on August 26, 2022.

Basis of Presentation

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

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



2. Significant Accounting Policies (cont'd)

Basis of Consolidation

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

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

As of June 30, 2022, the Company had the following wholly-owned subsidiaries:

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

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

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

Fortress US has the following wholly-owned subsidiaries:

- Hephaestus Bitcoin SPV LLC ("Hephaestus") incorporated in Washington, USA;
- Chronos SPV LLC (formerly Chronos Bitcoin SPV LLC) ("Chronos") incorporated in Washington, USA;
- and
- Entelechy Bitcoin SPV LLC ("Entelechy") incorporated in Washington, USA.

Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for associates using the equity method of accounting. Interests in associates are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

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

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



2. Significant Accounting Policies (cont'd)

Comprehensive income (loss)

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

Critical Accounting Estimates, Judgments and Assumptions

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

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

Significant Judgments

Revenue recognition

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

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

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)
(Unaudited)



2. Significant Accounting Policies (cont'd)

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

Significant Estimates

Fair value of financial instruments

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

Depreciation

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

Impairment of non-financial assets

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

Taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payments of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters. The Company has recorded a change in estimate for the initial current income tax expense amount for the year ended December 31, 2021 due to further analysis of the Company's certain tax positions. These positions resulted in changes to the treatment of certain capital

Cathedra Bitcoin Inc.

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(In Canadian Dollars)

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2. Significant Accounting Policies (cont'd)

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

Significant Estimates (cont'd)

gains that were previously recorded as taxable, however upon further analysis, these gains have been deferred. The change in accounting estimate reduces previous income tax accrual and expense from \$1,316,493 to \$nil. The change in estimate will be applied prospectively.

Digital currency valuation

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

Share based compensation

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

Areas of significant estimates and judgments also include:

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

3. Investment in Associates

On May 5, 2022, the Company entered into a share exchange agreement whereby the Company's shares in The Good Shepherd Land and Livestock Company Limited were sold to Silvermoon Inc. in exchange for 35,000,000 common shares in Silvermoon Inc. (the "Silvermoon Stake"). The Silvermoon Stake represents 23% of the issued and outstanding common shares of Silvermoon Inc. The Company realized a gain of \$150,344 as a result of the share exchange.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



3. Investment in Associates (cont'd)

The following table summarizes the change in investment in Silvermoon Inc. for the period ended June 30, 2022:

	\$
Balance, December 31, 2021	-
Consideration paid per share exchange agreement	2,380,410
Equity loss on investment	-
Balance, June 30, 2022	2,380,410

4. Investments

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

5. Digital Currencies and Revenue

For the six months ended June 30, 2022, the Company recorded revenue of \$5,638,397, as compared to revenue of \$1,263,555 for the six months ended June 30, 2021.

Mining Revenue

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

Bitcoin	Units	Amount
Balance of Bitcoin as at December 31, 2020	168.20	\$ 6,179,792
Revenue from Bitcoin mined	120.24	7,801,311
Bitcoin purchased	90.00	3,824,165
Bitcoin paid for fees and services	(28.13)	(2,013,900)
Bitcoin sold	(180.00)	(6,390,352)
Bitcoin donated	(1.06)	(68,857)
Revaluation of Bitcoin	-	592,134
Balance of Bitcoin as at December 31, 2021	169.25	9,924,292
Revenue from Bitcoin mined	115.49	5,638,397
Bitcoin paid for fees and services	(27.48)	(1,128,097)
Bitcoin received from equipment purchase	5.41	318,100
Bitcoin sold	(262.60)	(8,768,922)
Revaluation of Bitcoin	-	(5,981,997)
Balance of Bitcoin as at June 30, 2022	0.07	\$ 1,773

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



5. Digital Currencies and Revenue (cont'd)

Kentucky and Tennessee Mine

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

6. Deposits

As of June 30, 2022, the Company has a deposit balance of \$18,960,326 (December 31, 2021 – \$18,948,825).

The total is comprised of \$100,511 (December 31, 2021 - \$98,888) deposit held by Grant County Public Utility District, \$100,769 (December 31, 2021 - \$99,143) rent and damage deposit for the Washington Mine, \$3,801 (December 31, 2021 - \$Nil) deposit for the Company’s manufacturing facility in New Hampshire and \$1,300 (December 31, 2021 - \$1,300) deposit for the Company’s Vancouver office as long-term deposits, \$530,626 deposit in relation to the hosting agreement (Note 5) and \$18,223,319 deposit for bitcoin miners that are expected to be delivered from July to December 2022.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



7. Property and Equipment

	Land (\$)	Livestock Equipment (\$)	Facility Asset (\$)	Mining Equipment (\$)	Equipment (\$)	Mining Equipment (not-available for use) (\$)	Equipment under production (\$)	Office Equipment (\$)	Total (\$)
Cost									
Balance, December 31, 2020	-	-	2,735,632	949,937	-	-	-	6,351	3,691,920
Additions	1,720,602	185,525	402,949	13,141,516	1,458,857	977,864	131,391	1,825	18,020,529
Translation adjustment	(702)	13,544	(12,205)	118,900	(2,183)	(1,464)	1,034	-	116,924
Balance, December 31, 2021	1,719,900	199,069	3,126,376	14,210,353	1,456,674	976,400	132,425	8,176	21,829,373
Additions	-	6,000	9,858	13,230,863	60,883	(976,400)	2,726,162	-	15,057,366
Disposition from share exchange agreement	(1,590,897)	(190,137)	-	-	-	-	-	-	(1,781,034)
Write-down of mining equipment	-	-	-	(2,268,611)	-	-	-	-	(2,268,611)
Translation adjustment	(129,003)	(14,932)	51,454	236,413	24,897	-	68,707	-	237,536
Balance, June 30, 2022	-	-	3,187,688	25,409,018	1,542,454	-	2,927,294	8,176	33,074,630
Accumulated depreciation									
Balance, December 31, 2020	-	-	246,037	692,421	-	-	-	5,595	944,053
Additions	-	15,956	506,534	1,558,969	82,160	-	-	908	2,164,527
Translation adjustment	-	(105)	4,323	811	231	-	-	-	5,260
Balance, December 31, 2021	-	15,851	756,894	2,252,201	82,391	-	-	6,503	3,113,840
Additions	-	9,293	297,904	3,088,355	148,520	-	-	304	3,544,376
Disposition from share exchange agreement	-	(23,436)	-	-	-	-	-	-	(23,436)
Write-down of mining equipment	-	-	-	(121,807)	-	-	-	-	(121,807)
Translation adjustment	-	(1,708)	16,393	73,780	3,306	-	-	-	91,771
Balance, June 30, 2022	-	-	1,071,191	5,292,529	234,217	-	-	6,807	6,604,744
Carrying amount									
Balance, December 31, 2021	-	-	2,489,595	257,516	-	-	-	756	2,747,867
Balance, June 30, 2022	-	-	2,116,497	20,116,489	1,308,237	-	2,927,294	1,369	26,469,886

Depreciation expense of \$3,544,376 (June 30, 2021 - \$427,482) for the period ended is included in cost of revenue.

During the period ended June 30, 2022, the Company recorded a write-down of mining equipment of \$2,146,804. The write-down was determined based on the assessment of the performance of the mining equipment.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



8. Right-of-use asset and lease liability

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

Washington Mine		Total
Cost		
Balance, December 31, 2020	\$	700,944
Additions		-
Translation adjustment		2,973
Balance, December 31, 2021		697,971
Additions		-
Translation adjustment		(11,452)
Balance, June 30, 2022	\$	709,423
Depreciation		
Balance, December 31, 2020	\$	5,841
Additions		138,042
Translation adjustment		(1,528)
Balance, December 31, 2021		145,411
Additions		70,008
Translation adjustment		3,320
Balance, June 30, 2022	\$	218,739
Net book value		
Balance, December 31, 2021	\$	552,560
Balance, June 30, 2022	\$	490,684

Depreciation expense of \$70,008 (June 30, 2021 - \$68,679) for the period ended is included in cost of revenue.

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

Lease liability		
Balance, December 31, 2021	\$	576,472
Additions		-
Interest expense on lease liability		22,077
Payments on lease liability		(85,453)
Translation adjustment		8,616
Balance, June 30, 2022		521,712
Less: Current portion		136,380
Balance, June 30, 2022	\$	385,332

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



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

Lease liability	
Balance, December 31, 2020	\$ 698,487
Additions	-
Interest expense on lease liability	50,765
Payments on lease liability	(117,732)
Translation adjustment	(55,048)
Balance, December 31, 2021	576,472
Less: Current portion	128,934
Balance, December 31, 2021	\$ 447,538

At June 30, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	June 30, 2022
Less than one year	\$ 173,189
One to three years	425,753
Three to five years	-
Total undiscounted lease liabilities	598,942
Amount representing implicit interest	(77,230)
Lease liability	\$ 521,712

9. Accounts payable and accrued liabilities

	June 30, 2022	December 31, 2021
Accounts payable	\$ 216,849	\$ 1,490,469
Accrued liabilities	763,346	938,934
Due to related parties (<i>Note 13</i>)	30,018	55,009
	\$ 1,010,213	\$ 2,484,412

Cathedral Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)



10. Loan payable

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

On December 21, 2021, the Company entered into an equipment financing agreement with NYDIG ABL for total proceeds of \$837,670 (US\$648,000) bearing an interest rate of 15% per annum which will be repaid over the next 18 months. The loan payable is collateralized by the bitcoin mining machines purchased for the Washington Mine during the year ended December 31, 2021.

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

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

On May 27, 2022, the Company repaid all principal and interest due on two outstanding equipment loans for a total of \$14,622,492 (US\$11,479,425) resulting in a loss on extinguishment of debt of \$992,666, in accordance with the terms of the loans.

	Total
Balance, December 31, 2020	\$ -
Additions	934,730
Interests	3,800
Payments	(13,236)
Transaction fee	(3,806)
Translation adjustment	(16,136)
Balance, December 31, 2021	905,352
Additions	13,850,320
Interests	1,253,544
Payments	(16,140,784)
Transaction fee	(289,670)
Loss from extinguishment of debt	992,666
Extinguishment of debt from share exchange agreement	(67,532)
Translation adjustment	56,529
Balance, June 30, 2022	560,425
Less: Current portion	560,425
Non-current portion	\$ -

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

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11. Convertible loan

On October 20, 2021, the Company completed its non-brokered private placement of 20,000 of 3.5% senior secured convertible debenture units (the “Convertible Debenture Units”), for aggregate gross proceeds of \$20,000,000, due 36 months following the date of issuance (“Convertible Loan”). On November 5, 2021, the Company completed an additional 5,000 Convertible Units, for aggregate gross proceeds of \$5,000,000 Convertible Loan. The Company incurred total transaction cost of \$163,610. As at June 30, 2022, the interest payable is \$nil (December 31, 2021 - \$155,556).

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

The Company allocated the proceeds of \$25,000,000 first to derivative component for \$18,155,564, with the residual value to the equity component for \$6,844,436.

Liability Component

	Total
Value on initial recognition	\$ 18,155,564
Transaction costs	(118,814)
Accretion expense	312,951
Balance, December 31, 2021	\$ 18,349,701
Interest expense	437,500
Interest paid	(437,500)
Accretion expense	984,018
Balance, June 30, 2022	\$ 19,333,719

Equity Component

	June 30, 2022
Convertible loan – equity	\$ 6,844,436
Transaction costs	(44,796)
Total	\$ 6,799,640

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



12. Share Capital

a. Authorized

Unlimited number of common shares without par value

b. Issued and outstanding

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

- 2,867,500 Warrants at an exercise price of \$0.54 per Warrant Share
- 2,867,500 Warrants at an exercise price of \$0.79 per Warrant Share
- 2,867,500 Warrants at an exercise price of \$1.04 per Warrant Share
- 2,867,500 Warrants at an exercise price of \$1.29 per Warrant Share
- 2,867,500 Warrants at an exercise price of \$1.54 per Warrant Share

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

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

On February 1, 2022, the Company issued 1,000,000 common shares with a fair value of \$0.445 per common share pursuant to the purchase and sale agreement for the equipment and financial assets entered into on September 24, 2021 and amended on January 13, 2022 with the CEO and COO of the Company. The Company recognized a gain on the acquisition of the equipment of \$102,917.

During the period ended June 30, 2022, the Company issued 1,900,000 common shares for stock options exercised for total proceeds of \$272,500.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

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12. Share Capital (cont'd)

b. Issued and outstanding

On March 26, 2021, the Company completed a private placement for total gross proceeds of \$9,300,000 in exchange for 14,794,700 units of the Company. Each unit is composed of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one common share at a price of \$0.82 per Warrant at any time on or before the date which is 60 months after the closing date of the offering.

As consideration for the services of the broker, the Company issued 887,682 broker warrants. Each broker warrant entitles the holder to acquire an additional unit at a price of \$0.63 for a period of 60 months, expiring on March 26, 2026. Each unit is composed of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one common share at a price of \$0.82 per Warrant at any time on or before March 26, 2026. The value of the broker warrants was estimated at \$578,704 using the relative fair value model. In addition, the Company paid cash commissions the brokers of \$559,240 and other cash share issuance costs of \$167,898.

During the year ended December 31, 2021, the Company issued 1,700,000 common shares for stock options exercised for total proceeds of \$258,000.

c. Escrow shares

Pursuant to the reverse takeover transaction ("RTO") dated August 16, 2018, a portion of the common shares, warrants and options issued as part of the transaction are subject to escrow restrictions. Pursuant to the escrow agreements, the shares were released 25% respectively on August 20, 2018 and 6 and 12 months after the date of the Final Exchange Bulletin respecting the RTO and the remaining 25% will be released 18 months thereafter.

As at June 30, 2022, the Company has nil common shares in escrow (June 30, 2021 – 750,000).

d. Restricted share units

The Company has established a Restricted Share Unit Plan (the "RSU Plan"). Currently, the RSU Plan has a limit of 8 million shares, which is not rolling. The Board may, in its own discretion, at any time, and from time to time, grant RSUs to any employee, director or consultant of the Company or its subsidiaries (collectively, "Eligible Persons"), other than persons conducting investor relations activities, subject to the limitations set forth in the RSU Plan. The Board may designate one or more performance periods under the RSU Plan. In respect of each designated performance period and subject to the terms of the RSU Plan, the Board may from time to time establish the grant date and grant to any Eligible Person one or more RSUs as the Board deems appropriate. Under the RSU Plan, the number of shares issuable pursuant to the RSUs to any Eligible Person shall not exceed 1.5% of the issued and outstanding shares at the time of the award and 2.5% of the issued and outstanding shares in any twelve month period. For the six months period ended June 30, 2022, the Company recognized share-based compensation expense of \$1,212,855 (June 30, 2021 - \$nil).

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



12. Share Capital (cont'd)

d. Restricted share units (cont'd)

Following is a summary of changes in restricted share units outstanding for the period ended June 30, 2022:

	Outstanding
Balance, December 31, 2021	7,587,244
Cancelled	(2,248,976)
Granted	2,661,732
Exercised	(157,449)
Balance, June 30, 2022	7,842,551

e. Stock options

During the six months ended June 30, 2022, the Company:

- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for period ended June 30, 2022 was \$15,411.
- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.37 and the share-based compensation expense recognized for period ended June 30, 2022 was \$14,717.
- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to a consultant of the Company. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.34 and the share-based compensation expense recognized for period ended June 30, 2022 was \$12,408.
- extended the expiry date of stock options that were granted to a director of the Company from February 6, 2022 to April 6, 2022 resulting in a share based compensation expense of \$23,201.
- granted 88,841 stock options exercisable at \$0.61 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.50 and the share-based compensation expense recognized for period ended June 30, 2022 was \$9,747.
- Granted 750,000 stock options exercisable at \$0.50 expiring five years from the date of the grant to an employee of the Company. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.42 and the share-based compensation expense recognized for period ended June 30, 2022 was \$105,898.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)
(Unaudited)



12. Share Capital (cont'd)

e. Stock options (cont'd)

- granted 88,841 stock options exercisable at \$0.35 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.29 and the share-based compensation expense recognized for period ended June 30, 2022 was \$2,738.

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

- granted 100,000 stock options exercisable at \$0.51 expiring three years from the date of the grant vesting immediately to management. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the year ended December 31, 2021, was \$38,015;
- granted 250,000 stock options exercisable at \$0.485 expiring five years from the date of the grant to management. 100,000 stock options vest immediately on the date of the grant and 50,000 on each six month anniversary of the date of grant thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the year ended December 31, 2021 was \$71,428. An additional \$24,594 share-based compensation expense was recognized for the period ended June 30, 2022.
- granted 650,000 stock options exercisable at \$0.56 expiring five years from the date of the grant to management. The stock options vest immediately on the date of the grant. The fair value per options granted was \$0.52 and the share-based compensation expense recognized for the year ended December 31, 2021 was \$276,759;
- granted 2,000,000 stock options exercisable at \$0.49 expiring five years from the date of the grant vesting vest three months after the date of the grant and every three months thereafter to a director. The value per option granted was \$0.40 and the share-based compensation expense recognized for the year ended December 31, 2021 was \$492,807. An additional \$279,188 share-based compensation expense was recognized for the period ended June 30, 2022; and
- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.44 and the share-based compensation expense recognized for year ended December 31, 2021 was \$974. An additional \$17,249 share-based compensation expense was recognized for the period ended June 30, 2022.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

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12. Share Capital (cont'd)

e. Stock options (cont'd)

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

	2022	2021
Risk-free interest rate	1.27% - 2.83%	0.48% - 1.29%
Expected life (years)	2.70	4.94
Annualized volatility	119.41%	120.27%
Dividend rate	0.00%	0.00%

The following is a summary of changes in stock options:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2020	5,424,928	0.29
Granted	3,088,841	0.51
Exercised	(1,700,000)	0.15
Expired	(138,428)	0.65
Balance, December 31, 2021	6,675,341	0.46
Granted	1,255,364	0.47
Forfeited	(150,000)	0.60
Exercised	(1,900,000)	0.14
Balance, June 30, 2022	5,880,705	0.56

The stock options outstanding and exercisable as at June 30, 2022, are as follows:

Outstanding	Exercisable	Exercise price (\$)	Expiry date
384,500	384,500	0.500	February 19, 2028
1,050,000	1,050,000	0.600	February 19, 2028
102,000	102,000	0.600	August 15, 2028
100,000	100,000	0.510	May 3, 2024
250,000	125,000	0.485	August 27, 2026
2,000,000	1,500,000	0.490	September 1, 2026
650,000	650,000	0.560	September 24, 2026
88,841	17,768	0.530	December 21, 2026
88,841	-	0.410	January 7, 2027
88,841	-	0.410	January 10, 2027
150,000	-	0.410	February 7, 2027
88,841	-	0.610	April 4, 2027
750,000	-	0.500	April 25, 2027
88,841	-	0.350	May 18, 2027
5,880,705	3,929,268		

For the period ended June 30, 2022, the Company recognized share-based compensation expense of \$481,950 (2021 - \$nil). The weighted average remaining life of the stock options is 4.66 years.

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

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12. Share Capital (cont'd)

e. Warrants

Following is a summary of changes in warrants outstanding for the period ended June 30, 2022:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2020	7,692,308	0.50
Issued	31,707,382	0.88
Balance, December 31, 2021	39,399,690	0.81
Issued	20,337,500	1.04
Balance, June 30, 2022	59,737,190	0.89

The warrants outstanding as at June 30, 2022, are as follows:

Outstanding	Exercise price (\$)	Expiry date
3,846,154	0.50	December 21, 2022
3,846,154	0.50	January 7, 2023
14,794,700	0.82	March 26, 2026
887,682	0.63	March 26, 2026
16,025,000	0.95	November 11, 2026
2,867,500	0.54	May 20, 2027
2,867,500	0.79	May 20, 2027
2,867,500	1.04	May 20, 2027
2,867,500	1.29	May 20, 2027
2,867,500	1.54	May 20, 2027
1,200,000	0.54	June 9, 2027
1,200,000	0.79	June 9, 2027
1,200,000	1.04	June 9, 2027
1,200,000	1.29	June 9, 2027
1,200,000	1.54	June 9, 2027
59,737,190	0.53	

The weighted average remaining life of the warrants is 3.89 years.

Cathedra Bitcoin Inc.

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13. Related Party Transactions

Key Management Compensation

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

The remuneration of directors and other members of key management personnel during the period ended June 30, 2022, and 2021, are as follows:

Year ended June 30, 2022	Salaries	Director/ Consulting Fees	Share-based compensation	Total
Chief Executive Officer	\$ 79,610	\$ 21,000	\$ 459,431	\$ 560,041
Chief Operating Officer and President	79,610	21,000	459,431	560,041
Chief Financial Officer	-	58,966	74,516	133,482
Chief Field Operations and Manufacturing Officer	95,371	-	66,813	162,184
Chief Technology Officer	83,967	-	62,477	146,444
Directors	-	63,000	302,389	365,389
	<u>\$ 338,558</u>	<u>\$ 163,966</u>	<u>\$ 1,425,057</u>	<u>\$ 1,927,581</u>

Year ended June 30, 2021	Salaries	Director/ Consulting Fees	Share-based compensation	Total
Former Chief Executive Officer	\$ -	\$ 42,188	\$ -	\$ 42,188
Chief Financial Officer	-	30,000	-	30,000
Non-executive directors	-	87,500	-	87,500
	<u>\$ -</u>	<u>\$ 159,688</u>	<u>\$ -</u>	<u>\$ 159,688</u>

At June 30, 2022, the Company owes a balance recorded within accounts payable and accrued liabilities:

- \$16,018 to a company controlled by the CFO of the Company; and
- \$14,000 to the independent directors of the Company.

Cathedra Bitcoin Inc.

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14. Financial Instruments and Risk Management

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

Credit risk

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

	June 30, 2022	December 31, 2021
Cash	\$ 4,203,484	\$ 9,443,618
Digital currencies	1,773	9,924,292
Deposits	18,755,245	18,749,494
Receivables	226,650	90,197
	\$ 23,187,152	\$ 38,207,602

The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at June 30, 2022, the Company had a working capital surplus of \$21,527,276, the majority of which is comprised of a cash balance of \$4,203,484, digital currencies balance of \$1,773, deposits of \$18,755,245 and receivables of \$226,650 to settle current liabilities of \$1,707,018. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

Cathedra Bitcoin Inc.

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

Bitcoin

The Company has digital currencies, Bitcoin, on June 30, 2022, that is subject to market pricing and price volatility. Digital currencies have a limited history and have had a high degree of price volatility. The historical performance of digital currencies may not be indicative of their future performance. A decline in the fair value of these digital currencies could have a significant impact on the Company's earnings. In addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required.

The Company does not hedge its Bitcoin balances but will actively monitor Bitcoin pricing, market volatility and its own balance of Bitcoin to determine an appropriate risk mitigation strategy. The Company held 0.07 bitcoin at June 30, 2022 limiting its risk against the volatility of bitcoin price.

Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term.

Foreign currency risk

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

If the US dollar had changed against the Canadian dollar by 10% at year end, the Company's net loss and comprehensive loss after taxes would change by approximately \$320,000, resulting from the translation of the US dollar denominated financial instruments.

Custody risk

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

Cathedra Bitcoin Inc.

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

Custody risk (cont'd)

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

Loss of access risk

The loss of access to the private keys associated with the Company's digital currencies holdings may be irreversible and could adversely affect an investment. Digital currencies controllable only by an individual that possesses both the unique public key and private key or key relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible, the Company may be unable to access the digital currencies. At June 30, 2022, all bitcoin were held with the Company's third party custodian.

Fair value hierarchy

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

The three levels are defined as follows:

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

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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

The Company's cash is measured at level 1 fair value.

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

15. Capital Management

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

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

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

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

16. Segmented Information

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

The following summarizes relevant financial information geographically. The Company's bitcoin mining operations are located in the USA and its livestock business is located in UK which was sold in connection with the share purchase agreement (Note 3).

June 30, 2022	Canada (\$)	USA (\$)	UK (\$)	Total (\$)
Revenue	-	5,638,397	-	5,638,397
Cost of sales	-	(7,053,865)	-	(7,053,865)
Operating and other expenses	(4,116,611)	(8,933,093)	-	(13,049,704)
Net income/(loss)	(4,116,611)	(10,348,561)	-	(14,465,172)
Non-current assets	2,901,212	27,146,712	-	30,047,924

June 30, 2021	Canada (\$)	USA (\$)	UK (\$)	Total (\$)
Revenue	-	1,263,555	-	1,263,555
Cost of sales	-	(858,974)	-	(858,974)
Operating and other income (expenses)	1,660,756	(52,662)	(3,168)	1,604,926
Net income/(loss)	1,660,756	381,919	(3,168)	2,039,507
Non-current assets	-	8,382,991	637,627	9,020,618

Cathedra Bitcoin Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2022

(In Canadian Dollars)

(Unaudited)



17. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

18. Subsequent Events

Subsequent to June 30, 2022, the Company:

- Issued 1,674,898 common shares of the Company for RSUs that have vested; and
- Completed the sale of 600 Bitmain Antminer S19 XP machines (the "S19 XPs"), which were scheduled to be delivered in six equal tranches from July through December 2022, for total gross proceeds of US\$4,116,000. The Company has received 50% of the total purchase price of \$2,604,321 (US\$1,996,260). The proceeds from the sale was used to reduce the \$25,000,000 convertible loan (Note 11).