

**MANAGEMENT INFORMATION CIRCULAR**  
**OF**  
**CATHEDRA BITCOIN INC.**

**FOR AN ANNUAL AND SPECIAL MEETING OF  
SHAREHOLDERS TO BE HELD ON JULY 22, 2024, AT  
10:00 AM (VANCOUVER TIME)**

**With respect to the Proposed Acquisition by Cathedra  
Bitcoin Inc. of the Issued and Outstanding Securities  
of  
Kungsleden, Inc.**

Dated as of June 18, 2024

**All information contained in this Management Information Circular with respect to Kungsleden, Inc. was supplied by Kungsleden, Inc. for inclusion herein.**

Neither the TSX Venture Exchange Inc. (the “**Exchange**”) nor any securities regulatory authority has in any way passed upon the merits of the Transaction described in this Circular.



**Cathedra Bitcoin Inc.**  
320 – 638 Broughton Street  
Vancouver, BC V6G 3K3

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual general and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Cathedra Bitcoin Inc. (the “**Company**” or “**Cathedra**”) will be held at 320-638 Broughton Street, Vancouver, British Columbia, V6G 3K3 on July 22, 2024, at 10:00 AM (Vancouver time) for the following purposes, all as more particularly described in the enclosed management information circular (the “**Circular**”):

- (a) to receive the Company’s financial statements for the year ended December 31, 2023, and the report of the auditors thereon;
- (b) to appoint the auditors of the Company and to authorize the directors to fix their remuneration;
- (c) to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution approving a proposed share exchange agreement with Kungsleden, Inc. (“**Kungsleden**”) providing for the reverse takeover of the Company by Kungsleden on the terms described in the accompanying Circular (the “**Transaction**”);
- (a) To consider, and if deemed appropriate, pass, with or without variation, a special resolution authorizing alterations to the articles of the Company, altering the rights and restrictions of the existing class of common shares of the Company and re-designating such class as subordinate voting shares, and creating a class of multiple voting shares (the “**Amendment Resolution**”), conditional on the approval of the Transaction;
- (b) to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution authorizing the Company to consolidate all of the issued and outstanding Common Shares (as presently constituted or as may be re-designated pursuant to the Amendment Resolution) on the basis of one post-consolidation Common Share for up to one-hundred fifty (150) pre-consolidation Common Shares;
- (c) to consider and, if deemed appropriate, to pass, with or without variation, the following, as more fully described in the Circular:
  - (A) to elect the directors of the Company to serve from the close of the Meeting until the earliest of (i) the close of the next annual meeting of Shareholders; (b) the effective time of the completion of the Transaction (the “**Closing Date**”), or (c) his or her successor is duly elected or appointed;
  - (B) conditional upon completion of the Transaction, to consider and, if deemed appropriate, pass, with or without variation, a resolution to set the Board size following the Closing Date at seven (7); and
  - (C) conditional upon completion of the Transaction, to consider and, if deemed appropriate, to pass, with or without variation, a resolution to elect the directors of the Company to

serve from the Closing Date until the close of the next annual meeting of Shareholders, or until his or her successor is duly elected or appointed;

- (d) to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution approving the Company's equity-based incentive plan for the ensuing year; and
- (e) to transact such further and other business as may be properly brought before the Meeting or any adjournment or postponement thereof.

The board of directors (the "**Board**") has fixed May 24, 2024, as the record date (the "**Record Date**") for determining the Shareholders who are entitled to receive notice of and vote at the Meeting. Only Shareholders whose names have been entered in the registers of the Company as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

Details of the Transaction and its effects, as well as information concerning Kungsleden and the proposed resulting issuer following the proposed Transaction are contained in the Circular, and reference should be made to that document for complete information.

### **Voting**

**All Shareholders may attend the Meeting in person or be represented by proxy. Shareholders who do not plan on attending the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided.** To be effective, the enclosed form of proxy or voting instruction form must be deposited with Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (by mail or hand delivery); voted by telephone at 1-866-732-VOTE (8683); or voted online at [www.investorvote.com](http://www.investorvote.com). In order to be valid and acted upon at the Meeting, the duly-completed form of proxy must be received prior to 10:00 a.m. (Vancouver time) on July 18, 2024 (the "**Proxy Deadline**"), or be deposited with the Secretary of the Company before the commencement of the Meeting or of any adjournment thereof. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

A "beneficial" or "non-registered" Shareholder will not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his/her/its broker; however, a beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting.

If you are a non-registered holder of Common Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

**SHAREHOLDERS ARE REMINDED TO REVIEW THE CIRCULAR BEFORE VOTING.**

**DATED June 18, 2024.**

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) "Thomas Armstrong"*

Thomas Armstrong

Chairman of the Board of Directors

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## **SCHEDULES**

Schedule "A" – Financial Statements of the Company for the years ended December 31, 2023 and 2022.

Schedule "B" – Management Discussion and Analysis of the Company for the year ended December 31, 2023.

Schedule "C" – Financial Statements of the Company for the three months ended March 31, 2024.

Schedule "D" – MD&A of the Company for the three months ended March 31, 2024.

Schedule "E" – Financial Statements of Kungsleden for the year ended December 31, 2023 and for the period from May 11, 2022 through December 31, 2022.

Schedule "F" – MD&A of Kungsleden for the year ended December 31, 2023 and for the period from May 11, 2022 (Inception) to December 31, 2022.

Schedule "G" – Financial Statements of Kungsleden for the three months ended March 31, 2024.

Schedule "H" – MD&A of Kungsleden for the three months ended March 31, 2024.

Schedule "I" – Pro Forma Financial Statements of the Resulting Issuer as at March 31, 2024

Schedule "J" – Proposed Long-Term Incentive Plan.

Schedule "K" – Amended and Restated Articles

Schedule "L" – Audit Committee Charter

## **CERTIFICATES**

CERTIFICATE OF THE COMPANY

CERTIFICATE OF KUNGSLEDEN

CERTIFICATE OF PROMOTER

## GLOSSARY OF TERMS

**“2024 Halving”** means the reduction of the issuance rate of new bitcoin from 6.25 BTC per block to 3.125 BTC per block, which occurred in April 2024.

**“Affiliate”** means a Person that is affiliated with another Person as described below.

A Person is an “Affiliate” of another Person if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Person is a subsidiary of another Person if the Person is controlled by that other Person. A Person is “controlled” by another Person if:

- (a) voting securities of the Person are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Person.

A Person beneficially owns securities that are beneficially owned by:

- (a) Person controlled by that first Person, or
- (b) an Affiliate of that Person or an Affiliate of any Person controlled by that Person.

**“Associate”** when used to indicate a relationship with a Person, means:

- (a) an Issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling it to more than 10% of the voting rights attached to outstanding securities of the Issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a Person who is an individual
  - (i) that Person’s spouse or child, or
  - (ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the Rule Book of the TSX Venture Exchange with respect to that Member firm, Member corporation or holding company.

**"BCBCA"** means the Business Corporations Act (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

**"Block"** means a packet of data containing information on past transactions, which in combination make up a Blockchain network.

**"Blockchain"** means a distributed ledger comprised of blocks that serves as a historical transaction record of all past transactions and can be accessed by anyone with appropriate permissions. Blocks are chained together using cryptographic signatures.

**"Board"** means the board of directors of the Company or the Resulting Issuer, as the context requires.

**"BTC"** or **"Bitcoin"** means Bitcoin cryptocurrency.

**"Cathedra Meeting"** means the annual and special meeting of shareholders of Cathedra to be held on July 22, 2024, including any adjournment or postponement thereof, to be held for the purpose of, among other things, approving the Cathedra Shareholder Resolutions.

**"Cathedra Shareholder Resolutions"** means: (a) the ordinary resolution of the shareholders of Cathedra approving the Transaction; (b) the special resolution of the shareholders of CBIT approving the Share Structure Alteration; and (c) the ordinary resolution to approve the Consolidation.

**"CEO"** means Chief Executive Officer.

**"CFO"** means Chief Financial Officer.

**"Closing"** means the completion of the Transaction.

**"Closing Date"** means the date on which the Closing occurs.

**"Company"** or **"Cathedra"** means Cathedra Bitcoin Inc., a corporation incorporated under the BCBCA.

**"Company Shares"** means common shares in the capital of the Company.

**"Control Person"** means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding Voting Shares of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer.

**"Consolidation"** means the consolidation of the Company Shares on the basis of one (1) post-consolidation Company Share for up to one-hundred fifty (150) pre-consolidation Company Shares;

**"Custodian"** means Coinbase, Inc.,

**"Escrow Agent"** means Computershare Investor Services Inc., the registrar and transfer agent of the Company.

**"Escrow Policy"** means Policy 5.4 – Escrow, Vendor Consideration and Resale Restrictions of the Exchange Policies.

**"Exchange"** means the TSX Venture Exchange.

**"Exchange Bulletin"** means the bulletin issued by the Exchange following Closing and the submission of all final documents which evidences the final Exchange acceptance of the Transaction.

**“Exchange Policies”** means the policies of the Exchange and all bulletins, orders, policies, rules, regulations and by-laws of the Exchange as amended from time to time.

**“Exchange Ratio”** means 6.253429078 Multiple Voting Shares for each one (1) Kungsleden Share;

**“Exchanged Shares”** means the 6,253,429 Multiple Voting Shares to be issued by Cathedra to the Vendors in exchange for all of the Kungsleden Shares.

**“Evans”** means Evans & Evans, Inc.

**“Circular”** means this Circular.

**“Fortress US”** means Fortress Blockchain (US) Holdings Corp, a corporation existing under the laws of the State of Delaware.

**“Hosting”** means the commercial activity whereby a host company rents space, for a fee that is often based on a price per kWh, to host Mining Rigs, to other companies.

**“Insider”** if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of a Person that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

**“Issuer”** means a Person and its subsidiaries which have any of its securities listed for trading on the Exchange, and in this Circular means the Company, as the context requires.

**“Kentucky 1 Facility”** means the Hosting facility of Kungsleden located in south central Kentucky.

**“Kentucky 2 Facility”** means the Hosting facility of Kungsleden located in southwestern Kentucky.

**“Kungsleden”** means Kungsleden, Inc., a corporation existing under the laws of the State of Delaware.

**“Kungsleden Shares”** means common shares in the capital of Kungsleden.

**“LTIP”** means the long term equity incentive plan of the Company, as amended from time to time, as described under “General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan.

**“MD&A”** means management’s discussion and analysis as such term is defined in National Instrument 51-102 - Continuous Disclosure Obligations.

**“Member”** means a member of the Exchange as defined in the Exchange Policies.

**“Mining”** means a process in which individuals, often in collaboration and through the use of Rigs, solve complex, computation puzzles to confirm transactions to be added on a Blockchain. Miners who successfully complete the mining process earn a reward in the form of cryptocurrency or other Blockchain coin or token.

**“Multiple Voting Shares”** means multiple voting shares of Cathedra, each convertible into 100 Subordinate Voting Shares and each containing 152 votes per Multiple Voting Share;

**“MW”** means a Mega-watt.

**“New Washington Facility”** means the 2.5-megawatt (“MW”) bitcoin mining facility located in Washington State and originally leased in January 2023.

**“NI 45-106”** means National Instrument 45-106 – Prospectus Exemptions, and the companion policies and forms thereto, as amended from time to time.

**“NI 52-110”** means National Instrument 52-110 – Audit Committees, and the companion policies and forms thereto, as amended from time to time.

**“Non-Arm’s Length Party”** means in relation to a Person other than an individual, a promoter, officer, director, other Insider or Control Person of that Person (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Person of which the individual is a promoter, officer, director, Insider or Control Person.

**“North Dakota Facility”** means the 60 MW Mining facility in which Kungsleden holds a 25% minority interest located in North Dakota.

**“Notice of Meeting”** means the Notice Of Annual General And Special Meeting Of Shareholders dated June 18, 2024.

**“Original Washington Site”** means the Company’s crypto-currency original Mining facility located in eastern Washington State, U.S.A.

**“Party”** means a party to the Transaction Agreement, being Kungsleden, the Vendors and the Company and **“Parties”** means all of them.

**“Person”** includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative.

**“Policy 2.2”** means Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

**“Policy 3.5”** means Exchange Policy 3.5 – *Restricted Shares*.

**“Policy 5.2”** means Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*.

**“Resulting Issuer”** means the Company at the time of and following completion of the Transaction, as the context requires.

**“Resulting Issuer Shares”** means the Subordinate Voting Shares and the Multiple Voting Shares (on a converted basis).

**“Rig”** means a high-performance computer system used for cryptocurrency Mining. Each Rig is used to solve complex computation puzzles to confirm transactions on the Blockchain.

**“SEC”** means the United States Securities and Exchange Commission;

**“SEDAR+”** means SEDAR+, being the official website that provides access to most public securities documents

and information filed by Issuers and investment funds with the Canadian Securities Administrators at [www.sedarplus.ca](http://www.sedarplus.ca).

**“Share Structure Alteration”** means an amendment of the articles of Cathedra to: (i) change of name of the Company Shares to Subordinate Voting Shares, (ii) create a new class of Multiple Voting Shares, each convertible into 100 Subordinate Voting Shares; and (iii) add special rights and restrictions to the Subordinate Voting Shares and the Multiple Voting Shares, pursuant to which, among other things, the holders of the Multiple Voting Shares will be entitled to 152 votes per Multiple Voting Share held;

**“Subordinate Voting Shares”** means subordinate voting shares of Cathedra.

**“Transaction”** means the acquisition by the Company of all of the issued and outstanding Kungsleden Shares by way of a share exchange for the Exchanged Shares pursuant to the Transaction Agreement.

**“Transaction Agreement”** means the share exchange agreement dated March 6, 2024 entered into among the Company, Kungsleden and the Vendors with respect to the Transaction, as amended on June 18, 2024.

**“Tennessee Facility”** means the Hosting facility of Kungsleden located in central Tennessee.

**“Termination Date”** means the date on which the Transaction Agreement terminates in accordance with its terms.

**“Tier 1 Escrow Agreement”** means the escrow agreement in Exchange Form 5D pursuant to which certain securities will be subject to release in accordance with schedule B(1) of Exchange Form 5D, to be entered into in conjunction with the Transaction in accordance with the Escrow Policy, among the Company, the Escrow Agent, the Principals (as defined in Exchange Policies) of the Resulting Issuer.

**“Tier 2 Escrow Agreement”** means the escrow agreement in Exchange Form 5D pursuant to which certain securities will be subject to release in accordance with schedule B(2) of Exchange Form 5D, to be entered into in conjunction with the Transaction in accordance with the Escrow Policy, among the Company, the Escrow Agent, the Vendors and certain of the Principals (as defined in Exchange Policies) of the Resulting Issuer.

**“U.S. Exchange Act”** means the United States Securities Exchange Act of 1934, as amended.

**“Valuation”** means the Comprehensive Valuation Report of Kungsleden Inc. dated May 23, 2024 by Evans.

**“Vendors”** means Togetsu Trust, Thy Kingdom Trust, Bit Garden, Inc. and 4th Point, LLC, those being the holders of all issued and outstanding Kungsleden Shares prior to the Transaction.

**“Voting Share”** means a security of an Issuer that:

- (a) is not a debt security, and
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

**“WeHash”** means WeHash Technology LLP, a Washington limited liability partnership.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

Certain additional terms are defined within the body of this Circular and in such cases will have the meanings

ascribed thereto.

## FORWARD LOOKING STATEMENTS

The information provided in this Circular, including information incorporated by reference, may contain “forward-looking statements” or “forward-looking information” (collectively referred to hereafter as “forward-looking statements”) about the Company, Kungsleden and the Resulting Issuer. In addition, the Company, the Resulting Issuer and/or Kungsleden may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company and/or Kungsleden that are not statements of historical fact and may also constitute forward-looking statements. In particular, this Circular contains forward-looking statements with respect to: expectations and projections regarding the Resulting Issuer’s revenue and expenses; the expectation certain indebtedness will be repaid prior to Closing, sales and operations; future customer concentration; future growth strategy and growth rate; completion of the proposed Transaction; the anticipated costs to complete the Transaction; the business of Kungsleden and the Resulting Issuer; operating cash flow of the Resulting Issuer, the expectation the Resulting Issuer will generate operating cash flow over the next 18 months equal to approximately \$10,000,000 from its bitcoin mining and hosting operations, that the revenue projections of the Resulting Issuer is a conservative estimate, the Consolidation and the timing and consolidation ratio thereof, use of available funds of the Resulting Issuer, revenue and capacity projections of the Resulting Issuer; the expected performance of the Resulting Issuer; the business operations of the Resulting Issuer; the expected impact of the Transaction and the expected management and board of directors of the Resulting Issuer; the pro forma share capital and financial information of the Resulting Issuer; the expected growth of the hosting and bitcoin mining market; the expected size and growth of the artificial intelligence market; the expected sources of cash and use of funds available to the Resulting Issuer following Closing; the expected receipts of all required approvals in connection with Closing; expectations as to future operations of the Resulting Issuer; the Resulting Issuer’s expected operating costs, general and administrative expenses, costs of services and other costs and expenses; the Resulting Issuer’s ability to meet current and future obligations; the Resulting Issuer’s ability to obtain financing on acceptable terms or at all; the Resulting Issuer’s targeted business milestones and related timelines and costs; expectations of the blockchain and cryptocurrency markets and associated regulations; expectations regarding future competitive conditions; the expected dividend policies of the Resulting Issuer; the Resulting Issuer’s proposed business objectives, including plans to seek, evaluate and, if warranted, execute opportunities to acquire additional Mining properties and assets; and the impact of future regulatory action.

All statements, other than statements of historical fact, made by the Company and/or Kungsleden that address activities, events or developments that the Company and/or Kungsleden expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance, business developments, objectives or milestones. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of the Company and/or Kungsleden and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Resulting Issuer’s ability to anticipate the future needs of its customers; the Resulting Issuer’s future intellectual property; the ability of the Resulting Issuer to mine cryptocurrency successfully and to derive revenue from hosting services; anticipated trends and challenges in the markets in which the Resulting Issuer will operate; the Resulting Issuer’s anticipated cash needs and the Resulting Issuer’s estimates regarding capital requirements need for additional financing; the assumption that



the Transaction will be completed on the terms anticipated, or at all; receipt of the required regulatory, shareholder and third party approvals for the Transaction; the status and impact of new electrical power rates and the status of deliberations by the public utility regulators in the jurisdictions in which the Resulting Issuer will operate; business, economic and capital market conditions; the ability to manage Cathedra's and Kungsleden's operating expenses, which may adversely affect the Resulting Issuer's financial condition; the Resulting Issuer's ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for the Resulting Issuer's products; the demand and pricing of BTC; security threats, including a loss/theft of Cathedra's bitcoin; the Resulting Issuer's relationships with its customers, distributors and business partners; the Resulting Issuer's ability to successfully define, design and release new products in a timely manner that meet its customers' needs; the Resulting Issuer's ability to attract, retain and motivate qualified personnel; competition in its industry; the Resulting Issuer's ability to maintain technological leadership; the impact of technology changes on the Resulting Issuer's products and industry; the Resulting Issuer's failure to develop new and innovative products; the Resulting Issuer's ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; and our ability to manage working capital; the Resulting Issuer's dependence on key personnel; deliberations and potential power rate increases by the public utility regulators in the jurisdictions in which the Resulting Issuer operates which could limit the ability of the Resulting Issuer to carry on business on a profitable basis or at all; consumer sentiment towards the Resulting Issuer's products and blockchain technology generally; litigation; global economic climate; equipment failures; increase in operating costs; decrease in the price of BTC; security threats including a loss/theft of the Resulting Issuer's BTC; government regulations; loss of key employees and consultants; present and future business strategies and the environment in which the Resulting Issuer will operate in the future, including the demand for the Resulting Issuer's products; anticipated costs and ability to achieve goals; and the price of BTC; Closing and related matters; listing of the Subordinate Voting Shares on the Exchange; success of the operations of the Resulting Issuer; the Resulting Issuer's ability to attract and retain key personnel; legislative and regulatory environments of the jurisdictions where the Resulting Issuer will carry on business or have operations; impact of competition and the competitive response to the Resulting Issuer's business strategy; timing and amount of the Resulting Issuer's capital and other expenditures; conditions in the financial markets and the economy generally; and ability of the Resulting Issuer to obtain additional financing, if and as needed, on satisfactory terms or at all.

The actual results, performance or achievements of the Resulting Issuer could differ materially from those anticipated in the forward-looking statements contained in this Circular as a result of the risk factors set forth below and under the heading "*Risk Factors*", and other risk factors, which include that: the Transaction may not be completed in all material respects in accordance with the Share Exchange Agreement or at all; the Resulting Issuer may not realize the anticipated benefits of the Transaction; final approval by the Exchange may not be obtained; Certain of the conditions precedent to the completion of the Transaction are outside of the control of the Parties; The Transaction Agreement may be terminated in certain circumstances; The Parties will incur substantial transaction-related costs in connection with the Transaction; While the Transaction is pending, the Parties are restricted from taking certain actions; The pending Transaction may divert the attention of management of the Parties, impact the Parties' abilities to attract or retain key personnel or impact the Parties' third party business relationships; Potential Undisclosed Liabilities Associated with the Transaction; Tax Laws; The unaudited pro forma consolidated financial information of the Resulting Issuer, as attached hereto as Schedule "I" is presented for illustrative purposes only and may not reflect the Resulting Issuer's financial condition or results of operations following the Transaction; Significant demands will be placed on the Resulting Issuer following completion of the Transaction; The issuance of the Exchanged Shares in connection with the Transaction will result in the dilution of ownership and voting interests of current Cathedra

shareholder; Risks of New Business Strategy; Risks relating to the businesses of the Resulting Issuer; Bitcoin Halving Event; Discretion Regarding Use by Company of Available Funds; Market for Securities and Volatility of Share Price; Speculative Nature of Investment Risk; Liquidity and Future Financing Risk; Risks Related to the Cybersecurity and Malicious Actors; Access to Power and Electricity Rate Risks; Data Centers may Experience Damage; Server Failures; Regulatory changes or actions may alter the nature of an investment in the Resulting Issuer or restrict the use of cryptocurrencies in a manner that adversely affects the Resulting Issuer's operations; Risk of Equipment Breakdown; The value of cryptocurrencies may be subject to momentum pricing risk; Bitcoin Network Risks; The Resulting Issuer may have an evolving business model which is subject to various uncertainties; Erroneous Transactions and Human Error; Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure; Risk of System Failure; Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment; The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain; Acceptance and/or widespread use of cryptocurrency is uncertain; The Resulting Issuer's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies; The Resulting Issuer's crypto holdings may be subject to loss, theft or restriction on access; Reliance on Manufacturing in Foreign Countries and the Importation of Equipment to the Jurisdictions; Competition; Cryptocurrency Industry Risks; Incorrect or fraudulent token transactions may be irreversible; If the award of tokens for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations; The price of tokens may be affected by the sale of tokens by other vehicles investing in tokens or tracking cryptocurrency markets; The unregulated nature and lack of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in cryptoassets generally; Intellectual Property Risk; Indebtedness; Litigation Risk; Risk related to technological obsolescence and difficulty in obtaining hardware; Management Experience and Dependence on Key Personnel; Uncertainty of Additional Funding; Uninsured or Uninsurable Risks; Contractual Risk; Unforeseen Expenses; Loss of Foreign Private Issuer Status; Dividends; Conflicts of Interest.

Consequently, all forward-looking statements made in this Circular and other documents of the Company and/or Kungsleden are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company and/or Kungsleden. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or Kungsleden and/or persons acting on their behalf may issue. Except as required by law the Company and/or Kungsleden undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **INFORMATION RELATING TO KUNGSLEDEN**

The information contained or referred to in this Circular relating to Kungsleden has been furnished by Kungsleden. In preparing this Circular, the Company relied upon Kungsleden to ensure that the Circular contains full, true and plain disclosure of all material facts relating to Kungsleden.

## **CURRENCY**

In this Circular, references to "\$" or "dollars" are to the lawful currency of Canada, unless otherwise indicated. All references to "US\$" or "USD" are to the lawful currency of the United States. On June 17, 2024, the daily rate of exchange between the United States dollar and Canadian dollar, as quoted by the Bank of Canada, was

US\$1.00 = CDN \$1.3743 (or CDS \$1.00 = US\$0.7276).

## **DATE OF INFORMATION**

Except as otherwise indicated in this Circular, all information disclosed in this Circular is as of June 18, 2024 and the phrase “as of the date hereof” and equivalent phrases refer to that date.

## **NOTE REGARDING UNITED STATES MATTERS**

The transactions contemplated herein are being undertaken by Canadian issuers in accordance with Canadian corporate and securities laws. Shareholders and investors should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States Laws, and this Circular has not been filed with or approved by the United States Securities Exchange Commission or the securities regulatory authority of any state within the United States. Likewise, information concerning the operations of each of Cathedra and Kungsleden has been prepared in accordance with Canadian standards and may not be comparable to similar information for issuers organized in the United States.

The financial statements and other financial information of Cathedra and Kungsleden included or incorporated by reference in this Circular have been prepared in accordance with International Financial Reporting Standards, and thus may not be comparable to financial statements prepared in accordance with United States generally accepted accounting principles. Completion of the transactions described herein may have tax consequences under the laws of both the United States and Canada, and neither Cathedra nor Kungsleden undertakes to describe any such tax consequences under the laws of the United States in this Circular. United States shareholders of Cathedra and Kungsleden are advised to consult their tax advisors to determine any particular tax consequences to them of the transactions to be effected in connection with the Transaction.

THE EXCHANGED SHARES TO BE EXCHANGED FOR KUNGSLEDEN SHARES PURSUANT TO THE TRANSACTION HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND SUCH SECURITIES ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS. AS A RESULT, EXCHANGED SHARES ISSUED TO VENDORS IN THE UNITED STATES MAY BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS AND CERTIFICATES REPRESENTING SUCH SECURITIES MAY BEAR A LEGEND RESTRICTING TRANSFERS WITHOUT REGISTRATION UNDER UNITED STATES FEDERAL AND STATE SECURITIES LAWS OR COMPLIANCE WITH THE REQUIREMENTS OF AN EXEMPTION THEREFROM.

## **SUMMARY**

The following is a summary of information related to the Company, Kungsleden and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Schedules, which are incorporated herein and form part of this Circular. Certain capitalized words and terms used in this Summary are defined in the Glossary of Terms.

## General

This Circular is prepared in accordance with the Exchange Form 3D2 – *Information Required in a Circular for a Reverse Takeover or a Change of Business* in connection with the completion of the Transaction, whereby Kungsleden will complete a reverse takeover of Cathedra by way of a share exchange pursuant to the terms of the Transaction Agreement, following which Kungsleden will become a wholly-owned subsidiary of the Resulting Issuer, as more particularly described in this Circular. The Transaction will qualify as a "Reverse Takeover" and a "Change of Control" of Cathedra (each as defined in the policies of the Exchange).

Prior to completion of the Transaction, among other things, (i) the Company will amend its articles pursuant to the Share Structure Alteration to: (a) change of name of the Company Shares to Subordinate Voting Shares, (b) create a new class of Multiple Voting Shares, each convertible into 100 Subordinate Voting Shares; and (c) add special rights and restrictions to the Subordinate Voting Shares and the Multiple Voting Shares, pursuant to which, among other things, the holders of the Multiple Voting Shares will be entitled to 152 votes per Multiple Voting Share held

Following the completion of the Transaction and at a time to be determined by the Board of the Resulting Issuer, the Resulting Issuer expects to consolidate the Subordinate Voting Shares and Multiple Voting Shares on the basis of one Subordinate Voting Share or Multiple Voting Share, as applicable, for up to one-hundred fifty pre-Consolidation Subordinate Voting Shares or Multiple Voting Shares, as applicable. The exact Consolidation ratio will be determined by the Board of the Resulting Issuer prior to the Consolidation, provided that in no event shall the Consolidation ratio exceed one post-Consolidation one Subordinate Voting Share or Multiple Voting Share, as applicable, for one-hundred fifty pre-Consolidation Subordinate Voting Shares or Multiple Voting Shares, as applicable. The Consolidation is not expected to occur immediately following the completion of the Transaction. At the time the Board of the Resulting Issuer resolves to implement the Consolidation, the Resulting Issuer will announce this intention in a press release and will apply for Exchange approval at the Consolidation at that time. Completion of the Consolidation will be subject to Exchange Approval.

All information in respect of share capital of the Resulting Issuer is provided on a pre-Consolidation basis unless otherwise indicated.

## The Parties

The parties to the Transaction are Kungsleden, the Vendors and the Company.

The Company is a corporation existing under the laws of the Province of British Columbia. The Company's Shares are listed on the Exchange and the Company's principal business consists primarily of BTC mining operations. The Company's head and registered office is located at #320 – 638 Broughton Street, Vancouver, BC V6G 3K3. See *"Information Concerning the Company"* for further information.

Kungsleden is a private company existing under the laws of the State of Delaware whose principal business is the operation of bitcoin mining data centers and associated electrical and networking infrastructure. Kungsleden's head office is located at 850 New Burton Road, Suite 201, Dover, Delaware 19904. The Vendors are all of the shareholders of Kungsleden, all of whom are party to the Transaction Agreement. See *"Information Concerning Kungsleden"* for further information.

Following completion of the Transaction, the Resulting Issuer will continue the business of both the Company and Kungsleden. Please see *"Information Concerning the Resulting Issuer"* for further information.

## The Transaction

The Transaction will be effected in accordance with the terms of the Transaction Agreement (a copy of which has been filed under Cathedra's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)), subject to the satisfaction or waiver of all of the conditions precedent outlined in the Transaction Agreement, including, among other things, obtaining the requisite approval of Cathedra's shareholders for, among other things, the Share Structure Alteration, the Transaction and the Consolidation.

Assuming the Transaction is completed in accordance with the Transaction Agreement, the Transaction will, among other things, result in:

- (a) the Vendors will exchange their Kungsleden Shares for the Exchanged Shares on the basis of the Exchange Ratio, subject to the terms and conditions of the Transaction Agreement. As a result of the Transaction, it is expected that the Company will issue an aggregate of 6,253,429 Exchanged Shares in exchange for the acquisition of 1,000,000 Kungsleden Share by the Company;
- (b) upon Closing, the Vendors will own (on a non-diluted basis) approximately 72.5% of the equity of the Resulting Issuer and will hold approximately 80% of the voting power of the Resulting Issuer and current Cathedra shareholders will hold approximately 27.5% of the equity of the Resulting Issuer and will hold approximately 20% of the voting power of the Resulting Issuer;
- (c) the Resulting Issuer's name will be the same name as the Company, being "Cathedra Bitcoin Inc." and the Resulting Issuer's Exchange symbol ticker is expected the same as the Company, being "CBIT";
- (d) Kungsleden will be a wholly owned subsidiary of the Resulting Issuer;
- (e) the Resulting Issuer Board being reconstituted as follows:
  - i. Antonin Scalia
  - ii. Thomas Armstrong;
  - iii. Thomas Masiero;
  - iv. Jialin (Gavin) Qu (Chairman);
  - v. Matthew Kita;
  - vi. Marcus Dent;
  - vii. David Jaques;
- (f) the initial officers of the Resulting Issuer will consist of:
  - i. Antonin Scalia, Chief Executive Officer;
  - ii. Thomas Armstrong, President and Chief Operating Officer; and
  - iii. Inar Kamaletdinov, Chief Financial Officer and Corporate Secretary.

## Representations & Warranties, Covenants and Conditions to Completion of the Transaction

The Transaction Agreement contains representations and warranties of and from each of Cathedra, Kungsleden and the Vendors, as well as covenants and various conditions precedent with respect to each of Cathedra, Kungsleden and the Vendors which are customary for transactions in the nature of the Transaction. The respective obligations of the Parties to complete the transactions contemplated by the Transaction Agreement are subject to a number of conditions that must be satisfied or, in some instances, waived, in order for the Transaction to become effective, including, among other things: obtaining the requisite shareholder

approvals and Exchange approval and the absence of any Material Adverse Change in respect of Cathedra or Kungsleden. Readers are urged to carefully read the full text of the Transaction Agreement, a copy of which has been filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) under Cathedra's issuer profile.

### Purpose of the Transaction

The Company's business consists primarily of bitcoin mining operations and Kungsleden's business consists primarily of the development and operation of data centers which host bitcoin mining clients. The acquisition by the Company of Kungsleden will allow the Company to diversify its existing asset base and revenue streams into the comparatively stable hosting business and provide an avenue for future growth in bitcoin mining and other high-performance compute sectors through Kungsleden's data center development capabilities.

Upon completion of the Transaction, the Resulting Issuer's business operations are expected to include:

- 4.4 EH/s of third-party hash rate under management across 87 megawatts ("MW") of total power capacity at Kungsleden-operated data centers in Kentucky, Tennessee, and North Dakota.<sup>1</sup>
- 0.4 EH/s of installed proprietary mining hash rate hosted at four third-party data centers in Washington, Tennessee, and Texas, and one Kungsleden data center in Tennessee.
- 45-MW portfolio of owned and operated bitcoin mining hosting data centers consisting of two 10-MW sites in Kentucky; one 10-MW site in Tennessee; and a 25% minority interest in a 60-MW site in North Dakota (equivalent to 15 MW of owned capacity) which is under development.
- As of the date hereof, total expected pro forma annualized revenues of \$44.9 million derived from Cathedra's installed proprietary mining operations and Kungsleden's hosting business.
  - Expected pro forma annualized bitcoin mining revenue of approximately \$9.3 million after the 2024 Halving, assuming no other changes to market conditions at the time of this Circular.<sup>2</sup>
  - Expected pro forma annualized hosting revenue of approximately \$35.5 million across Kungsleden's data centers in Kentucky, Tennessee, and North Dakota, including active locations and those currently under development.<sup>3</sup>
- The Resulting Issuer will carry \$5.7 million of total debt, consisting entirely of senior secured convertible debentures issued by Cathedra to a certain investor in November 2021. The convertible debentures carry interest at a rate of 3.5% per annum and do not require principal repayment until maturity in November 2025, whereupon the full principal balance is due. See "*The Transaction – Repricing of Convertible Debentures*".
- Existing balance sheet cash and bitcoin from Cathedra of \$0.8 million and \$4.3 million (44.89 bitcoin),

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<sup>1</sup> Hash rate and power capacity under management include three completed Kungsleden-owned data centers (1.1 EH/s and 27 MW) and one Kungsleden-developed and -managed data center under construction in North Dakota (expected 3.3 EH/s and 60 MW. Kungsleden owns a 25% interest in the foregoing data center). Figure excludes Cathedra hash rate currently hosted at one Kungsleden-owned data center in Tennessee and associated power capacity (3 MW).

<sup>2</sup> Expected pro forma annualized bitcoin mining revenue is derived using Cathedra's installed hash rate of 403 PH/s, bitcoin price of US\$64,000, Bitcoin network hash rate of 640 EH/s, transaction fees equal to 10% of the total block reward (assuming post-2024 Halving block subsidy of 3.125 bitcoin per block), and 100% uptime.

<sup>3</sup> Expected pro forma annualized hosting revenue is derived using Kungsleden's owned hosting capacity of 42 MW (including a 25% interest in a 60-MW North Dakota data center that is currently under development) contracted at an expected rate of US\$72.50 per MWh with 90% uptime and an exchange rate of approximately 1.37 Canadian dollar per US dollar.

respectively, and balance sheet cash of \$0.4 million from Kungsleden, as at March 31, 2024.

The Cathedra Board considers the Transaction to be a positive development for Cathedra based on the terms of the Transaction Agreement. In evaluating the Transaction, the Cathedra Board considered a number of factors, including among other things, the following:

- (a) *Strengthened Marketability for the Resulting Issuer.* Cathedra and Kungsleden have complementary assets and management teams. Cathedra's asset base consists primarily of bitcoin mining machines and Kungsleden's consists primarily of data centers which host bitcoin mining machines. Management and the Board of the Resulting Issuer is expected to have strong operational and development expertise in the BTC mining industry which may position the Resulting Issuer to scale expediently.
- (b) *Process.* An extensive due diligence process was undertaken by Cathedra and in weighing potential strategic alternatives and the current economic prospects of Cathedra and the Resulting Issuer, and the Transaction was determined to be the most attractive of any such alternatives.
- (c) *Valuation.* The Valuation provided by Evans outlines a range of fair market value for Kungsleden that is supportive of the Transaction, subject to and based on the considerations, assumptions and limitations described in the Valuation. Based on the Valuation, the Cathedra Board determined the Transaction is fair, from a financial point of view to Cathedra. See "*The Transaction – Valuation*".
- (d) *Negotiated Transaction.* The terms of the Transaction are the result of a comprehensive negotiation process, conducted under the supervision of the Cathedra Board, in respect of the key elements of the Transaction Agreement, which includes terms and conditions that are reasonable in the judgment of the Cathedra Board.
- (e) *Track Record of Revenue Generation.* Combined fiscal year 2023 revenues among Cathedra and Kungsleden totaling approximately \$26 million.

### **Escrow Restrictions**

Certain of the Exchanged Shares issued to Vendors will be subject to escrow restrictions pursuant to the terms of the Tier 1 Escrow Agreement and Tier 2 Escrow Agreement, and will be released from escrow based upon the passage of time in accordance with the Escrow Policy. For additional information concerning the escrow restrictions applicable to the securities of the Company, please see "*The Transaction – Escrow Restrictions*" and "*Information Concerning the Resulting Issuer – Escrowed Securities*".

### **Interest of Insiders, Promoters or Control Persons**

As of the date of this Circular, Insiders of the Company hold an aggregate of 90,997,755 Company Shares, representing 38.31% of the Company Shares.

The following table shows the names of the Insiders of the Company (and any Associates and Affiliates) and the number and percentage of Company Shares they currently hold and are expected to hold on completion of the Transaction:

Name of Insider or Affiliate or Associate of Insider	Number of Company Shares as at the date of this Circular	% of Company Shares as at the date of this Circular	Number of Resulting Issuer Shares after the Transaction	% of Resulting Issuer Shares after the Transaction
Thomas Armstrong	3,146,215	1.32%	3,146,215	0.36%
Antonin Scalia	3,429,664	1.44%	3,429,664	0.40%
David Jaques	1,000,000	0.42%	1,000,000	0.12%
Marcus Dent	390,000	0.16%	390,000	0.05%
Rete Browning	Nil	N/A	Nil	N/A
Isaac Fithian	629,796	0.27%	629,796	0.07%
Inar Kamaletdinov	Nil	N/A	Nil	N/A
Anson Advisors Inc.	35,566,232	14.99%	35,566,232	4.12%
MMCAP International Inc. SPC	46,835,848	19.75%	46,835,848	5.43%
<b>Total</b>	<b>90,997,755</b>	<b>38.31%</b>	<b>90,997,755</b>	<b>10.55%</b>

Assuming the conversion of no convertible securities, the Insiders of the Company will hold approximately 10.55% of the Resulting Issuer's Shares upon completion of the Transaction.

Please see *"Information Concerning the Resulting Issuer – Escrowed Securities"* and *"Pro-Forma Capitalization"* for additional information.

### Available Funds and Use of Proceeds

As of May 31, 2024, the Company had working capital of approximately \$2,835,500 and Kungsleden had working capital of approximately \$822,000. In addition, the Resulting Issuer expects to generate site-level cash flow over the next 18 months equal to approximately \$10,000,000 from its Mining and Hosting operations. Site-level cash flow is a non-IFRS metric and is calculated as the sum of mining revenue and hosting revenue, estimated to be approximately \$45,000,000, less the sum of mining cash costs and hosting cash costs, estimated to be approximately \$35,000,000. Site-level cash flow differs from cash flows provided by (used in) operating activities, which is an IFRS measure, by excluding general and administrative expenses. The Company's estimate for site-level cash flow from Mining was calculated using its existing machines and hosting/power contracts, assuming no changes to the current price of bitcoin or network difficulty. The estimate for Kungsleden's site-level cash flow from its Hosting business uses Kungsleden's current average contracted hosting and power rates of US\$73.14/MWh and US\$53.00/MWh, respectively, and includes cash flow generated by Kungsleden's three existing operational data centers (30 MW total), all of which are active today, excluding the North Dakota Facility (15 MW), the first phase of which is operational and which is expected to be fully online by the end of July, and assuming historical average uptime. The Company believes this forecast to be conservative, as it has budgeted US\$3,450,000 (\$4,741,616) for payables related to the North Dakota Facility but not included any associated revenues or cash flow from the site. The costs of the Company and Kungsleden to complete the Transaction are estimated to be approximately \$177,500. In addition, Kungsleden expects to repay US\$72,500 (\$99,500) of indebtedness prior to Closing, representing the balance of an outstanding loan owed to ABG (as defined below). Please see *"Information Concerning Kungsleden - Indebtedness"* for further details. Based on these amounts, the Resulting Issuer is expected to have working capital of approximately \$3,380,500 after giving effect to the Transaction and is expected to generate Mining and Hosting revenues over the next 18 months of approximately \$45,000,000. Accordingly, the Resulting Issuer is expected to have \$48,380,500 in available funds over the next 18 months.



Item	Budgeted Expenditures <sup>(1)</sup>
Payables to Tirpitz Technology Holdco LLC in connection with the completion of the North Dakota Facility <sup>(2)(4)</sup>	\$4,741,616
General and administrative expenses for the 18-month period following Closing <sup>(3)</sup>	\$6,000,000
Debt service on outstanding convertible debenture for the 18-month period following Closing	\$300,000
Mining and Hosting cash costs	\$35,000,000
Unallocated working capital	\$2,338,884
<b>Total</b>	<b>\$48,380,500</b>

**Notes:**

- (1) Budgeted expenditures have been converted from U.S. dollars to Canadian dollars based on the indicative exchange rate on June 17, 2024 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars, being CDN\$1.00 equals US\$0.7276.
- (2) Kungsleden is a 25% minority partner in a joint venture which is developing the 60-MW North Dakota Facility.
- (3) General and administrative costs for the next 18 months are expected to be comprised of professional fees of \$1,500,000; stock exchange fees, filing fees and transfer agent costs of \$225,000; insurance expenses of \$1,050,000; office rents of \$165,000; travel expenses of \$375,000; marketing and shareholder communication costs of \$225,000; salaries and wages (including executive management fees) of \$2,400,000; and miscellaneous and other expenses of \$60,000.
- (4) See *"Information Concerning Kungsleden – Non-Arm's Length Transactions"*.

See *"Information Concerning the Resulting Issuer – Available Funds and Principal Purposes"* for more information.

### **Selected Pro Forma Consolidated Financial Information**

The following table sets out certain financial information for Kungsleden and the Company and pro forma financial information for the Resulting Issuer after giving effect to the Transaction and certain other adjustments.

The following information should be read in conjunction with the financial statements and reports thereon included in this Circular, being:

- Audited financial statements of the Company for the years ended December 31, 2023 and 2022, which is attached as Schedule "A" hereto;
- MD&A of the Company for the years ended December 31, 2023 and 2022, which is attached as Schedule "B" hereto;
- Unaudited reviewed Financial Statements of the Company for the three months ended March 31, 2024 which is attached hereto as Schedule "C";
- MD&A of the Company for the three months ended March 31, 2024 which is attached hereto as Schedule "D"; and
- Audited financial statements of Kungsleden for the periods ended December 31, 2023 and for the

period from May 11, 2022 (Inception) to December 31, 2022, which is attached as Schedule “E” hereto;

- MD&A of Kungsleden for the periods ended December 31, 2023 and for the period from May 11, 2022 (Inception) to December 31, 2022, which is attached hereto as Schedule “F”;
- Unaudited reviewed Financial Statements of Kungsleden for the three months ended March 31, 2024 which is attached hereto as Schedule “G”;
- MD&A of Kungsleden for the three months ended March 31, 2024 which is attached hereto as Schedule “H”; and
- Unaudited pro forma financial statements of the Resulting Issuer giving effect to the Transaction which are attached as Schedule “I” hereto.

The information provided in the table below is derived from the unaudited financial statements of the Company for the three month period ended March 31, 2024, the unaudited financial statements of Kungsleden for the three month period ended March 31, 2024 and the unaudited pro forma financial statements of the Resulting Issuer after giving effect to the Transaction.

Balance Sheet Data	The Company as at March 31, 2024 \$	Kungsleden, Inc. as at March 31, 2024 USD\$	Pro Forma as at March 31, 2024 \$
Current Assets	6,646,980	1,505,075	8,290,861
Non-current Assets	13,299,507	7,548,830	39,966,542
Total Assets	19,946,487	9,053,905	48,257,403
Current Liabilities	4,416,394	3,558,593	12,798,745
Non-current Liabilities	5,488,430	3,228,770	9,511,503
Total Liabilities	9,904,824	6,787,363	22,310,248
Share Capital	49,689,032	1,000	26,353,917
Reserves	15,620,848	-	(577,210)
Retained Earnings (Deficit)	(55,268,217)	2,265,542	170,448
Total Equity	10,041,663	2,266,542	25,947,155
Number of shares issued and outstanding	237,199,034	1,000,000	

## Market for Securities

The Company Shares are listed on Tier 1 of the Exchange with the trading symbol “CBIT”. The closing price of the Company Shares on March 6, 2024, being the last day Company Shares traded prior to the announcement of the Transaction, was \$0.10. See *“Information Concerning the Company – Stock Exchange Price”*.

Upon completion of the Transaction, the Company Shares will be listed on the Exchange as a Tier 2 Issuer under the trading symbol “CBIT”.

As of the date hereof, there is no and has been no public market for the Kungsleden Shares.

## **Sponsor**

Sponsorship in the context of the Transaction is required by the Exchange unless exempt in accordance with Policy 2.2. The Company has obtained a waiver from the Exchange's sponsorship requirements.

Please see *“General Matters – Sponsorship”*.

## **Conflicts of Interest**

The directors and officers of the Company and Kungsleden may be involved or become involved in other projects, including projects in the cryptocurrency Mining and Hosting industries, and a potential conflict of interest may arise in allocating their time between the business of the Resulting Issuer and other businesses or projects in which they are or will become involved. Please see *“Information Concerning the Resulting Issuer – Conflicts of Interest”*.

For information concerning the director and officer positions held by the proposed directors and officers of the Resulting Issuer, please see *“Information Concerning the Resulting Issuer – Other Reporting Issuer Experience”*.

## **Interests of Experts**

To the best of Kungsleden's and the Company's knowledge, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Circular or as having prepared or certified a report or valuation described or included in this Circular holds any beneficial interest, direct or indirect, in any securities or property of the Company, Kungsleden, the Resulting Issuer or an Associate or Affiliate of the foregoing.

Please see *“Information Concerning the Resulting Issuer – Experts”* for more information.

## **Consolidation**

Following completion of the Transaction and at a time to be determined by the Board of the Resulting Issuer, it is expected that the outstanding Resulting Issuer Shares will be consolidated on the basis of one (1) post-Consolidation Resulting Issuer Share for up to each one-hundred fifty (150) pre-Consolidation Resulting Issuer Shares.

Please see *“The Transaction – Share Consolidation”* for more information.

## **Risk Factors**

The Company is, and the Resulting Issuer will be subject to certain risk factors which should be carefully considered in connection with your review of the Transaction. There are certain risks that the Resulting Issuer will face in its normal course of business following completion of the Transaction, which include, but are not limited to, the following: the Transaction may not be completed in all material respects in accordance with the Share Exchange Agreement or at all; the Resulting Issuer may not realize the anticipated benefits of the Transaction; final approval by the Exchange may not be obtained; Certain of the conditions precedent to the completion of the Transaction are outside of the control of the Parties; The Transaction Agreement may be terminated in certain circumstances; The Parties will incur substantial transaction-related costs in connection with the Transaction; While the Transaction is pending, the Parties are restricted from taking certain actions; The pending Transaction may divert the attention of management of the Parties, impact the Parties' abilities to attract or retain key personnel or impact the Parties' third party business relationships; Potential

Undisclosed Liabilities Associated with the Transaction; Tax Laws; The unaudited pro forma consolidated financial information of the Resulting Issuer, as attached hereto as Schedule "I" is presented for illustrative purposes only and may not reflect the Resulting Issuer's financial condition or results of operations following the Transaction; Significant demands will be placed on the Resulting Issuer following completion of the Transaction; The issuance of the Exchanged Shares in connection with the Transaction will result in the dilution of ownership and voting interests of current Cathedra shareholder; Risks of New Business Strategy; Risks relating to the businesses of the Resulting Issuer; Bitcoin Halving Event; Discretion Regarding Use by Company of Available Funds; Market for Securities and Volatility of Share Price; Speculative Nature of Investment Risk; Liquidity and Future Financing Risk; Risks Related to the Cybersecurity and Malicious Actors; Access to Power and Electricity Rate Risks; Data Centers may Experience Damage; Server Failures; Regulatory changes or actions may alter the nature of an investment in the Resulting Issuer or restrict the use of cryptocurrencies in a manner that adversely affects the Resulting Issuer's operations; Risk of Equipment Breakdown; The value of cryptocurrencies may be subject to momentum pricing risk; Bitcoin Network Risks; The Resulting Issuer may have an evolving business model which is subject to various uncertainties; Erroneous Transactions and Human Error; Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure; Risk of System Failure; Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment; The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain; Acceptance and/or widespread use of cryptocurrency is uncertain; The Resulting Issuer's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies; The Resulting Issuer's crypto holdings may be subject to loss, theft or restriction on access; Reliance on Manufacturing in Foreign Countries and the Importation of Equipment to the Jurisdictions; Competition; Cryptocurrency Industry Risks; Incorrect or fraudulent token transactions may be irreversible; If the award of tokens for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations; The price of tokens may be affected by the sale of tokens by other vehicles investing in tokens or tracking cryptocurrency markets; The unregulated nature and lack of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in cryptoassets generally; Intellectual Property Risk; Indebtedness; Litigation Risk; Risk related to technological obsolescence and difficulty in obtaining hardware; Management Experience and Dependence on Key Personnel; Uncertainty of Additional Funding; Uninsured or Uninsurable Risks; Contractual Risk; Unforeseen Expenses; Loss of Foreign Private Issuer Status; Dividends; Conflicts of Interest.

Risks and uncertainties, including those currently unknown to or considered immaterial by the Company and Kungsliden may also adversely affect the business of the Resulting Issuer going forward.

See "*Risk Factors*" for a more detailed description of these risk factors and other risks. The Resulting Issuer Shares are a risky and speculative investment.

### **Conditional Approval**

The Exchange has conditionally approved the Transaction subject to the Company fulfilling all of the requirements of the Exchange.

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies by Management**

This Circular is furnished in connection with the solicitation by the management of Cathedra of proxies to be

used at the Cathedra Meeting of the holders of Company Shares (the “**Cathedra Shareholders**”) to be held at the time and place and for the purposes set out in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Company may also solicit proxies by telephone, e-mail or in person. These persons will receive no compensation for such solicitation, other than their ordinary salaries or fees. The total cost of solicitation of proxies will be borne by the Company. Pursuant to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy-related materials to the beneficial owners of the Company Shares. See “*Appointment and Revocation of Proxies – Notice to Beneficial Holders of Shares*” below. The Company will provide, without cost to such person, upon request to the Secretary of the Company, additional copies of the foregoing documents for this purpose.

### **General Information Respecting the Cathedra Meeting**

No person has been authorized to give any information or make any representations in connection with the matters being considered herein other than those contained in this Circular and, if given or made, any such information or representations should be considered not to have been authorized by the Company. This Circular does not constitute the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

References in this Circular to the Cathedra Meeting include any adjournment(s) or postponement(s) thereof.

Except where otherwise indicated, the information contained herein is stated as of June 18, 2024.

Electronic copies of this Circular, financial statements of the Company for the year ended December 31, 2023, (the “**Financial Statements**”) and management discussion and analysis for 2023 (the “**MD&A**”) may be found on the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Shareholders are reminded to review this Circular before voting.**

Copies of any documents referred to and incorporated herein by reference may be obtained by a Shareholder upon request without charge from the Corporate Secretary of the Company at Tel: +1 (604) 259-0607, or at the address of the Company at Suite 320-638 Broughton Street, Vancouver, British Columbia, V6G 3K3. The documents are also available through the internet under the Company’s SEDAR+ profile, which can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca).

## **APPOINTMENT AND REVOCATION OF PROXIES**

### **Appointment of Proxy**

A Cathedra Shareholder who does not plan on attending the Cathedra Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (the mailing address for Computershare), by mail or hand delivery; vote by telephone at 1-866-732-VOTE (8683); or vote online at [www.investorvote.com](http://www.investorvote.com). In order to be valid and acted upon at the Cathedra Meeting, the form of proxy must be received no later than 10:00 a.m. (Vancouver time) on July 18, 2024, or be deposited with the Secretary of the Company before the commencement of the Cathedra Meeting or any adjournment thereof. The deadline for the deposit of proxies may be waived or extended by the Chair of the Cathedra Meeting at his discretion, without notice.

If you are a non-registered holder of Company Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

The document appointing a proxy must be in writing and executed by the Cathedra Shareholder or his attorney authorized in writing or, if the Cathedra Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**A Cathedra Shareholder submitting a form of proxy has the right to appoint a person (who need not be a Cathedra Shareholder) to represent him or her at the Cathedra Meeting other than the persons designated in the form of proxy furnished by the Company. To exercise that right, the name of the Cathedra Shareholder's appointee should be legibly printed in the blank space provided. In addition, the Cathedra Shareholder should notify the appointee of the appointment, obtain his or her consent to act as appointee and instruct the appointee on how the Cathedra Shareholder's Company Shares are to be voted.**

Cathedra Shareholders who are not registered shareholders of the Company should refer to "*Notice to Beneficial Holders of Company Shares*" below.

#### **Revocation of Proxy**

A Cathedra Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a person who has given a proxy personally attends the Cathedra Meeting at which that proxy is to be voted, that person may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Cathedra Shareholder or his attorney or authorized agent and deposited with Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (by hand or mail delivery) at any time up to and including the last business day preceding the day of the Cathedra Meeting, or deposited with the Secretary of the Company before the commencement of the Cathedra Meeting, or any adjournment thereof, and upon either of those deposits, the proxy will be revoked.

#### **Notice to Beneficial Holders of Company Shares**

**Only registered Cathedra Shareholders or proxyholders duly appointed by registered Cathedra Shareholders are permitted to vote at the Cathedra Meeting. Most Cathedra Shareholders are "non-registered" shareholders because the Company Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Cathedra Shareholders who do not hold their Company Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only registered Shareholders are entitled to vote at the Cathedra Meeting.** If Company Shares are listed in an account statement provided to a Cathedra Shareholder by a broker, then in almost all cases those Company Shares will not be registered in such Cathedra Shareholder's name on the records of the Company. Such Company Shares will more likely be registered under the name of the Cathedra Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Company Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which company acts as nominee for many Canadian brokerage firms). Company Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Company Shares for the brokers' clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Cathedra Meeting.

Regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Company Shares are voted at the Cathedra Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Company to the registered Cathedra Shareholders. However, its purpose is limited to instructing the registered Cathedra Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate the responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Company Shares to be represented at the Cathedra Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Company Shares directly at the Cathedra Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Company Shares must be communicated to Broadridge well in advance of the Cathedra Meeting) in order to have the Company Shares voted.**

The Circular and other proxy related materials are being sent to both registered Cathedra Shareholders and indirectly to Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own ("**Objecting Beneficial Owners**", or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**", or "**NOBOs**"). Management of the Company does not intend to pay for intermediaries to forward the Circular and proxy related materials to OBOs under NI 54-101, accordingly the applicable Cathedra Shareholder intermediary must assume this cost if the Circular and proxy related materials is to be sent to the applicable Cathedra Shareholder.

Although Beneficial Shareholders may not be recognized directly at the Cathedra Meeting for the purposes of voting Company Shares registered in the name of their broker, a Beneficial Shareholder may attend the Cathedra Meeting as proxyholder for the registered Shareholder and vote the Company Shares in that capacity. **Beneficial Shareholders who wish to attend the Cathedra Meeting and indirectly vote their Company Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to Company Shareholders in this Circular, instrument of proxy and Notice of Meeting are to registered shareholders of the Company unless specifically stated otherwise.

## **Voting**

Company Shares represented by any properly executed proxy in the accompanying form will be voted for or against, or withheld from voting, as the case may be, on any ballot that may be called for in accordance with the instructions given by the Cathedra Shareholder. **In the absence of such direction, such Company Shares will be voted in favour of the matters set out herein.**

The accompanying form of proxy confers discretionary authority on the persons named in it with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Cathedra Meeting. As of the date hereof, management of the Company is not aware of any such amendments, variations or other matters which may come before the Cathedra Meeting. In the event

that other matters come before the Cathedra Meeting, then the management designees intend to vote in accordance with the judgment of management of the Company.

### **Interest of Certain Persons in Matters to be Acted Upon**

No person who has been a director or an executive officer of the Company at any time since the beginning of its last completed financial year, no proposed nominee for election as a director of the Company nor any associate of any such director, director nominee or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Cathedra Meeting, except as disclosed in this Circular.

### **Voting Shares And Principal Holders Thereof**

The authorized share capital of the Company consists of an unlimited number of Company Shares without par value and as at the date hereof, there are 237,513,935 Company Shares issued and outstanding. Each Company Share entitles the holder thereof to one vote on all matters to be acted upon at the Cathedra Meeting.

The Company has fixed the close of business on May 24, 2024 (the “**Record Date**”), as the record date. Only shareholders of record at the close of business on the Record Date who either attend the Cathedra Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Company Shares voted at the Cathedra Meeting.

To the knowledge of the directors and executive officers of the Company, except as noted under the heading “*Information Concerning the Company – Principal Shareholders*”, there are no holders of Company Shares carrying more than 10% of the voting rights thereof as at the date of this Circular.

### **Votes Necessary To Pass Resolutions**

A simple majority of affirmative votes cast at the Cathedra Meeting is required to pass the resolutions described herein except for the election of the directors and the Amendment Resolution (as defined below). The Board adopted a policy requiring that in an uncontested election of directors, any nominee who receives a greater number of votes “withheld” than votes “for” will tender a resignation to the Chair of the Board promptly following the Cathedra Meeting. The Board will consider the offer of resignation and, except in special circumstances, the Board will accept the resignation. The Board will make its decision and announce it in a press release within 90 days following the Cathedra Meeting, including the reasons for rejecting the resignation, if applicable. The nominee will not participate in any Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections. The Amendment Resolution is a “special resolution” as defined in the BCBCA, and accordingly must be approved by Cathedra Shareholders holding 66 2/3% of the voting rights attaching to the Company Shares entitled to vote at the Cathedra Meeting. The Amendment Resolution must as be approved by the Majority of the Minority (as defined below). See “*General Proxy Information – 4. Share Structure Alteration.*”

### **Advance Notice Provisions**

On October 15, 2019, the Board adopted and approved certain advanced notice provisions (the “**Advance Notice Provisions**”), which were subsequently approved by the Cathedra Shareholders at the 2019 Shareholder Meeting. The Advance Notice Provisions include, among other things, a provision that requires advance notice be given to the Company in circumstances where nomination of persons for election to the Board are made by Cathedra Shareholders. The Advance Notice Provisions set a deadline by which Cathedra Shareholders must submit nominations (a “**Notice**”) for the election of directors to the Company prior to any annual or special



meeting of Cathedra Shareholders. The Advance Notice Provisions also set forth the information that a Cathedra Shareholder must include in the Notice to the Company, and establish the form in which the Cathedra Shareholder must submit the Notice for that notice to be in proper written form. In the case of an annual meeting of Cathedra Shareholders, a Notice must be provided to the Company not less than 30 days and not more than 65 days prior to the date of the annual meeting. Cathedra Shareholders can access the Company's Articles by visiting the Company's profile on [SEDAR+](#) at [www.sedarplus.ca](http://www.sedarplus.ca).

As of the date of this Circular, the Company has not received notice of a nomination in compliance with the Advance Notice Provisions.

## **Dissent Rights**

Cathedra Shareholders do not have dissent rights under the BCBCA in connection with any items of business to be considered at the Cathedra Meeting.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the Board of the Company, the only matters to be brought before the Cathedra Meeting are those matters set forth in the accompanying Notice of Meeting.

### **1. Receipt of Financial Statements**

The financial statements of the Company for the fiscal year ended December 31, 2023, report of the auditors thereon, will be submitted to the Cathedra Meeting. Receipt at the Cathedra Meeting of the auditor's report and the Company's audited financial statements will not constitute approval or disapproval of any matters referred to therein.

### **2. Appointment of Auditors**

Shareholders will be asked to approve SRCO Professional Corporation ("SRCO"), located at Park Place Corporate Centre, 15 Wertheim Court, Suite 409, Richmond Hill, ON L4B 3H7, Canada, as the auditors of the Company to hold office until the next annual meeting of shareholders and to authorize the directors of the Company to fix their remuneration as such. To be adopted, this resolution is required to be passed by the affirmative vote of a majority of the votes cast at the Meeting. SRCO is expected to be appointed as auditors of the Company upon the receipt of shareholder approval at the Meeting. The Company is exempt from the Change of Auditor requirements under section 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations* as the appointment is being done in connection with the Transaction and no reportable event has occurred.

**Unless the Cathedra Shareholder has specifically instructed that his or her Company Shares are to be withheld from voting in connection with the appointment of SRCO, the persons named in the accompanying proxy intend to vote FOR the appointment of SRCO the auditors of the Company to hold office until the next annual meeting of shareholders or until a successor is appointed, and to authorize the Board of Cathedra to fix their remuneration.**

### **3. Approval of Transaction**

The Company has entered into a share exchange agreement dated March 6, 2024, as amended on June 18, 2024 with Kungsleden and the Vendors providing for the Transaction. At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, approve the resolutions set forth below (the "**Transaction**

**Resolution**) to approve the Transaction. For details of the Transaction and the Transaction Agreement, see under the headings *“SUMMARY – The Transaction”* and *“THE TRANSACTION”*

Pursuant to the policies of the Exchange, the Transaction Resolution must be approved, with or without amendment, by (a) a simple majority of the votes cast at the Cathedra Meeting, and (b) a majority of the votes cast at the Cathedra Meeting, following the exclusion of votes held by interested shareholders. Thomas Masiero is an interested shareholder for the purpose of the Transaction Resolution, and accordingly, the 163,676 Company Shares that Mr. Masiero holds will be excluded from the vote on the Transaction Resolution.

**Unless the Cathedra Shareholder has specifically instructed that his or her Company Shares are to be voted against the Transaction Resolution, the persons named in the accompanying proxy intend to vote FOR the Transaction Resolution.**

**The text of the Transaction Resolution is as follows:**

**“BE IT RESOLVED** as an ordinary resolution of the shareholders of Cathedra Bitcoin Inc. (the **“Company”**) that:

1. the acquisition by the Company of all of the issued and outstanding shares of Kungsleden Inc. (**“Kungsleden”**) in exchange for shares of the Company (the **“Transaction”**), on the terms and subject to the conditions set out in a Share Exchange Agreement dated as of March 6, 2024 among the Company, Kungsleden and the holders of all of the issued and outstanding shares of Kungsleden, as amended on June 18, 2024 (the **“Share Exchange Agreement”**) be and the same is hereby authorized and approved;
2. notwithstanding that this resolution has been passed (and the Share Exchange Agreement adopted) by the shareholders of the Company, the Board is hereby authorized and empowered, without further notice to or approval of the shareholders of the Company, (i) to amend, modify or supplement the Share Exchange Agreement to the extent permitted by the Share Exchange Agreement, and (ii) not to proceed with the Transaction or any other transactions contemplated by the Share Exchange Agreement, or otherwise give effect to these resolutions; and
3. any officer or director of the Company is hereby authorized and directed, for and on behalf of and in the name of the Company to execute, under the seal of the Company or otherwise, and to deliver, all documents, agreements and instruments and to do all such other acts and things, as such officer or director, may deem necessary or desirable to implement the foregoing resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or doing of any such act or thing.”

#### **4. Share Structure Alteration**

Cathedra Shareholders will be asked at the Cathedra Meeting to approved the Share Structure Alteration pursuant to the Amendment Resolution (as defined below) which is a special resolution approving an amendment to the Company’s Notice of Articles and amending and restating the Company’s Articles, to amend the rights and restrictions of the existing class of Company Shares and re-designate such class as Subordinate Voting Shares and to create a new class of shares designated as Multiple Voting Shares.

The full text of the proposed amended and restated articles of the Company subject to any variation or amendment which are deemed advisable upon advice of legal counsel (the **“Proposed New Articles”**), which are contemplated to replace the Company Articles, to affect the Amendment Resolution, is attached hereto as Schedule **“K”**.

As outlined in the Amendment Resolution, the adoption of the Amendment Resolution will be determined by the Company Board. Even if approved by the Shareholders, the Company Board may determine not to proceed with the Amendment Resolution at its discretion.

For further details on the Share Structure Alteration, please see *“The Transaction – Resulting Issuer Share Structure”* and *“Information Concerning the Resulting Issuer - Description of the Securities - Description of Subordinate Voting Shares and Multiple Voting Shares”*.

The Amendment Resolution is a “special resolution” as defined in the BCBCA, and accordingly must be approved by Cathedra Shareholders holding 66 2/3% of the voting rights attaching to the Company Shares entitled to vote at the Cathedra Meeting.

In accordance with Section 5 of Policy 3.5 (the “**Exchange Rule**”), the Company must obtain Majority of the Minority Approval (as defined in Policy 3.5) for the creation of the Multiple Voting Shares. For the purposes of the Exchange Rule, the votes attaching to all promoters, directors, officers or other insiders of the Company and of any proposed recipient of Multiple Voting Shares, being the Vendors, and their Associates and Affiliates, will be excluded for the purposes of determining whether Majority of the Minority Approval is obtained for the Amendment Resolution. It is currently anticipated that approximately 90,997,755 Company Shares, representing 38.31% of the issued and outstanding Company Shares, held by disinterested shareholders will be excluded from voting on the Amendment Resolution.

Votes for the Amendment Resolution will be calculated as follows:

- **Special Resolution** — The first calculation will include all Cathedra Shareholders in person or represented by proxy at the Cathedra Meeting. In order to pass the Amendment Resolution, the Amendment Resolution must be approved by 66 2/3% of the votes cast at the Cathedra Meeting.
- **Exchange Rule** — The second calculation will include only the disinterested Cathedra Shareholders in person or represented by proxy at the Cathedra Meeting. In order to pass the Amendment Resolution, the Amendment Resolution must be approved by 50% of the votes cast at the Cathedra Meeting by disinterested Cathedra Shareholders.

**Unless the Cathedra Shareholder has specifically instructed that his or her Company Shares are to be voted against the Amendment Resolution, the persons named in the accompanying proxy intend to vote FOR the Amendment Resolution.**

**The text of the Amendment Resolution is as follows:**

**BE IT RESOLVED**, as a special resolution of Cathedra Bitcoin Inc. (the "**Company**"), that:

- A. The authorized share structure of the Company be and is hereby altered by:
  - a. creating a new class of Preferred Shares without par value, of which an unlimited number is authorized;
  - b. re-designating the existing class of Common Shares as Subordinate Voting Shares;

- c. creating a new series of Preferred Shares designated as "Multiple Voting Shares" without par value, of which an unlimited number is authorized;
- d. creating and attaching the special rights and restrictions (the "**New Special Rights and Restrictions**") set forth in the amended and restated articles of the Company (the "**New Articles**") attached as Schedule "K" to the management information circular dated June 18, 2024, replacing the existing Articles of the Company, to the Multiple Voting Shares;

(collectively, the "**Amendment**").

- B. The existing Articles of the Company be amended by deleting such existing Articles in their entirety and replacing them with the New Articles, including the New Special Rights and Restrictions.
- C. The Notice of Articles of the Company be altered to give effect to the foregoing resolutions.
- D. The alterations to the Articles above (including the adoption of the New Articles) shall not take effect until immediately after the Notice of Articles of the Company is altered to reflect such alterations to the Articles.
- E. Notwithstanding the approval of this special resolution by the Shareholders, the Board of Directors of the Company may, without any further notice to or approval of the Shareholders, decide not to proceed with the Amendment or the adoption of the New Articles.
- F. Subject to the deposit of this resolution at the Company's records office, the solicitors of the Company be and are hereby authorized and directed to electronically file required notice of alteration with the Registrar of Companies;
- G. Any one or more of the directors or officers of the Company is hereby authorized and directed, acting for, in the name of and on behalf of Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Company be necessary or desirable to carry out the intent of the foregoing resolution (including, without limitation, the execution or filing, as applicable, of such notice of alteration, the New Articles, applications and of certificates or other assurances that the Amendment will not adversely affect creditors or shareholders of the Company, as well as any variation or amendment to the proposed New Articles deemed advisable upon advice of counsel), the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination.

## 5. Consolidation

At the Meeting, and subject to the approval of the Transaction Resolution, Cathedra Shareholders will be asked to consider and, if deemed advisable approve, with or without variation, an ordinary resolution as set forth below (the "**Consolidation Resolution**") authorizing the consolidation (the "**Consolidation**") of the issued and outstanding Company Shares on the basis of one (1) post-consolidation Company Shares for up to one-hundred fifty (150) pre-consolidation Company Shares, or such other lower ratio as the Board may determine, acting in

the best interests of the Company. To be effective, the Consolidation Resolution must be approved by the affirmative vote of not less than a majority of votes cast by the Cathedra Shareholders at the Cathedra Meeting. For details regarding the Consolidation, see *"THE TRANSACTION – Share Consolidation"*.

Completion of the Consolidation is subject to the approval of the Exchange. If the Consolidation Resolution is approved and implemented, the Company will send letters of transmittal to registered Cathedra Shareholders which will provide instructions on how to obtain new share certificates representing the number of Company Shares to which such Cathedra Shareholders are entitled as a result of the Consolidation.

**Unless the Cathedra Shareholder has specifically instructed that his or her Company Shares are to be voted against the Consolidation Resolution, the persons named in the accompanying proxy intend to vote FOR the Consolidation Resolution.**

**The text of the Consolidation Resolution is as follows:**

**"BE IT RESOLVED** as an ordinary resolution of the shareholders of Cathedra Bitcoin Inc. (the "**Company**") that:

1. subject to the approval of the TSX Venture Exchange and the approval of the shareholders of the Company for the acquisition by the Company of all of the issued and outstanding shares of Kungsleden Inc. ("**Kungsleden**") in exchange for shares of the Company (the "**Transaction**"), on the terms and subject to the conditions set out in a Share Exchange Agreement dated as of March 6, 2024 among the Company, Kungsleden and the holders of all of the issued and outstanding shares of Kungsleden, as amended on June 18, 2024, if and when the directors shall deem appropriate to do so, the issued and fully paid common shares without par value of the Company (the "**Common Shares**"), as presently constituted or as may be re-designated, be consolidated on the basis of one (1) post-consolidation Common Share for up to one-hundred fifty (150) pre-consolidation Common Shares, or such other lower ratio as the board may determine (the "**Consolidation**"), acting in the best interests of the Company;
2. the directors of the Company, in their sole and complete discretion, are authorized and empowered to act upon this ordinary resolution to effect the Consolidation and to determine the actual Consolidation ratio (such ratio not to exceed one (1) post-Consolidation Common Share for one-hundred fifty (150) pre-consolidation Common Shares;
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, the Shareholders of the Company to revoke this resolution at any time and to not proceed with the Consolidation; and
4. any officer or director of the Company is hereby authorized and directed, for and on behalf of and in the name of the Company to execute, under the seal of the Company or otherwise, and to deliver, all documents, agreements and instruments and to do all such other acts and things, as such officer or director, may deem necessary or desirable to implement the foregoing resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or doing of any such act or thing."

## **6. Election of Directors**

At the Cathedra Meeting, Cathedra Shareholders will be asked to elect the directors of the Company to hold office until the next annual meeting of shareholders or until the successors of such directors are elected or

appointed. It is desirable, in connection with the Transaction, to:

- (A) elect the current directors of the Company (the “**Current Slate**”) to serve from the close of the Cathedra Meeting until the earlier of: (i) the close of the next annual meeting of shareholders or until their successors are elected or appointed, and (ii) the effective time of the closing of the Transaction; and
- (B) to elect the directors of the Company to serve from the effective time of the closing of the Transaction until the close of the next annual meeting of shareholders, or until their successors are elected or appointed (the “**New Slate**”).

It is a condition to the completion of the Transaction that the New Slate, comprised of seven (7) individuals, be elected, effective at the Closing Date, as directors of the Resulting Issuer. At the Cathedra Meeting, the Transaction will not yet have been completed and there can be no assurance at that time that it will be completed.

Each New Slate director will hold office from the Closing Date until the following annual meeting of shareholders or until their successors are elected or appointed, all as the case may be, unless his or her office is earlier vacated in accordance with the articles of the Resulting Issuer or the provisions of the BCBCA.

**Unless the Cathedra Shareholder has specifically instructed that his or her Company Shares are to be withheld from the election of the Current Slate, the persons named in the accompanying proxy intend to vote FOR the Current Slate, in for form of the following ordinary resolution:**

“**BE IT RESOLVED** as an ordinary resolution of the shareholders of Cathedra Bitcoin Inc. (the “**Company**”) that:

1. the election of each of Antonin Scalia, Thomas Armstrong, Marcus Dent and David Jaques as directors of the Company to hold office until the earlier of:
  - a. The close of the next annual meeting of shareholders of the Company (the “**Shareholders**”) or until their successors are elected or appointed; and
  - b. The Closing Date (as defined in the management information circular of the Company dated June 18, 2024), is hereby approved;
2. subject to the approval of the shareholders of the Company for the acquisition by the Company of all of the issued and outstanding shares of Kungsleden Inc. (“**Kungsleden**”) in exchange for shares of the Company (the “**Transaction**”), on the terms and subject to the conditions set out in a Share Exchange Agreement dated as of March 6, 2024 among the Company, Kungsleden and the holders of all of the issued and outstanding shares of Kungsleden, as amended on June 18, 2024, the number of directors comprising the board shall be fixed at seven (7) from the Closing Date until the next annual meeting of Shareholders; and
3. subject to the approval of the Transaction, the election of Antonin Scalia, Thomas Armstrong, Thomas Masiero, Jialin Qu, Matthew Kita, Marcus Dent and David Jaques as directors of the Company, to hold office from the Closing Date until the next annual meeting of the Shareholders or until their successors are elected or appointed, is hereby approved.”

**Management of the Company recommends that Cathedra Shareholders vote in favour of the recommended directors. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the election of the Current Slate and the New Slate of directors, including to fix the number of**

**directors at seven (7).** The Company does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **proxies held by the persons designated as proxyholders in the accompanying enclosed form of proxy will be voted for another nominee in their discretion unless the Cathedra Shareholder has specified in his or her form of proxy that his or her Company Shares are to be withheld from voting in the election of directors.**

Each director elected as a Current Slate director will hold office from the close of the Meeting until the earlier of (i) the next annual meeting of shareholders or until their successors are elected or appointed, or (ii) the Closing Date, and each director elected as a New Slate director will hold office from the Closing Date until the next annual meeting of shareholders or until their successors are elected or appointed, all as the case may be, unless his office is earlier vacated in accordance with the articles of the Company or the provisions of the BCBCA.

See below for detailed information concerning the Current Slate and the New Slate.

### **Current Slate**

The following table states the name of each person nominated by management for election to the Current Slate, such person's principal occupation or employment, period of service as a director of the Company, and the approximate number of voting securities of the Company that such person beneficially owns, or over which such person exercises direction or control:

<b>Name, and Province and Country of Residence</b>	<b>Principal Occupation During the Last Five Years<sup>(1)</sup></b>	<b>Director Since</b>	<b>Company Shares Owned or Controlled<sup>(1)</sup></b>
<b>Thomas Armstrong<sup>(2)</sup></b> President, COO and Chairman <i>Virginia, USA</i>	President and COO of Cathedra (2021 – present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2019 to 2021); Investment Banking Analyst at Barclays (LON: BARC) (2017 to 2019).	September 24, 2021	3,146,215 (1.32%)
<b>David Jaques<sup>(3)(4)</sup></b> Director <i>London, England, UK</i>	Director of Bluedot Innovation, Inc.(2014 to present); Chairman and Director of Wedo Ventures Limited (2020 to present); Director of Katapult Technology Corp. (TSXV: FUND) (2017 to 2019).	August 16, 2018	1,000,000 (0.42%)
<b>Marcus Dent<sup>(3)(5)</sup></b> Director <i>Texas, USA</i>	Venture Partner at Ten31 (2021 to present); Director of Business Development at Great American Mining LLC (2019 to 2021)	September 2, 2021	390,000 (0.16%)
<b>Antonin Scalia<sup>(3)(6)</sup></b> CEO and Director <i>Montana, USA</i>	CEO of Cathedra (2021 – present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2018 to 2021); Investment Banking Analyst at J.P. Morgan (2017 to 2018) (NYSE: JPM).	September 24, 2021	3,429,664 (1.44%)

**Notes:**

- (1) Information about principal occupation, business or employment, not being within the knowledge of the Company, has been furnished by respective persons set forth above. The information with respect to the Company Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been obtained from SEDI or furnished by the respective individuals. This table does not include Company Shares underlying unexercised stock options and warrants.
- (2) Mr. Armstrong holds options to purchase 325,000 Company Shares.
- (3) Member of the Audit Committee.
- (4) Mr. Jaques holds options to purchase 150,000 Company Shares.
- (5) Mr. Dent holds options to purchase 2,000,000 Company Shares.
- (6) 93,372 of Mr. Scalia's shares are held through a spousal individual retirement account, 314,747 of Mr. Scalia's shares are held through

an individual retirement account and 91,545 of Mr. Scalia's shares are held through Arete Associates Trust. Mr. Scalia holds options to purchase 325,000 Company Shares.

As a group, the directors proposed for the Current Slate beneficially own, control or direct, directly or indirectly, 7,965,879 Company Shares, representing approximately 3.35% of the outstanding Company Shares as of the date hereof.

### **Current Slate – Biographical Information**

See "Information Concerning the Resulting Issuer – Directors, Officers and Promoters" for biographical information on the Current Slate.

### **New Slate**

The following table states the name of each person nominated by management for election to the New Slate, such person's principal occupation or employment, period of service as a director of the Company, and the approximate number of voting securities of the Company that such person beneficially owns, or over which such person exercises direction or control:

<b>Name, and Province and Country of Residence</b>	<b>Principal Occupation During the Last Five Years<sup>(1)</sup></b>	<b>Director Since</b>	<b>Company Shares Owned or Controlled<sup>(1)</sup></b>
<b>Thomas Armstrong</b> President, COO and Chairman <i>Virginia, USA</i>	President and COO of Cathedra (2021 – present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2019 to 2021); Investment Banking Analyst at Barclays (LON: BARC) (2017 to 2019).	September 24, 2021	3,146,215 (1.32%)
<b>David Jaques<sup>(2)</sup></b> Director <i>London, England, UK</i>	Director of Bluedot Innovation, Inc.(2014 to present); Chairman and Director of Wedo Ventures Limited (2020 to present); Director of Katapult Technology Corp. (TSXV: FUND) (2017 to 2019).	August 16, 2018	1,000,000 (0.42%)
<b>Marcus Dent<sup>(2)</sup></b> Director <i>Texas, USA</i>	Venture Partner at Ten31 (2021 to present); Director of Business Development at Great American Mining LLC (2019 to 2021)	September 2, 2021	390,000 (0.16%)
<b>Antonin Scalia<sup>(2)</sup></b> CEO and Director <i>Montana, USA</i>	CEO of Cathedra (2021 – present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2018 to 2021); Investment Banking Analyst at J.P. Morgan (2017 to 2018) (NYSE: JPM).	September 24, 2021	3,429,664 (1.44%)
<b>Jialin Qu</b> <i>New York, USA</i>	Investor and co-founder of Kungsleden's predecessor entity (2022 – Present); Investor in and operator of over 200 megawatts of bitcoin mining capacity across dozens of sites in the United States in roles at various companies.	N/A	Nil
<b>Thomas Masiero</b> <i>Tennessee, USA</i>	CEO of Kungsleden (2022-Present); Head of business development at Cathedra (2022); COO of Great American Mining LLC (2017-2021).	N/A	163,676 (0.07%)
<b>Matthew Kita<sup>(2)</sup></b> <i>Pennsylvania, USA</i>	Chief Legal Officer of Axiom; General counsel of the Company; Various positions within the legal departments of BitGo and FIS.	N/A	100,000 (0.01%)

Notes:

(1) Information about principal occupation, business or employment, not being within the knowledge of the Company, has been furnished



by respective persons set forth above. The information with respect to the Company Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been obtained from SEDI or furnished by the respective individuals. This table does not include Company Shares underlying unexercised stock options and warrants.

- (2) Proposed member of the Audit Committee.

As a group, the directors proposed for the New Slate beneficially own, control or direct, directly or indirectly, 8,229,555 Company Shares, representing approximately 3.46% of the outstanding Company Shares as of the date hereof.

### ***New Slate – Biographical Information***

See “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*” for biographical information on the New Slate.

### **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, no proposed director of the Company is, as at the date of this Circular, or within the 10 years prior to the date of this Circular has been, a director, chief executive officer or chief financial officer, of any company (including the Company) that:

- (a) while that person was acting in that capacity was subject to:
  - (i) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
  - (ii) an order similar to a cease trade order, or
  - (iii) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days (an “**Order**”); or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, no proposed director of the Company (or any personal holding company of any such individual) is, or within the 10 years prior to the date of this Circular has:

- (a) been a director or executive officer of any corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets such individual.

To the knowledge of the Company, no proposed director of the Company (or any personal holding company of any such individual) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## 7. Approval of Amended Long-Term Incentive Plan

The Exchange requires all listed companies with a rolling equity-based incentive plan, to obtain annual shareholder approval of such plan. Additionally, on June 18, 2024, the Board approved amendments to the Company's long-term equity-based incentive plan (the "**LTIP**"), subject to the completion of the Transaction. The amendments include to amending the LTIP to: (a) reflect the Share Structure Alteration, and (b) replenish the number of Company Shares issuable under the LTIP pursuant to the vesting of restricted share units of the Company ("**RSUs**"). Upon completion of the Transaction, the LTIP will become the share-based compensation plan of the Resulting Issuer.

Cathedra Shareholders will be asked at the Meeting to consider and, if deemed advisable, to pass an ordinary resolution ratifying and approving the LTIP for the ensuing year. The Company's current long term incentive plan was last approved by Shareholders at the annual meeting of the Company held on June 3, 2023. A copy of the LTIP is attached as Schedule "J" hereto.

The following is a summary of the terms of the LTIP, which is qualified in its entirety by the provisions of the LTIP as attached to this Circular. All capitalized terms not otherwise defined have the meaning ascribed to them in the LTIP as attached hereto. All references to "Company Shares" in the below summary shall be deemed to refer to the "Subordinate Voting Shares" if the Transaction Resolution and Share Structure Alteration are passed by Cathedra Shareholders at the Cathedra Meeting. All reference to "Resulting Issuer Shares" in the below summary shall be deemed to refer to "Company Shares" if the Transaction Resolution and Share Structure Alteration are not passed by Cathedra Shareholders. All defined terms in the below summary not otherwise defined herein shall have the meaning in the LTIP.

- a) The LTIP provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, options to purchase Company Shares ("**Options**") and RSUs. The LTIP provides for a rolling maximum limit of 10% of the issued and outstanding Resulting Issuer Shares to be issued as options, and, the amended version of the LTIP provided for a fixed maximum of 86,254,193 Company Shares to be issued as RSUs (on a pre-Consolidated, post-Transaction basis), which is equal to 10% of the number of Resulting Issuer Shares expected to be outstanding upon completion of the Transaction. The prior version of the LTIP provided for a fixed maximum of 11,500,000 Company Shares to be issued as RSUs. As of the date of this Circular, there are 3,605,364 Options and 1,716,881 RSUs outstanding under the LTIP.
- b) Disinterested Shareholder Approval is required for any individual grant that would result in the grant to Insiders (as a group), within a twelve (12) month period, of an aggregate number of Options or RSUs exceeding ten percent (10%) of the Resulting Issuer Shares, calculated on the date an Option or RSU, as applicable, is granted to any Insider;
- c) Disinterested Shareholder Approval is required for any individual grant that would result in the number of Company Shares issued to any individual in any twelve (12) month period under the LTIP exceeding five percent (5%) of the Resulting Issuer Shares, less the aggregate number of shares reserved for issuance or issuable under any other share compensation arrangement of the Company;

- d) Each RSU entitles the holder to receive one Company Share.
- e) The exercise price of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option, but in any case shall be no less than the Discounted Market Price. If the Company does not issue a news release to announce the grant and exercise price of an Option, the Discounted Market Price is the last closing price of the Company Shares before the date of the grant of the Option, less the applicable discount.
- f) Directors, officers, consultants and employees of the Company or its subsidiaries, and employees of a person or company which provides management services to the Company or its subsidiaries are eligible to participate in the LTIP. Subject to compliance with requirements of the applicable regulators, Awards Holders may elect to hold Options or RSUs granted to them in an incorporated entity wholly owned by them and such entity is bound by the LTIP in the same manner as if the Awards were held by the Award Holder.
- g) Awards and all rights thereunder shall expire on the date set out in the Award agreement, provided that in no circumstances shall the duration of an Award exceed the maximum term permitted by the applicable regulators.
- h) Options and RSUs may not be exercised during a Black-Out unless the Committee determines otherwise. If the expiry date of an Option or RSU falls within a Black-Out, the Committee shall have the option to extend the expiry date of the Option or RSU for no later than 10 business days after the expiry of the blackout period.
- i) The Board may determine when any Award will become exercisable and may determine that the Award will be exercisable immediately upon the date of grant, or in instalments or pursuant to a vesting schedule. However, unless the Board determines otherwise, Awards issued pursuant to the LTIP are generally subject to a vesting schedule as follows: (i) 1/3 upon the date of grant; (ii) 1/3 upon the first anniversary of the date of grant; and (iii) 1/3 upon the second anniversary of the date of grant.
- j) In the event of the death of an Award Holder, any Awards held by such Award Holder shall pass to the Personal Representative of the Award Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.
- k) The LTIP has been adopted by the Board subject to the approval of the applicable regulators and, if so approved, subject to the discretion of the Board, the LTIP will become effective upon approval at the next general meeting of the shareholders of the Company.

**The Board recommends that Cathedra Shareholders vote FOR the approval of the LTIP for the ensuing year. If the Transaction is not approved by Cathedra Shareholders at the Meeting, the approval for the LTIP will solely be a re-approval of the current LTIP. If the Transaction is approved the by Cathedra Shareholders at the Meeting, the approval for the LTIP will included the amendments thereto as discussed above and in the form attached to this Circular as Schedule “J”**

**Unless the Cathedra Shareholder has specifically instructed in the enclosed form of proxy that the Company Shares represented by such proxy are to be voted against the approval of the LTIP for the ensuing year, the persons named in the accompanying proxy will vote FOR the approval of the LTIP for the ensuing year. To be adopted, this resolution requires a simple majority (50% plus one) of votes of Cathedra Shareholders at the Cathedra Meeting.**

## 8. Other Matters

Management of the Company knows of no amendment, variation or other matter to come before the Cathedra Meeting other than the matters referred to in the Notice of Meeting accompanying this Circular. However, if any other matter properly comes before the Meeting, valid forms of proxy will be voted on such matter in accordance with the best judgment of the persons voting the proxy.

### STATEMENT OF EXECUTIVE COMPENSATION

For information on the compensation of directors and officers of the Company, please see under the heading “Information Concerning the Company – Executive Compensation”.

### AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

The Audit Committee is responsible for monitoring the Company’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements and for directing the auditors’ examination of specific areas.

#### The Audit Committee’s Charter

The charter of the Company’s audit committee and other information required to be disclosed by Form 52-110F2 are attached as Schedule “L”.

#### Composition of the Audit Committee

The members of the audit committee of the Board are David Jaques (Chair), Antonin Scalia and Marcus Dent. Mr. Jaques and Mr. Dent are considered independent as defined in National Instrument 52-110 – *Audit Committees (“NI 52-110”)*. Following completion of the Transaction, it is anticipated that the members of the audit committee will be David Jaques (Chair), Antonin Scalia, Marcus Dent and Matthew Kita. Mr. Jaques, Mr. Dent and Mr. Kita will be considered independent as defined in NI 52-110. All of the audit committee members and proposed audit committee members are considered to be financially literate within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Company’s financial statements.

#### Relevant Education and Experience

The relevant education and experience of each of the members and proposed members of the Audit Committee is as follows:

Name of Member	Relevant Education	Experience
David Jaques <sup>(1)</sup>	Higher National Diploma in Business Administration from Polytechnic of the South Bank, London; UK Chartered Certified Accountant (inactive)	Mr. Jaques has held senior financial positions in banking, corporate and venture capital. In his early career, he held various positions with Barclays Bank in London and provided advisory services in currency and interest rate risk management to the bank’s corporate clients. He held a similar role at Barclays Bank, New York from 1988 to 1993. He was Senior Vice President and Treasurer of Silicon Valley Bank between 1994 and 1999; founding CFO for PayPal from 1999 to 2001 and CFO of BlueRun Ventures from 2001 to 2008. Since 2008 he has provided CFO consulting services through Greenough Consulting Group and has held board positions at Katapult Technology Corp. (TSXV:

Name of Member	Relevant Education	Experience
		FUND), UBL Interactive, Inc., Mobivity Holdings, Inc., Bluedot Innovation, Inc., Digitzs Solutions, Inc. and Wedo Ventures Limited.
Marcus Dent	Undergraduate degree in Economics from DePaul University	Mr. Dent is the founder of TFTC.io, a media company focused on Bitcoin and Freedom in the Digital Age. He is also a Venture Partner at Ten31, a bitcoin-focused venture capital firm. Previously, Mr. Dent served as Director of Business Development at Great American Mining from 2019 to 2021.
Antonin Scalia	Undergraduate degree in Finance from the College of William and Mary	Mr. Scalia previously held roles at Galaxy Digital, where he worked across the firm's investment banking, principal investments, and bitcoin mining divisions; and J.P. Morgan, where he advised large-cap technology companies on capital-raising and mergers and acquisitions transactions out of the firm's investment banking division.
Matthew Kita	Undergraduate degree in Economics and Law degree from The Pennsylvania State University; LLM in Taxation from Temple University	Mr. Kita is an experienced corporate attorney having spent time in both private practice and in-house, most recently as Chief Legal Officer of Axiom, a bitcoin focused finance company. Prior to joining Axiom, Mr. Kita served as general counsel of Cathedra as well as held various positions within the legal departments of BitGo and FIS. Prior to working in-house, Mr. Kita practiced at the law firms Reed Smith and Stevens & Lee. Mr. Kita holds both an undergraduate degree in Economics and a law degree from The Pennsylvania State University and a LLM in taxation from Temple University.

Note:

(1) Chair of the Audit Committee.

**Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

**Reliance on certain Exemptions**

The Company's auditors, KRP LLP, have not provided any material non-audit services.

**Pre-Approval Policies and Procedures**

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services.

**External Auditor Service Fees**

To ensure auditor independence, no non-audit services were requested to be provided to the Company by KRP LLP during the last completed fiscal year. Fees incurred with the Company's external auditors for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table:

	Fees Paid to External Auditors in Fiscal Year Ended December 31, 2023	Fees Paid to External Auditors in Fiscal Year Ended December 31, 2022
<b>Audit Fees<sup>(1)</sup></b>	\$222,500	\$140,000
<b>Audit Related Fees<sup>(2)</sup></b>	\$Nil	\$Nil
<b>Tax Fees<sup>(3)</sup></b>	\$52,350	\$Nil

All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
<b>Total</b>	\$274,850	\$140,000

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

**Exemption**

Since the Company is a "venture issuer" pursuant to NI 52-110 (its securities are not listed or quoted on any of the Toronto Stock Exchange, a market in the U.S., or a market outside of Canada and the U.S.), it is relying on the exemption in section 6.1 of NI 52-110, exempting the Company from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**CORPORATE GOVERNANCE**

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and accountable to shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("58-101").

Set out below is a description of the Company's approach to corporate governance.

**Board of Directors**

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Company. A "material relationship" is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment.

The Cathedra Board is currently comprised of four members, two of whom the Board has determined to be "independent directors" within the meaning of NI 58-101. David Jaques and Marcus Dent are considered independent directors within the meaning of NI 58-101 since they are each independent of management and free from any material relationship with the Company. The basis for this determination is that, since the date of incorporation of the Company, none of the independent directors have worked for the Company, received remuneration from the Company or had material contracts with or material interests in the Company which could interfere with their ability to act with a view to the best interests of the Company. Antonin Scalia is considered non-independent by virtue of his role as Chief Executive Officer of the Company. Thomas Armstrong is considered non-independent by virtue of his role as President and Chief Operating Officer.

Following completion of the Transaction, it is anticipated the Resulting Issuer Board will be comprised of seven

(7) members, three (3) of whom will be “independent directors” within the meaning of NI 58-101. In addition to David Jaques and Marcus Dent, Matthew Kita will be considered independent directors within the meaning of NI 58-101 since they are each independent of management and free from any material relationship with the Company. In addition to Antonin Scalia and Thomas Armstrong, Thomas Masiero and Jialin (Gavin) Qu will not be considered independent due to their role as executive officers of Kungsleden. Individual directors are encouraged to engage an outside advisor at the expense of the Company in appropriate circumstances, and the independent directors have retained independent advice on occasion.

The directors do not hold meetings at which non-independent directors and members of management are not in attendance. However, the Cathedra Board considers that management is effectively supervised by the independent directors on an informal basis as the independent directors are actively and regularly involved in reviewing and supervising the operations of the Company and are able to meet at any time without the non-independent director being present. At the present time, the Board facilitates the exercise of independent judgment in carrying out its responsibilities by carefully examining all material issues and relying heavily on the advice of outside counsel and other advisors in all appropriate circumstances.

### **Directorships**

None of the directors and proposed directors of the Company is also a current director of any other reporting issuer(s) (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

### **Orientation and Continuing Education**

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company’s properties, business, technology and industry and on the responsibilities of directors. Directors are also encouraged to take part in training courses or information sessions provided by regulatory bodies to keep abreast of current developments in corporate governance requirements.

Cathedra Board meetings are always commenced with an update and/or presentation by the Company’s management team to give the directors additional insight into the Company’s business and progress.

### **Ethical Business Conduct**

Each member of the Cathedra Board has been made aware of the fiduciary duties placed on individual directors by the governing corporate legislation and the common law applicable to the Company and the restrictions on an individual director’s participation in decisions of the Cathedra Board in which the director has an interest. The Cathedra Board finds that the knowledge of its members of these legal restrictions is sufficient to ensure that the Cathedra Board operates independently of management and in the best interests of the Company.

Where a Cathedra Board member has an interest in a transaction involving the Company, that director must declare his interest in advance of its consideration by the Board and must refrain from voting on any resolution approving the transaction. Further, the Company’s auditors have full and unrestricted access to the audit committee at all times to discuss their audit and their related findings as to the integrity of the financial reporting process.

### **Nomination of Directors**

The Board of Cathedra considers its size each year when it considers the number of directors to nominate for election at the annual meeting of shareholders, taking into account the size of the Company, its asset base and the number of members required to carry out the Board’s duties effectively and to maintain a diversity of views

and experience.

The Cathedra Board does not have a nominating committee, and these functions are currently performed by the Cathedra Board as a whole. As described under the heading *CORPORATE GOVERNANCE—Board of Directors* below, the Resulting Issuer expects to establish a Corporate Governance Committee (as defined below) which will assist the Board in identifying qualified individuals for nomination to the Board of the Resulting Issuer.

### **Compensation**

The compensation for senior management of the Company and directors is determined by and at the discretion of the Board. The Board determines compensation for the directors, the Chief Executive Officer, and the Chief Financial Officer. See *“Information Concerning the Company - Executive Compensation”* and *“Information Concerning the Resulting Issuer - Executive Compensation”*

### **Board Committees**

In connection with the closing of the Transaction, the Resulting Issuer expects to establish a corporate governance committee of the Board (the **“Corporate Governance Committee”**) which is expected to consist of the following members: Marcus Dent (Chair), Matthew Kita and Thomas Armstrong. See *CORPORATE GOVERNANCE—Board of Directors* above for the independence of these members.

The primary function of the Corporate Governance Committee will be to provide assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders and the investment community by doing the following:

1. developing and recommending to the Board corporate governance principles and policies applicable to the Resulting Issuer;
2. identifying and recommending qualified individuals for nomination to the Board of Directors; and
3. providing such assistance as the Board may require.

The Board has no committees other than the Audit Committee and the Corporate Governance Committee (expected to be established upon the closing of the Transaction).

### **Assessments**

The Cathedra Board has not developed written descriptions or objectives for its executives and looks to generally accepted industry standards as adequately delineating the roles and responsibilities of such persons. There is no formal process for regular assessment of the Board, its committees and individual directors. Rather the Cathedra Board informally assesses performance through ongoing dialogue amongst Board members.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed in this Circular and except for in connection with the Transaction, none of the informed persons of the Company (as defined in National Instrument 51-102 – Continuous Disclosure Obligations), nor any proposed nominee for election as a director of the Company, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the issued shares of the Company, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company’s most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Company and none of such persons has any material interest in any transaction proposed to be undertaken by the Company that will materially affect the Company.



## MANAGEMENT CONTRACTS

There are no management functions of the Company which are to any substantial degree performed by a person or a company other than the directors or executive officers of the Company.

## ADDITIONAL INFORMATION

The Company will provide to any Shareholder, upon written request to the Chief Financial Officer of the Company at 320-638 Broughton Street, Vancouver, British Columbia, V6G 3K3, telephone: (604) 259-0607, a copy of: (a) the audited financial statements of the Company for its most recently completed financial period, together with the management's discussion and analysis of such financial results and the auditor's report thereon, and one copy of any interim financial statements subsequent to the financial statements of the Company that have been filed for any period after the end of its most recently completed financial period; and, (b) this Circular.

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Financial information about the Company may be found in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial period.

## RISK FACTORS

The Resulting Issuer's securities should be considered highly speculative due to the nature of the Resulting Issuer's business. An investor should consider carefully the risk factors set out below. In addition, investors should carefully review and consider all other information contained in this Circular (including all Schedules hereto) before making an investment decision. An investment in securities of the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

The Resulting Issuer Shares should be considered highly speculative, not only due to the nature of the Resulting Issuer's proposed business and operations, but also because of the uncertainty related to completion of the Transaction and the business of the Resulting Issuer if the Transaction is completed. In addition to the other information in this Circular (including all Schedules hereto), shareholders of Cathedra should carefully consider each of, and the cumulative effect of, the following factors, which assume the successful and timely completion of the Transaction.

### **Completion of the Transaction.**

There are risks associated with the Transaction including (i) market reaction to the Transaction and the future trading prices of the Resulting Issuer's Shares cannot be predicted; (ii) uncertainty as to whether the Transaction will have a positive impact on the entities involved therein; and (iii) there is no assurance that required approvals will be received.

There can be no assurance that the Transaction will be completed, or if completed, that it will be completed on the same or similar terms to those set out in the Transaction Agreement. The completion of the Transaction is subject to several conditions under the Transaction Agreement. See "*The Transaction – Conditions to the Transaction*". In the event that any of those conditions are not satisfied or waived, the Transaction may not be completed.

In addition, if the Transaction is not completed, the ongoing business of Cathedra may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the Transaction, and Cathedra could experience negative reactions from the financial markets, which could cause a decrease in the

market price of the Company's Shares. Cathedra may also experience negative reactions from its stakeholders and there could be negative impact on Cathedra's ability to attract future acquisition opportunities. Failure to complete the Transaction or a change in the terms of the Transaction could each have a material adverse effect on Cathedra's, financial condition and results of operations.

**Certain of the conditions precedent to the completion of the Transaction are outside of the control of the Parties.**

The completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of the Cathedra and Kungsleden. Among other things, completion of the Transaction is subject to the approval of the shareholders of Cathedra and obtaining the required regulatory approvals, including the approval of the Exchange. A substantial delay in obtaining any such approvals or the imposition of unfavorable terms or conditions to such approvals could delay the Closing and may adversely affect the business, financial condition or results of the Cathedra, Kungsleden, or the Resulting Issuer. There is no certainty, nor can the Parties provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. In addition, if the Transaction is not completed, the Parties could be subject to litigation related to the failure to complete the Transaction or to require the Parties to perform their respective obligations under the Transaction Agreement. Even if all approvals and orders are obtained and conditions precedent to the completion of the Transaction are satisfied, no assurance can be made as to the terms, conditions and timing of such approvals, orders and consents. Cathedra's and Kungsleden's obligation to complete the Transaction is also subject to the accuracy of the representations and warranties of each other Party (subject to certain qualifications and exceptions) and the performance in all material respects of each other Party's covenants under the Transaction Agreement. As a result of these conditions, the Parties cannot provide assurance that the Transaction will be completed on the terms or timeline contemplated in the Transaction Agreement, or at all.

**The Transaction Agreement may be terminated in certain circumstances.**

Each of the Parties has the right to terminate the Transaction Agreement in certain circumstances. See "*The Transaction – Termination of Transaction Agreement*". Accordingly, there is no certainty, nor can the Parties provide any assurance, that the Transaction Agreement will not be terminated by another Party before the completion of the Transaction. If the Transaction Agreement is terminated and the Transaction is not completed, then the market price of the Company's Shares may decline to the extent that the market price currently reflects a market assumption that the Transaction will be completed. If the Transaction Agreement is terminated, there is no assurance that any of the Parties will be able to find an alternative transaction, or that the terms of any alternative transaction would be more or less favourable than the terms set forth in the Transaction Agreement. In addition, Cathedra or Kungsleden may be required to pay a termination fee (See "*The Transaction – Termination of Transaction Agreement*") depending on the circumstances of the termination. The payment of the termination fee may have a material adverse effect on the business, financial condition and results of operations of the party required to pay the termination fee and may cause the value of the Company Shares to decline.

**The Parties will incur substantial transaction-related costs in connection with the Transaction.**

The Parties expect to incur a number of non-recurring transaction-related costs associated with completing the Transaction that will be incurred whether or not the Transaction is completed. Such costs may offset any expected cost savings and other synergies from the Transaction.

**While the Transaction is pending, the Parties are restricted from taking certain actions.**

The Transaction Agreement restricts the Parties, subject to certain exceptions, from taking specified actions, unless consented to by either one or both other Parties, as the case may be, until the Transaction is completed, which may adversely affect the ability of the Parties to execute certain business strategies. These restrictions may prevent the Parties from pursuing attractive business opportunities that may arise prior to the completion of the Transaction.

**The pending Transaction may divert the attention of management of the Parties, impact the Parties' abilities to attract or retain key personnel or impact the Parties' third party business relationships.**

The pending Transaction could cause the attention of management of any of the Parties to be diverted from day-to-day operations of their respective businesses. These disruptions could be exacerbated by a delay in the completion of the Transaction and could have an adverse effect on the current and future business, operations, results of operations, financial condition or prospects of the Parties regardless of whether the Transaction is ultimately completed. Because the completion of the Transaction is subject to uncertainty, officers and employees of the Parties may experience uncertainty about their future roles, which may adversely affect the Parties ability to attract or retain key management and personnel in the period until the completion or termination of the Transaction.

In addition, third parties with which the Parties currently have business relationships or may have business relationships in the future, including industry partners, customers and suppliers, may experience uncertainty associated with the Transaction, including with respect to current or future relationships with any of the Parties. Such uncertainty could have a material and adverse effect on the current and future business, operations, results of operations, financial condition and prospects of any of the Parties.

**Potential undisclosed liabilities associated with the Transaction.**

In connection with the Transaction, there may be liabilities that the Parties failed to discover or were unable to quantify in their respective due diligence, which was conducted prior to the execution of the Transaction Agreement. It is possible that the Parties may not be indemnified for some or all of such undisclosed liabilities.

**Tax laws.**

There can be no assurance that the CRA, the IRS or other applicable taxing authorities will agree with the intended Canadian and U.S. federal tax consequences of the Transaction. Furthermore, there can be no assurance that applicable Canadian and U.S. tax Laws, regulations or tax treaties will not be changed or interpreted in a manner, or that applicable taxing authorities will not take administrative positions, that are adverse to shareholders of the Parties in respect of the Transaction. Such taxation authorities may also disagree with how the Parties calculate or have in the past calculated their income for income tax purposes. In addition, the Transaction and related transactions may restrict the ability of the Resulting Issuer to use certain pre-combination tax attributes of Kungsleden or Cathedra. Any such events could adversely affect the Resulting Issuer, its share price or the dividends or other payments to be paid to shareholders following completion of the Transaction.

The transactions described herein may have tax consequences in Canada or another jurisdiction, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein, and this Circular is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

The Resulting Issuer is subject to various taxes including, but not limited to the following: income tax; goods

and services tax; sales tax; land transfer tax; and payroll tax. The Resulting Issuer's tax filings will be subject to audit by various taxation authorities. While the Resulting Issuer intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

The Transaction is expected to result in the Resulting Issuer becoming taxable as a United States ("U.S.") corporation under the inversion rules of the Code. If the Resulting Issuer is treated as a U.S. corporation under the inversion rules, the shareholders of the Resulting Issuer will generally be treated as exchanging stock in a Canadian corporation for stock in a U.S. corporation in an inbound reorganization. For further information, see "*Certain U.S. Federal Tax Consequences*".

As described above and under the heading "*Certain U.S. Federal Tax Consequences*" the Transaction is expected to result in the Resulting Issuer becoming taxable as a U.S. corporation under the inversion rules of the Code. As a result, Resulting Issuer shareholders may also be subject to tax in the U.S. on distributions received from the Resulting Issuer and dispositions of Resulting Issuer as described under "*Certain U.S. Federal Income Consequences*." The Resulting Issuer is, however, and will continue to be regarded as a taxable Canadian corporation for purposes of the Income Tax Act (*Canada*) and will generally be regarded as a resident of Canada for purposes of the *Canada-United States Income Tax Convention (1980)*. Both Canada and the U.S. have rules that permit the crediting or deducting of income taxes paid by qualifying taxpayers to the government of the U.S. or Canada, respectively. These rules, however, are very complex and it is unlikely that a Resulting Issuer shareholder will qualify for any foreign tax credits in Canada for taxes paid in the U.S. in respect of such distributions or dispositions. Accordingly, no assurance can be given that all or some of a Resulting Issuer's income will not be subject to double taxation.

**The unaudited pro forma consolidated financial information of the Resulting Issuer, as attached hereto as Schedule "I" is presented for illustrative purposes only and may not reflect the Resulting Issuer's financial condition or results of operations following the Transaction.**

The unaudited pro forma consolidated financial information contained in this Circular is presented for illustrative purposes only as of its respective dates and may not reflect the financial condition or results of operations of the Resulting Issuer following the Transaction for several reasons. The unaudited pro forma consolidated financial information has been derived from the respective historical financial statements of Kungsleden and Cathedra. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited pro forma consolidated financial information does not include, among other things, estimated cost or synergies, adjustments related to restructuring or integration activities, future acquisitions or disposals not yet known or probable. Therefore, the unaudited pro forma consolidated financial information is presented for informational purposes only and is not necessarily indicative of what the Resulting Issuer's actual financial condition or results of operations would have been had the Transaction been completed on the date indicated. Accordingly, the business, assets, results of operations and financial condition of the Resulting Issuer may differ significantly from those indicated in the unaudited pro forma consolidated financial information. See "*Information Concerning the Resulting Issuer*" relating to the Resulting Issuer after giving effect to the Transaction.

**Significant demands will be placed on the Resulting Issuer following completion of the Transaction.**

As a result of the pursuit and completion of the Transaction, significant demands will be placed on the managerial, operational and financial personnel and systems of the Resulting Issuer and the Resulting Issuer cannot provide any assurance that their systems, procedures and controls will be adequate to support the expansion of operations and associated complexity following and resulting from the Transaction. The future

operating results of the Resulting Issuer following completion of the Transaction may be affected by the ability of its officers and key employees to manage changing business conditions, to integrate the businesses of Kungsliden and Cathedra and to execute on the Resulting Issuer's business strategy.

**The issuance of the Exchanged Shares in connection with the Transaction will result in the dilution of ownership and voting interests of current Cathedra shareholder.**

As a result of the issuance of the Exchanged Shares in connection with the Transaction, the ownership and voting interests of the current Cathedra shareholders will be diluted, relative to current proportional ownership and voting interests.

**Risks of new business strategy.**

The Parties have not decided on the future intentions, plans or actions of the Resulting Issuer, including whether the Resulting Issuer will pursue a particular transaction or other strategic outcome following the Transaction, and they have not set a specific timetable for completion of this process. Any such transaction or other strategic outcome the Resulting Issuer does decide to pursue will be subject to a number of risk factors. The success of the Resulting Issuer will depend to a large extent on the expertise, ability, judgment, discretion, integrity and good faith of its management. However, there is no assurance that the future business objectives of the Resulting Issuer will actually be achieved and, as a result, the value of the Resulting Issuer's Shares may increase or decrease due to factors beyond the control of the Resulting Issuer's management.

**Risks relating to the businesses of the Resulting Issuer.**

While the Parties have completed due diligence investigations, including reviewing technical, environmental, legal, tax, accounting, financial and other matters, on each of the other Parties, certain risks either may not have been uncovered or are not known at this time. Such risks may have an adverse impact on the Resulting Issuer following the Transaction and may have a negative impact on the value of the Resulting Issuers Shares.

**Bitcoin halving event.**

The BTC reward for solving a block is subject to periodic incremental halving. Halving is a process designed to control the overall supply and reduce the risk of inflation in BTC using a proof of work consensus algorithm. At a predetermined block, the Mining reward is cut in half, hence the term "halving". The BTC blockchain has undergone halvings four times since its inception. Most recently, in April 2024, the BTC Block Reward decreased from 6.25 to 3.125 BTC per block and, consequently, the number of new BTC issued to cryptocurrency miners as a subsidy decreased to approximately 450 per day, excluding transaction fees.

The May 2020 BTC halving had a significant negative impact on the Company's profitability for several months following the BTC halving. Given that profitability is required for self acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the BTC halving is that market variables of BTC price will adjust over time to ensure that Mining remains profitable. The period of market normalization after the next BTC halving to incentivize profitability levels is unknown.

A BTC Halving is scheduled to occur once every 210,000 blocks, or roughly every four years, until the total amount of BTC rewards issued reaches 21 million, which is expected to occur around 2140. Once 21 million BTC are generated, the network will stop producing more.. While BTC prices have had a history of price fluctuations around BTC Halving events, there is no guarantee that the price change will be favorable or would compensate for the reduction in Mining reward and the corresponding decrease in the compensation the Company receives from Mining.

If BTC price and difficulty do not maintain or continue their trend of adjusting to pre-BTC Halving profitability levels over time, or the period of market normalization after the 2024 Halving to pre-2024 Halving profitability levels is too long, there is a risk that a future BTC halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

**Discretion regarding use by Resulting Issuer of available funds.**

The Resulting Issuer's management will have discretion in the application of available funds. The Resulting Issuer may elect to allocate available funds differently than as described herein if the Resulting Issuer believes it would be in the Resulting Issuer's best interests to do so. The failure by the Resulting Issuer's management to apply these funds effectively could have a material adverse effect on the Resulting Issuer, its business or its financial performance. The Resulting Issuer will not pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding operations. The actual amount of any future dividends, if any, received from the Company will remain subject to the discretion of the board of directors of the Resulting Issuer and will depend on results of operations, cash requirements and future prospects of the Company.

**Market for securities and volatility of share price.**

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. There can be no assurance that an active trading market for the Resulting Issuer Shares will be established or sustained. The market price of the Resulting Issuer Shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, volatility of BTC and other cryptocurrency prices, share price movements of peer companies and competitors, announcements of quarterly variations in operating results, revenues and costs, the Resulting Issuer's financial condition and results of operations, acquisitions and financings completed by the Resulting Issuer and sentiments toward stocks as well as overall market movements, may have a significant adverse impact on the market price of the securities of the Resulting Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of a particular company.

**Speculative nature of investment risk.**

The Resulting Issuer's Shares carry a high degree of risk and should be considered as a speculative investment. The Resulting Issuer will have limited cash reserves, a limited operating history, and is unlikely to pay dividends in the immediate or near future.

**Liquidity and future financing risk.**

The Resulting Issuer will likely operate at a loss until its business becomes established and it may require additional financing in order to fund future operations and expansion plans. The Resulting Issuer'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 the Resulting Issuer 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 Resulting Issuer to alter its capitalization significantly and, if additional financing is raised by issuance of additional shares of the Resulting Issuer from treasury, control may change and shareholders may suffer dilution. The inability of the Resulting Issuer to access sufficient capital for its operations could have a material adverse effect on the Resulting Issuer's financial

condition and results of operations.

**Risks related to the cybersecurity and malicious actors.**

The Resulting Issuer's cryptocurrency inventory may be exposed to cybersecurity threats and hacks. As with any other computer code, flaws in the cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected in the cryptocurrency generally, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare.

Malicious actors may seek to exploit vulnerabilities within cryptocurrency programming codes. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money occur somewhat regularly. For example, hackers have been able to gain unauthorized access to digital wallets and cryptocurrency exchanges.

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 Resulting Issuer's operations.

The computer network operated by the Resulting Issuer may further be vulnerable to intrusions by hackers who could interfere with and introduce defects to the mining operation. Private keys which enable holders to transfer funds may also be lost or stolen, resulting in irreversible losses of cryptocurrencies.

**Access to power and electricity rate risks.**

The Resulting Issuer's operations are dependent on its ability to maintain reliable and economical sources of power in order to run its cryptocurrency mining assets and its hosting operations. While the Resulting Issuer 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 Resulting Issuer. The Resulting Issuer conducts cryptocurrency mining at various data center facilities in Washington, Tennessee, and Kentucky. The costs of electricity offered by the respective electricity suppliers to these data center facilities are available online and are summarized in the respective Rate Schedules. The Resulting Issuer's current and future operations, anticipated growth, and sustainability of electricity at economic prices for the purposes of cryptocurrency mining pose certain risks. There is no assurance that a particular electricity rate structure will remain in effect and the Resulting Issuer's electricity suppliers are under no obligation to lock in rates for any period of time.

Any further increases to the Resulting Issuer's electricity costs at its various data center facilities may limit the profitability of its cryptocurrency mining operations and have a material and adverse effect on the Resulting Issuer's profitability. Any interruption of electrical supply would also have a material and adverse effect on the Resulting Issuer's business.

Additionally, the Resulting Issuer's operations could be materially adversely affected by prolonged power outage. Although hardware may be powered by backup generators on a temporary basis, it would not be feasible or cost-effective to run Mining equipment on backup power generators for extended periods of time. Therefore, the Resulting Issuer may have to reduce or cease its operations in the event of an extended power

outage, or as a result of the unavailability or increased cost of electrical power. If this were to occur, the Resulting Issuer's business and results of operations could be materially and adversely affected, and investors in its securities could be harmed.

**Data centers may experience damage.**

The data centers and Hosting facilities that the Resulting Issuer will have an interest in will be subject to a variety of risks relating to physical condition and operation, including but not limited to:

- (a) the presence of construction or repair defects or other structural or building damage;
- (b) any non-compliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements;
- (c) any damage resulting from natural disasters, such as hurricanes, ice storms, earthquakes, fires, floods, and windstorms;
- (d) theft, fraud;
- (e) citizen and neighbors fighting against Bitcoin and the blockchain industry general; and
- (f) claims by employees and others for injuries sustained at its properties.

For example, the Resulting Issuer's data center's and Hosting facilities could be rendered inoperable, temporarily or permanently, as a result of a fire or natural disaster. The security and other measures the Resulting Issuer may take to protect against these risks may not be sufficient. Additionally, the Resulting Issuer's data centers and Hosting facilities could be materially adversely affected by a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity. Given the power requirement, it would not be feasible to run Mining equipment on backup power generators in the event of a power outage.

Available insurance may cover the replacement cost of lost or damaged machines, but may not cover an interruption of the Resulting Issuer's Mining activities; therefore the Resulting Issuer's insurance, if any, may not be adequate to cover the losses it could suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, Mining equipment may not be adequately repaired in a timely manner or at all and the Resulting Issuer may lose some or all of the future revenues anticipated to be derived from such Mining equipment.

**Server failures.**

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Resulting Issuer works diligently to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. The Resulting Issuer also employs a "hardware" team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farms that the Resulting Issuer operates. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Resulting Issuer.

**Regulatory changes or actions may alter the nature of an investment in the Resulting Issuer or restrict the use of cryptocurrencies in a manner that adversely affects the Resulting Issuer's operations.**



As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Resulting Issuer to continue to operate.

The effect of any future regulatory change on the Resulting Issuer or any cryptocurrency that the Resulting Issuer may mine is impossible to predict, but such change could be substantial and have a material adverse effect on the Resulting Issuer.

Governments may in the future curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the securities of the Resulting Issuer. Such a restriction could result in the Resulting Issuer liquidating its BTC and other cryptocurrency inventory at unfavorable prices and may adversely affect the Resulting Issuer's shareholders.

#### **Risk of equipment breakdown.**

The Resulting Issuer will own Mining Rigs and it is possible that serious defects or deficiencies could arise in these machines, which would make it difficult or impossible for the Resulting Issuer to meet its expected operational levels and could result in a material and adverse effect on the Resulting Issuer's business. In addition, the Resulting Issuer's infrastructure at its Hosting facilities may have become deficient which would require the Resulting Issuer to replace such infrastructure, which and could result in a material and adverse effect on the Resulting Issuer's business

#### **The value of cryptocurrencies may be subject to 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, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Resulting Issuer's cryptocurrency inventory and thereby affect the Resulting Issuer's shareholders. Additionally, even though the Hosting contracts signed by Kungsleden are not dependent on the Bitcoin price, a drop in the Bitcoin price could negatively impact the Hosting business. If the Bitcoin price drops to the point that it is not profitable for the Resulting Issuer's Hosting clients to continue operating their Mining equipment at the Resulting Issuer's Hosting facilities, the clients would stop paying and abandon or move their Mining Rigs and the Resulting Issuer would lose that source of revenue.

#### **Bitcoin network risks.**

The open-source structure of the BTC network protocol means that the core developers of the BTC network and other contributors are generally not directly compensated for their contributions in maintaining and

developing the BTC network protocol. A failure to properly monitor and upgrade the network protocol could damage the BTC network.

The core developers of the BTC network can propose amendments to the BTC network's source code through software upgrades that alter the protocols and software of the BTC 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](http://www.github.com) and [www.bitcointalk.org](http://www.bitcointalk.org). To the extent that a significant majority of the users are miners on the BTC network install such software upgrade(s), the BTC network would be subject to new protocols and software.

The acceptance of the BTC 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 BTC network, result in the operation of two separate networks. Without an official developer or group of developers that formally control the BTC network, any individual can download the BTC network software and make desired modifications, which are proposed to users and miners on the BTC 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 BTC network. Since the BTC network's inception, modifications to the BTC 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 BTC network, a "fork" in the blockchain underlying the BTC 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 Resulting Issuer will follow the chain with the greatest proof of work in the fork.

**The Resulting Issuer may have an evolving business model which is subject to various uncertainties.**

As cryptocurrency assets and blockchain technologies become more widely available, the Resulting Issuer expects the services and products associated with them to evolve. In order to stay current with the industry, the Resulting Issuer's business model may need to evolve as well. From time to time, the Resulting Issuer may modify aspects of its business model relating to its strategy. The Resulting Issuer cannot offer any assurance that these or any other modifications will be successful or will not result in harm to its business. The Resulting Issuer may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Furthermore, the Resulting Issuer cannot provide any assurance that it will successfully identify all emerging trends and growth opportunities in this business sector, and it may lose out on those opportunities. Such circumstances could have a material adverse effect on the Resulting Issuer's business, prospects, or operations.

**Erroneous transactions and human error.**

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Resulting Issuer will adopt to mitigate this risk. To the extent that the Resulting Issuer is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Resulting Issuer's cryptocurrencies through error or theft, the Resulting Issuer will be unable to revert or

otherwise recover incorrectly transferred cryptocurrencies. The Resulting Issuer will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Resulting Issuer's operations. The factors affecting the further development of the industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restriction on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

**Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure.**

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 currencies. For example, a number of BTC exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed BTC exchanges were not compensated or made whole for the partial or complete losses of their account balances in such BTC exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide 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.

#### **Risk of system failure.**

The Resulting Issuer's operations will be dependent on its ability, as well as the ability of third-party operators ("**Third-party Operators**") and WeHash Technology LLP's ("**WeHash LLP**"), 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

Resulting Issuer are technical and complex, and the Resulting Issuer depends on the security procedures to protect the storage, acceptance and distribution of data relating to its inventory or cryptocurrencies. The Resulting Issuer's, Third-party Operators and WeHash LLP's 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 Resulting Issuer's mining operations or safekeeping and storage of its inventory of cryptocurrencies. While the Resulting Issuer 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 Resulting Issuer's operations could have a material and adverse effect on the Resulting Issuer's business.

**Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.**

A number of companies that provide BTC 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 BTC and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide BTC and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming 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 BTC and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Resulting Issuer's cryptocurrency inventory.

**The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain.**

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 Resulting Issuer's cryptocurrency inventory.

The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the price of BTCs. 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 BTCs either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Resulting Issuer's operations and profitability.

**Acceptance and/or widespread use of cryptocurrency is uncertain.**

Currently, there is relatively little use of BTCs and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Resulting Issuer's operations, investment strategies, and profitability.

As relatively new products and technologies, BTC, the Bitcoin network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and

commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculative demand and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Resulting Issuer's operations, investment strategies, and profitability.

**The Resulting Issuer may be required to sell its crypto holdings to pay for expenses.**

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

Further development and acquisitions of server farms and the ongoing operation of the existing mines will require additional capital and monthly expenses. The Resulting Issuer's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the mines and any other mines the Resulting Issuer may acquire are added. There is no assurance that the Resulting Issuer 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 Resulting Issuer will generate net profits in future periods. Further, there can be no assurance that the Resulting Issuer will be cash flow positive in future periods. In the event that the Resulting Issuer fails to achieve profitability in future periods, the value of the Resulting Issuer Shares may decline. In addition, if the Resulting Issuer is unable to achieve or maintain positive cash flows, the Resulting Issuer would be required to seek additional financing, which may not be available on favorable terms, if at all.

**The Resulting Issuer's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.**

The Resulting Issuer competes with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Resulting Issuer. Market and financial conditions, and other conditions beyond the Resulting Issuer'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 Resulting Issuer's securities and reduce their liquidity.

**The Resulting Issuer's crypto holdings may be subject to loss, theft or restriction on access.**

There is a risk that some or all of the Resulting Issuer's tokens could be lost or stolen. Access to the Resulting Issuer's tokens could also be restricted by cybercrime (including, but not limited to, a denial of service attack, conventionally abbreviated as DoS) against a service at which the Resulting Issuer maintains a hosted online wallet. Any of these events may adversely affect the operations of the Resulting Issuer and, consequently, its crypto holdings, investments and profitability.

The loss or destruction of a private key required to access the Resulting Issuer's digital wallets may be irreversible. The Resulting Issuer's loss of access to its private keys or its experience of a data loss relating to the Resulting Issuer's digital wallets could adversely affect its crypto holdings and investments.

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, which wallet's public key or address is reflected in the network's public Blockchain. The Resulting Issuer will publish the public key relating to digital wallets in use when it verifies the receipt of cryptocurrency transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Resulting Issuer will be unable to access its tokens and such private keys will not be capable of being restored by network. Any loss of private keys relating to digital wallets used to store the Resulting Issuer's cryptocurrency could adversely affect its investments and profitability.

**Reliance on manufacturing in foreign countries and the importation of equipment to the jurisdictions in which the Resulting Issuer will operate.**

The Resulting Issuer expects to rely on third party manufacturers in foreign jurisdictions for its Rigs and Hosting equipment. As a result, the Resulting Issuer's business will be subject to risks associated with doing business in such foreign jurisdictions, including, but not limited to: trade protection measures such as the imposition of or increase in tariffs, import and export licensing and control requirements; potentially negative consequences from changes in tax laws (both foreign and domestic); difficulties associated with transacting business with parties in a foreign jurisdiction, including increased costs and uncertainties associated with enforcing contractual obligations; and unexpected or unfavorable changes in other regulations and applicable regulatory requirements.

**Competition.**

The Resulting Issuer's business is intensely competitive, and the Resulting Issuer will compete with other Mining and Hosting companies, many of which have greater resources and experience. A fundamental property of mining associated with many cryptocurrencies is that the computational complexity of the mining algorithm increases over time. This factor along with new industry entrants and price volatility may make certain cryptocurrencies relatively unprofitable to mine compared to others.

**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 Resulting Issuer. 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 Resulting Issuer.

**Incorrect or fraudulent token transactions may be irreversible.**

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred tokens may be irretrievable. As a result, any incorrectly executed or fraudulent token transactions could adversely affect the Resulting Issuer's investments.

Token transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a token or a theft of token generally will not be reversible and the Resulting Issuer may not be capable of seeking compensation for any such transfer or theft. Although the Resulting Issuer's transfers of tokens will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft, fraud or criminal action, the Resulting Issuer's tokens could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

**If the award of tokens for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations.**

As the number of tokens awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant tokens and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Resulting Issuer's cryptocurrency inventory and investments.

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. This transition could be accomplished either by miners independently electing to record on the Blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for tokens may adversely affect their value and result in a reduction in the market price of tokens.

If the award of tokens for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve Blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Blockchain, potentially permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects the Resulting Issuer's mining activities.

If the award of tokens for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the Blockchain until the next scheduled adjustment in difficulty for Block solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Resulting Issuer's Mining activities, inventory of tokens, and future investment strategies.

**The price of tokens may be affected by the sale of tokens by other vehicles investing in tokens or tracking cryptocurrency markets.**

To the extent that other vehicles investing in tokens or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for tokens, large redemptions of the securities of those vehicles and the subsequent sale of tokens by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by the Resulting Issuer.

**The unregulated nature and lack of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in cryptoassets generally.**

Cryptocurrency and digital asset exchanges on which cryptocurrencies and other digital assets trade are relatively new and, in some cases, unregulated. While some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in these exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have been a number of cryptocurrency and digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger cryptocurrency and digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchanges, and their temporary or permanent closure, may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of digital assets. These potential consequences could, indirectly, materially and adversely affect the value of the Resulting Issuer Shares.

**Intellectual property risk.**

The Resulting Issuer cannot assure its shareholders that its activities will not infringe on patents, trademarks or other intellectual property rights owned by others. If the Resulting Issuer 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 Resulting Issuer is found to have infringed on the patents, trademarks or other intellectual property rights of others, the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer.

**Indebtedness.**

The Company has issued the Debentures (as defined below), as described in more detail in this Circular, and the Resulting Issuer will assume such indebtedness may become party to additional debt financing arrangements in the future. The Resulting Issuer's ability to generate and maintain a level of cash flows from operating activities to make scheduled payments on any debt obligations, or to refinance its debt obligations, will depend on, among other things, its future financial and operating performance, which is subject to prevailing economic and competitive conditions, and to various financial, business, regulatory and other factors, some of which are beyond the Resulting Issuer's control. If the Resulting Issuer is unable to fulfill its debt service obligations, it may be forced to reduce or delay capital expenditures or sell assets, seek additional capital or seek to restructure or refinance its indebtedness. Further, any such indebtedness may impair the Resulting Issuer's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, restructuring, acquisitions or general corporate purposes.

**Litigation risk.**

The Resulting Issuer may from time to time be involved in various claims, legal proceedings and disputes arising



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

**Risk related to technological obsolescence and difficulty in obtaining hardware.**

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

The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as individuals purchase equipment for mining at home.

Equipment will require replacement from time to time. Shortages of ASIC (as defined herein) Rigs or GPUs (as defined herein) may lead to unnecessary downtime as the Resulting Issuer searches for replacement equipment.

**Management experience and dependence on key personnel.**

The Resulting Issuer's success is largely dependent on the performance of the proposed directors and officers. Certain members of the Resulting Issuer's management team have experience in the cryptocurrency industry, while others have experience in areas including financial management, corporate finance and sales and marketing. The experience of these individuals is a factor which will contribute to the Resulting Issuer's continued success and growth. The Resulting Issuer will initially be relying on its board members, as well as independent consultants and advisory board, for certain aspects of the Resulting Issuer's business. The amount of time and expertise expended on the Resulting Issuer's affairs by each of its management team, consultants, advisory board members and directors will vary according to the Resulting Issuer's needs. The Resulting Issuer does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any member of management, the Resulting Issuer's Board, or any key employee or consultant, could have a material adverse effect on the Resulting Issuer's future. Investors who are not prepared to rely on the Resulting Issuer's management team should not invest in the Resulting Issuer's securities. See also "*Information Concerning the Resulting Issuer – Directors and Officers*" and "*Information Concerning the Resulting Issuer – Management*".

**Uncertainty of additional funding.**

Further acquisitions of additional Rigs and Mining and Hosting facilities will require additional capital, the ongoing operation of the Resulting Issuers Mining facilities will require ongoing operating costs, and the Resulting Issuer will require funds to operate as a public company. There is no assurance that the Resulting Issuer will be successful in obtaining any required financing or that such financing will be available on terms acceptable to the Resulting Issuer's management. Any future financing may also be dilutive to the shareholders of the Resulting Issuer.

**Uninsured or uninsurable risks.**

The Resulting Issuer may insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Resulting Issuer, or the nature or level may be insufficient to provide adequate insurance cover. The Resulting Issuer may become subject to liability for hazards against which the Resulting Issuer cannot insure or against which the Resulting Issuer may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Resulting Issuer does not carry insurance may have a material adverse effect on the Resulting Issuer's financial position.

**Contractual risk.**

The Company and Kungsleden are parties to various contracts which the Resulting Issuer will assume and it is always possible that contracts to which they are parties will not be fully performed by other contracting parties.

**Unforeseen expenses.**

While the Resulting Issuer 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 expenditure proposals of the Resulting Issuer may be adversely affected.

**Loss of foreign private issuer status.**

The Resulting Issuer may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses. As a foreign private issuer, as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is currently exempt from certain of the provisions of the U.S. federal securities laws.

For example, an issuer with total assets in excess of US\$10 million and whose outstanding equity securities are held by 2,000 or more persons, or 500 or more persons who are not "accredited investors", must register such securities as a class under the Exchange Act. However, as a foreign private issuer subject to Canadian continuous disclosure requirements, the Company may claim the exemption from registration under the Exchange Act provided by Rule 12g3-2(b) thereunder, even if these thresholds are exceeded. To be considered a foreign private issuer, the Resulting Issuer must satisfy a United States shareholder test (not more than 50% of the voting securities of a company must be held by residents of the United States) if any of the following disqualifying conditions apply: (i) the majority of the Resulting Issuer executive officers or directors are United States citizens or residents; (ii) more than 50 percent of the Resulting Issuer's assets are located in the United States; or (iii) the Resulting Issuer's business is administered principally in the United States. A substantial number of Kungsleden's outstanding voting securities are directly or indirectly held of record by residents of the United States. If the Resulting Issuer loses its status as a foreign private issuer, these regulations could apply and it could also be required to commence reporting on forms required of U.S. domestic companies, such as Forms 10-K, 10-Q and 8-K. It could also become subject to U.S. proxy rules, and certain holders of its equity securities could become subject to the insider reporting and "short swing" profit rules under Section 16 of the Exchange Act. In addition, any securities issued by the Resulting Issuer if it loses foreign private issuer status would become subject to certain rules and restrictions under the Securities Act of 1933, as amended, even if they are issued or resold outside the United States. Compliance with the additional disclosure, compliance and timing requirements under these securities laws would likely result in increased expenses and would require the Resulting Issuer's management to devote substantial time and resources to comply with new regulatory requirements.

**Dividends.**

Neither the Company nor Kungsleden has paid any dividends on its outstanding shares, nor is there any intention of the Resulting Issuer paying dividends in the foreseeable future. Any decision to pay dividends on the shares of the Resulting Issuer will be made by its board of directors on the basis of the Resulting Issuer's earnings, financial requirements and other conditions.

**Conflicts of interest.**

Certain of the directors and officers of the Resulting Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including Mining companies) and, as a result of these and other activities, such directors and officers of the Resulting Issuer may become subject to conflicts of interest. The BCBCA provides that in the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director or senior officer must disclose his interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the proposed management of the Resulting Issuer's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Resulting Issuer and a proposed director or officer of the Resulting Issuer except as otherwise disclosed in this Circular.

## THE TRANSACTION

**Background to the Transaction**

The parties to the Transaction are Kungsleden, the Company and the Vendors. The Transaction is an arm's length transaction and terms of the Transaction were determined pursuant to arm's length negotiations between representatives of Cathedra and Kungsleden. Cathedra, in determining whether the Transaction is fair to the shareholders of Cathedra and the proposed Exchange Ratio is appropriate, engaged independent advisors to review and provide an independent comprehensive valuation with regard to the fair market value of the Kungsleden Shares. See "*The Transaction - Valuation*".

In Q4 2023, Cathedra and Kungsleden conducted preliminary due diligence and engaged in structuring and negotiations of the terms and conditions of the Transaction. On December 29, 2023, Cathedra and Kungsleden signed a non-binding term sheet which outlined the terms and conditions of the Transaction. The board of directors of Cathedra reviewed and analyzed the proposed business combination involving Kungsleden, which would result in a "Reverse Takeover" of Cathedra under the policies of the Exchange, and considered any other alternatives to the Transaction. Upon execution of the non-binding term sheet, Cathedra commenced an extensive due diligence process on Kungsleden, and on January 29, 2024, Cathedra and Kungsleden agreed to extend the exclusivity period under the non-binding letter of intent. On March 5, 2024, the directors of Cathedra unanimously resolved to enter into the Transaction Agreement and that the Transaction Agreement was authorized, approved and in the best interest of Cathedra.

Pursuant to the provisions of the Transaction Agreement, the Vendors will exchange their Kungsleden Shares for the Exchanged Shares. The Kungsleden Shares will be exchanged on the basis of the Exchange Ratio pursuant to the terms of the Transaction Agreement. The Parties entered into the Transaction Agreement on March 6, 2024 (as amended on June 18, 2024), and the Transaction Agreement sets forth the terms and conditions of the Transaction. The Vendors constitute all of the shareholders of Kungsleden and each of the Vendors executed and thereby approved the Transaction and the terms and conditions of the Transaction

Agreement. The Transaction is subject to the satisfaction or waiver of all of the conditions precedent outlined in the Transaction Agreement, including, among other things, obtaining the requisite approval of Cathedra's shareholders for, among other things, the Share Structure Alteration, the Transaction and the Consolidation. The Transaction is also subject to the approval of the Exchange.

All summaries of, and references to, the Transaction Agreement in this Circular are qualified in their entirety by reference to the complete text of the Transaction Agreement a copy of which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under Cathedra's issuer profile.

Pursuant to the Transaction, the Vendors, being the holders of all of the issued and outstanding Kungsleden Shares, will receive, 6,253,429,78 Multiple Voting Shares for each Kungsleden Share, as further detailed in the Transaction Agreement. As a result of the Transaction, it is expected that the Company will issue an aggregate of 6,253,429 Multiple Voting Shares, thereby representing Exchanged Shares, for the acquisition of the 1,000,000 issued and outstanding Kungsleden Shares.

### **Resulting Issuer Share Structure**

In connection with the Transaction, Cathedra expects to alter its articles to change the name of the Company Shares to Subordinate Voting Shares and create a second class of shares of Cathedra, being an unlimited class of the Multiple Voting Shares. The re-designation of the Company Shares to Subordinate Voting Shares and the creation of a new class of Multiple Voting Shares is subject to approval by the shareholders of Cathedra, which approval will be sought at the Cathedra Meeting to be held on July 22, 2024 and which will occur prior to completion of the Transaction.

Each Multiple Voting Share will be convertible into Subordinate Voting Shares on the basis of 100 Subordinate Voting Share for each Multiple Voting Share held. In addition, holders of Multiple Voting Shares will be entitled to 1.52 votes per Multiple Voting Share held. On an "as converted" basis, assuming the conversion of the Multiple Voting Shares to Subordinate Voting Shares, the holders of Multiple Voting Shares will have 1.52 votes per Subordinate Voting Share compared to 1 vote per Subordinate Voting Share held by the holders of the Subordinate Voting Shares. Accordingly, upon Closing, the Vendors will own (on a non-diluted basis) approximately 72.5% of the equity of the Resulting Issuer and will hold approximately 80% of the voting power of the Resulting Issuer. Current Cathedra shareholders will hold approximately 27.5% of the equity of the Resulting Issuer and will hold approximately 20% of the voting power of the Resulting Issuer. Following the closing of Transaction, it is expected that the Subordinate Voting Shares, subject to Exchange approval, will be listed for trading on the Exchange. The Multiple Voting Shares will not be listed on the Exchange. For further information on the Share Structure Alternation, please see "*Information Concerning the Resulting Issuer - Description of the Securities - Description of Subordinate Voting Shares and Multiple Voting Shares*" and "*General Proxy Information – Particular of Matters to be Acted Upon – 4. Share Structure Alteration*".

It is expected that, immediately following the completion of the RTO: (a) current shareholders of Cathedra will hold nil Multiple Voting Shares and 237,513,935 Subordinate Voting Shares, representing approximately 100% of the outstanding Subordinate Voting Shares and approximately 27.5% of the outstanding Resulting Issuer Shares; and (b) the Vendors will hold nil Subordinate Voting Shares and 6,253,429 Multiple Voting Shares, representing 100% of the outstanding Multiple Voting Shares and approximately 72.5% of the outstanding Resulting Issuer Shares. The Vendors' 6,253,429 Multiple Voting Shares that will be issued to them in connection with closing of the Transaction will be convertible into 625,342,900 Subordinate Voting Shares. Upon completion of the Transaction, Kungsleden will be a wholly owned subsidiary of the Resulting Issuer.

In connection with the Exchange approval of the Transaction, the Company has provided an undertaking to the Exchange that provides that so long as the Resulting Issuers Shares are listed on the Exchange, it will not issue

any additional Multiple Voting Shares other than the 6,253,429 Multiple Voting Shares to be issued to the Vendors in connection with the Transaction.

#### *Purpose of the Multiple Voting Shares*

The Multiple Voting Shares serve two purposes of note: (a) they allow the Resulting Issuer to maintain foreign private issuer ("FPI") status under United States federal securities laws, and (b) they permit the Vendors to obtain rollover treatment on the disposition of their Kungsleden Shares such that Transaction will be completed on a tax deferred basis to the Vendors. The maintenance of FPI status is important for the Resulting Issuer as such status provides important advantages under special rules and accommodations established by the United States Securities and Exchange Commission.

#### **The Transaction Agreement**

The Transaction will be affected in accordance with the Transaction Agreement, a copy of which has been filed by the Company under its issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) as a material contract. The Transaction will result in a "Reverse Takeover" of Cathedra under the policies of the Exchange. The Transaction Agreement provides for the acquisition by Cathedra of all of the issued and outstanding Kungsleden Shares in exchange for the Exchanged Shares. The Kungsleden Shares will be exchanged for the Exchanged Shares on the basis of the Exchange Ratio. Kungsleden does not have any outstanding convertible securities. The Transaction Agreement contains certain representations and warranties made by each of the Vendors, Kungsleden and the Company in respect of the assets, liabilities, capital, financial position and operations of the Vendors, Kungsleden and the Company, respectively and as may be applicable. In addition, the Parties provide covenants which govern the conduct of their operations and affairs prior to the completion of the Transaction. The Transaction Agreement contains a number of conditions precedent to the obligations of the Parties thereunder. Unless all of such conditions are satisfied or waived by the Party or Parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the Transaction will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

#### ***Covenants***

The Parties have each given to the other usual and customary covenants in respect of the Transaction until the earlier of the Closing Date or the Termination Date to cooperate fully with each other and to use its reasonable commercial best efforts to:

- (a) assist the other Party in its efforts to complete the Transaction and use best efforts to assist and cooperate in obtaining all necessary consents, assignments, waivers, amendments or terminations to any instruments or take such other measures as may be appropriate to fulfill their obligations and carry out the transactions contemplated under the Transaction Agreement;
- (b) work collaboratively to prepare and file any filings required under applicable laws or rules and policies of the Exchange or other regulatory bodies relating to the Transaction, including, without limitation, the preparation and provision of information to be included in the Circular and to notify the other Parties if such Party becomes aware that any information in the Circular contains any misrepresentation or any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are or were made, or that otherwise requires an amendment or a supplement to the Circular ;
- (c) cause its board of directors to take all actions to complete the Transaction and not take any action

contrary to or in opposition to the Transaction except as otherwise required by their fiduciary duties;

- (d) preserve its assets and goodwill, carry on its business in the ordinary course and use commercially reasonable efforts to ensure that key employees, if any, and key independent contractors, if any, continue their association with the applicable Party, except as contemplated by the Transaction Agreement; and
- (e) obtain the necessary approvals for the completion of the Transaction as expeditiously as possible.

The Parties have agreed to bear their own costs in association with the Transaction.

Cathedra agreed to take, in a timely manner, all commercially reasonable actions and steps necessary in order that (i) effective as at the Closing Date, the Exchanged Shares issuable pursuant to the Transaction Agreement, on a converted basis, be conditionally approved for listing and trading on the Exchange, and (ii) the distribution of the Exchanged Shares are exempt from the prospectus requirement of the securities laws of the Provinces and Territories of Canada, as applicable. Additionally, Cathedra agreed to convene and conduct the Cathedra Meeting in accordance with its constating documents and applicable law as soon as reasonably practicable following the date of the Transaction Agreement and not to adjourn, postpone or cancel the Cathedra Meeting without the prior written consent of or unless such adjournment, postponement or cancellation is required by applicable law. CBIT agreed to: (i) use its commercially reasonable efforts to solicit proxies in favour of the approval of the Cathedra Shareholders Resolutions; (ii) provide a recommendation to the shareholders of Cathedra to vote in favour of the Cathedra Shareholders Resolutions; (iii) give notice to Kungsleden of the CBIT Meeting and allow Kungsleden's representatives and Counsel to attend the Cathedra Meeting; and (iv) advise Kungsleden as Kungsleden may reasonably request as to the aggregate tally of the proxies received by Cathedra in respect of the Cathedra Shareholders Resolutions.

#### ***Conditions to the Transaction***

The respective obligations of the Parties to complete the transactions contemplated by the Transaction Agreement are subject to a number of conditions which must be satisfied or waived in order for the Transaction to be completed. There is no assurance that these conditions will be satisfied or waived on a timely basis or at all. The following significant conditions, in addition to other conditions, are contained in the Transaction Agreement:

- (a) the representations and warranties of the Parties in the Transaction Agreement shall be true and correct in all material respects as of all relevant dates, including the Closing Date;
- (b) the terms, covenants and conditions of the Parties in the Transaction Agreement have been complied with or performed by the applicable Party at or before the Closing Date;
- (c) no material adverse change shall have occurred in the share capital, the business, results of operations, assets, liabilities, financial condition or affairs of Cathedra and Kungsleden, financial or otherwise, between the date of signing the Transaction Agreement and the completion of the Transaction;
- (d) each of Cathedra and Kungsleden shall have obtained all necessary approvals from its directors and shareholders, as applicable, in order to complete the Transaction and all matters incidental thereto requiring such approval, including but not limited to the Cathedra Shareholder Resolutions;

- (e) each of Cathedra, Cathedra's subsidiaries, Kungsleden and Kungsleden's subsidiaries shall be in good standing pursuant to the laws of their jurisdiction of existence;
- (f) all necessary approvals from any regulatory authorities for the Transaction shall have been obtained, including the satisfaction of all conditions imposed by such regulatory authorities, including, without limitation, the acceptance by the Exchange of the transactions contemplated in Transaction Agreement and the Exchange's approval to list the Exchanged Shares (once converted into Subordinate Voting Shares); and
- (g) such other conditions as enumerated in the Transaction Agreement which is available for review on Cathedra's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### ***Representations and Warranties***

The Transaction Agreement contains representations and warranties made by the Parties. The assertions embodied in those representations and warranties are solely for the purposes of the Transaction Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are subject to a standard of materiality or are qualified by a reference to the concept of an "adverse event" or "adverse change". Therefore, the representations and warranties in the Transaction Agreement should not be relied on as statements of factual information.

The Transaction Agreement contains representations and warranties of the Parties relating to certain matters including, among other things: incorporation; absence of conflict with or violation of constating documents, agreements or applicable laws; authority to execute and deliver the Transaction Agreement and perform its obligations under the Transaction Agreement; due authorization and enforceability of the Transaction Agreement; composition of share capital; options or other rights for the purchase of securities; financial condition, records and accounts; its assets, and conduct of operations; absence of litigation, judgment or order; employment matters; reporting issuer and listing status; and matters related to the Transaction. The representations and warranties in the Transaction Agreement may be reviewed in their entirety by accessing the Transaction Agreement on Cathedra's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### ***Termination of Transaction Agreement***

The Transaction Agreement may be terminated (i) by mutual agreement of the Parties, (ii) by Kungsleden or Cathedra in the event that any condition precedent of Closing for the benefit of a Party is not fulfilled or waived within the time required or becomes incapable of being satisfied, or (iii) by either Cathedra or Kungsleden in the event that closing has not occurred on or before August 31, 2024, or such later date as may be agreed to by Cathedra and Kungsleden (provided that the right to terminate the Transaction Agreement under this shall not be available to any Party whose failure to fulfill any of its obligations under the Transaction Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated by the Transaction Agreement by such date).

If either Cathedra or Kungsleden terminates the Transaction Agreement in the event that closing has not occurred on or before August 31, 2024 and all of the conditions to the other party's obligations to complete the Transaction, have been satisfied (other than any such conditions that by their nature are to be satisfied by the Closing Date, in which case such party demonstrates that they are ready, willing and able to satisfy such conditions), the parties acknowledge that the terminating party will have suffered a loss in value of an incalculable nature and amount, unrecoverable in law, and the non-terminating party (which for certainty shall either be Cathedra or Kungsleden and not any of the Vendors, as applicable) shall pay to the terminating party a fee of US\$250,000.

## Share Consolidation

Following the completion of the Transaction and at a time to be determined by the Board of the Resulting Issuer, the Resulting Issuer expects to consolidate the Subordinate Voting Shares and Multiple Voting Shares on the basis of one Subordinate Voting Share or Multiple Voting Share, as applicable, for up to one-hundred fifty pre-Consolidation Subordinate Voting Shares or Multiple Voting Shares, as applicable. The exact Consolidation ratio will be determined by the Board of the Resulting Issuer prior to the Consolidation, provided that in no event shall the Consolidation ratio exceed one post-Consolidation Subordinate Voting Share or Multiple Voting Share, as applicable, for one-hundred fifty pre-Consolidation Subordinate Voting Shares or Multiple Voting Shares, as applicable. The Consolidation is not expected to occur immediately following the completion of the Transaction. At the time the Board of the Resulting Issuer resolves to implement the Consolidation, the Resulting Issuer will announce this intention in a press release and will apply for Exchange approval at the Consolidation at that time. Completion of the Consolidation will be subject to Exchange Approval. The Multiple Voting Shares and Subordinate Voting Shares will be consolidated on the basis of the same consolidation ratio.

### Principal Effects of the Share Consolidation

The Consolidation will not have a dilutive effect on the Resulting Issuer shareholders since each Resulting Issuer shareholder will, subject to rounding, hold the same percentage of Resulting Issuer Shares outstanding immediately following the Consolidation as such Resulting Issuer shareholder held immediately prior to the Consolidation. The Consolidation will not affect the relative voting and other rights that accompany the Resulting Issuer Shares.

The principal effects of the Consolidation include the following:

- (a) the fair market value of each Resulting Issuer Share will increase;
- (b) based on the number Resulting Issuer Shares expected to be issued and outstanding at closing (being 862,856,835 Resulting Issuer Shares), the number of issued and outstanding Resulting Issuer Shares would be reduced to approximately 5,752,378 Resulting Issuer Shares (subject to rounding) based on a Consolidation ratio of one (1) post-Consolidation Resulting Issuer Share for each one-hundred fifty (150) pre-Consolidation Resulting Isser Shares. The exact Consolidation ratio will be determined by the Board of the Resulting Issuer in its sole discretion prior to the effective time of the Consolidation, subject to a maximum Consolidation ratio of one (1) post-Consolidation Resulting Issuer Share for each one-hundred fifty (150) pre-Consolidation Resulting Issuer Shares;
- (c) as the Resulting Issuer will have unlimited number of Resulting Issuer Shares authorized for issuance, the Consolidation will not have any effect on the number of Resulting Issuer Shares available for issuance.

After the Consolidation, there will be no change in the voting rights or conversion rights of the Multiple Voting Shares. Each Multiple Voting Share will continue to be convertible into Subordinate Voting Shares at a conversion ratio of 1 Multiple Voting Share for 100 Subordinate Voting Shares and each Multiple Voting Share will continue to carry 152 votes per Multiple Voting Share.

### Effect on Fractional Shareholders

No fractional shares will be issued, and no cash consideration will be paid, if, as a result of the Consolidation, a registered Cathedra shareholder would otherwise become entitled to a fractional Resulting Isser Share. After



the Consolidation, then current Resulting Issuer Shareholders will have no further interest in Cathedra with respect to their fractional Resulting Issuer Shares. This is not, however, the purpose for which the Company is effecting the Consolidation.

#### Effect on Share Certificates

Registered Resulting Issuer shareholders will be required to exchange certificate(s) representing pre-Consolidation Resulting Issuer Shares in order to receive certificate(s) representing post-Consolidation Resulting Issuer Shares. A letter of transmittal, containing instructions on how to surrender certificate(s) representing pre-Consolidation Resulting Issuer Shares in order to receive certificate(s) representing post-Resulting Issuer Company Share, will be sent to registered Resulting Issuer shareholders.

#### Procedure for Implementing the Consolidation

The Consolidation is expected to be implemented after Closing and approval has been received by the Exchange by filing Form 11 with the Registrar pursuant to the BCBCA, which will become effective on the date a new Notice of Articles is issued by the Registrar under the BCBCA.

#### **Reasons for the Transaction**

The Cathedra Board considers the Transaction to be a positive development for Cathedra based on the terms of the Transaction Agreement. In evaluating the Transaction, the Cathedra Board considered a number of factors, including among other things, the following:

- (a) *Strengthened Marketability for the Resulting Issuer.* Cathedra and Kungsleden have complementary assets and management teams. Cathedra's asset base consists primarily of bitcoin mining machines and Kungsleden's consists primarily of data centers which host bitcoin mining machines. Management and the Board of the Resulting Issuer is expected to have strong operational and development expertise in the BTC Mining industry which may position the Resulting Issuer to scale expediently.
- (b) *Process.* An extensive due diligence process was undertaken by Cathedra and in weighing potential strategic alternatives and the current economic prospects of Cathedra and the Resulting Issuer, and the Transaction was determined to be the most attractive of any such alternatives.
- (c) *Valuation.* The Valuation provided by Evans outlines a range of fair market value for Kungsleden that is supportive of the Transaction, subject to and based on the considerations, assumptions and limitations described in the Valuation. Based on the Valuation, the Cathedra Board determined the Transaction is fair, from a financial point of view to Cathedra. See "*The Transaction – Valuation*".
- (d) *Negotiated Transaction.* The terms of the Transaction are the result of a comprehensive negotiation process, conducted under the supervision of the Cathedra Board, in respect of the key elements of the Transaction Agreement, which includes terms and conditions that are reasonable in the judgment of the Cathedra Board.
- (e) *Track Record of Revenue Generation.* Combined fiscal year 2023 revenues among Cathedra and Kungsleden totaling approximately \$26 million.

## Escrow Restrictions

Pursuant to the Escrow Policy, securities of the Resulting Issuer held by directors, officers and promoters of the Resulting Issuer will be subject to escrow as required by the Exchange.

See *“Information Concerning the Resulting Issuer – Escrowed Securities”*

## Directors and Management

In connection with Closing, it is expected that the following persons will be appointed as directors of the Resulting Issuer:

- i. Antonin Scalia
- ii. Thomas Armstrong;
- iii. Thomas Masiero;
- iv. Jialin (Gavin) Qu (Chairman);
- v. Matthew Kita;
- vi. Marcus Dent; and
- vii. David Jaques;

The initial officers of the Resulting Issuer is expected to consist of:

- i. Antonin Scalia, Chief Executive Officer;
- ii. Thomas Armstrong, President and Chief Operating Officer; and
- iii. Inar Kamaletdinov, Chief Financial Officer and Corporate Secretary.

## Valuation

In connection with its evaluation of the Transaction, Cathedra engaged Evans to prepare a comprehensive valuation report dated May 23, 2024 by Evans (the **“Valuation”**). The Valuation was prepared by persons which have the professional designations of Chartered Business Valuators and Accredited Senior Appraisers. The Valuation provided that, as of the date of the Valuation, and based upon and subject to the assumptions, limitations and qualifications set out in the Valuation, Kungsleden has a fair market value in the range of \$67,320,000 to \$71,630,000.

For the purposes of the Valuation, fair market value is the highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able and a hypothetical willing and able seller, acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have a reasonably knowledge of the relevant facts. Evans scope of review included, among other things, documents provided by Kungsleden, information on Kungsleden’s market from a several different sources, information on mergers and acquisitions in the data center industry and stock market trading and financial data on several peer companies.

Evans employed the “Market Approach” valuation method in its evaluation of Kungsleden, which is a general way of determining a value indication of a business or an equity interest using one or more methods that compare the subject entity to similar businesses, business ownership interest and securities that have been sold. Evans used various sub methods under the “Market Approach” valuation method, to arrive at the fair market value of the equity of Kungsleden, on a controlling, marketable basis in the range of US\$58,490,000 to US\$62,230,000. Evans then applied a discount for lack of marketability of 15% to arrive at the fair market value of the equity of Kungsleden on a controlling, non—marketable basis in the range of US\$49,720,000 to

US\$52,900,000 or \$67,320,000 to \$71,630,000.

### Repricing of Convertible Debentures

In connection with the closing of the Transaction, the Resulting Issuer intends to amend the conversion price (the “**Repricing**”) of 3.5% senior secured convertible debentures of Cathedra due November 11, 2025 (the “**Maturity Date**”) originally issued to the debenture holder (the “**Debenture Holder**”) on November 11, 2021 (the “**Debentures**”), from C\$0.78 to C\$0.15 (on a pre-Consolidation basis) (the “**Amended Conversion Price**”). The Amended Conversion Price will be adjusted in accordance with the Consolidation ratio. The aggregate principal amount outstanding of the Debentures as of the date hereof is C\$5,733,728.38. The Repricing is conditional on the closing of the Transaction and is subject to the final approval of the Exchange.

Cathedra expects that the proposed Repricing will optimize its capital structure and prepare the Resulting Issuer to refocus on profitable growth. The Board of Cathedra has reviewed the Repricing and believes it is in the best interests of shareholders. The remaining outstanding principal amount of the Debentures following the Repricing will continue to bear interest at a rate of 3.5% per annum, payable quarterly in arrears on the last day of March, June, September and December of each year until the Maturity Date. The Repricing is subject to the receipt of regulatory approvals, including the approval of the Exchange.

The Debenture Holder is an “insider” of Cathedra and holds all of the Debentures that are subject to the proposed Repricing. Accordingly, the proposed Repricing is considered a “related party transaction” pursuant to Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). Cathedra expects to rely on the minority shareholder approval requirements pursuant to sections 5.5(b) and 5.7(a) of MI 61-101, as the securities of Cathedra are not listed on enumerated stock exchanges, and the fair market value of the Debentures, being the outstanding principal amount of C\$5,733,728.38 does not exceed 25% of the market capitalization of Cathedra.

### Securities Law Matters

Cathedra is currently a reporting issuer in each of the Provinces and Territories of Canada. The Company Shares are currently listed on the Exchange under the symbol “CBIT”. Following completion of the Transaction, the Resulting Issuer intends to continue under the Company’s name and continue using the stock symbol “CBIT”.

The Exchange has conditionally accepted the Transaction subject to the Company fulfilling all of the requirements of the Exchange. It is a condition of closing of Transaction that the Exchange shall have conditionally approved the Transaction and the listing of the Subordinate Voting Shares. The issuance of Exchanged Shares pursuant to the Transaction will constitute a “Reverse Takeover” of Cathedra as defined under Policy 5.2.

### Certain United States Federal Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations relating to the ownership and disposition of Resulting Issuer Shares by a U.S. Holder and a Non-U.S. Holder (each as defined below). This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), the Treasury Regulations promulgated thereunder (the “**Treasury Regulations**”), judicial authorities, published positions of the U.S. Internal Revenue Service (the “**IRS**”), and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations, possibly with retroactive effect. There can be no assurance that the IRS will not challenge any of the tax considerations described in this summary, and the Resulting Issuer has not obtained, nor does it intend to obtain, a ruling from the IRS or an opinion from legal counsel with respect to the U.S. federal income tax considerations discussed herein. This summary

addresses only certain considerations arising under U.S. federal income tax law, and it does not address the tax on net investment income or the alternative minimum tax, any other federal tax considerations (such as estate or gift taxation, except as described below), or any tax considerations arising under the laws of any state, locality, or non-U.S. taxing jurisdiction. This summary is of a general nature only and does not address all the U.S. federal income tax considerations that may be relevant to a U.S. Holder or Non-U.S. Holder of Resulting Issuer Shares in light of such U.S. Holder or Non-U.S. Holder's circumstances.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Resulting Issuer Shares and who is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation (or other entity classified as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) that has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) the administration over which a U.S. court can exercise primary supervision and all of the substantial decisions of which one or more U.S. persons have the authority to control.

For purposes of this summary, a "**Non-U.S. Holder**" is a beneficial owner of Resulting Issuer Shares and who is not a U.S. Holder.

If a partnership (or other entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds Resulting Issuer Shares, the tax treatment of a partner of such partnership generally will depend upon the status of such partner and the activities of the partnership. Partnerships holding Resulting Issuer Shares and the partners in such partnerships are urged to consult their own tax advisors regarding the tax consequences relating to the ownership and disposition of Resulting Issuer Shares.

**This summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular shareholder. Prospective investors and shareholders are urged to consult their own tax advisors regarding the tax consequences of the ownership and disposition of Resulting Issuer Shares in light of their particular circumstances, as well as the tax consequences under state, local, and non-U.S. tax law and the possible effect of changes in tax law.**

#### ***Tax Residence of the Resulting Issuer for U.S. Federal Income Tax Purposes***

For U.S. federal income tax purposes, a corporation is generally considered to be a U.S. person if it is incorporated under the laws of a state of the U.S. Accordingly, under the generally applicable U.S. federal income tax rules, the Resulting Issuer, which is incorporated under the laws of the Province of British Columbia, would generally be classified as a non-U.S. corporation (and, therefore, not a U.S. person) for U.S. federal income tax purposes. However, Section 7874 of the Code provides an exception to this general rule for so-called "inversions," where shareholders of a U.S. domestic corporation transfer the U.S. domestic corporation stock to a non-U.S. corporation in exchange for non-U.S. corporation stock representing 80% or more of the voting power or the value of the non-U.S. corporation. Such a transaction generally results in the non-U.S. corporation being classified as a U.S. domestic corporation for U.S. federal income tax purposes. Under such inversion rules, although the Resulting Issuer will be organized as a Canadian corporation, it will be treated as a U.S. domestic corporation for all U.S. federal income tax purposes as a result of the Transaction. Accordingly, the Resulting Issuer generally will be subject to U.S. federal income tax on its worldwide income (regardless of

whether such income is “U.S. source” or “foreign source”), and its dividends will be treated as dividends from a U.S. corporation. In addition, the Resulting Issuer will be required to file a U.S. federal income tax return annually with the IRS. It is anticipated that such U.S. tax treatment will continue indefinitely and that the Resulting Issuer Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, regardless of any future changes in the Resulting Issuer’s ownership.

All shareholders should consult their own tax advisors regarding the implications, based on each shareholder’s particular circumstances, of the Company’s status as a domestic corporation for U.S. federal tax purposes.

These rules are complex and there is limited guidance regarding their application. A number of significant and complicated U.S. federal income tax consequences may result from such classification, and this summary does not attempt to describe all such U.S. federal income tax consequences. There may be additional or unforeseen U.S. federal income tax consequences to the Resulting Issuer that are not discussed in this summary. The Resulting Issuer’s status as a domestic corporation for U.S. federal income tax purposes has implications for both Non-U.S. Holders and U.S. Holders. All shareholders should consult their own tax advisors regarding the implications, based on each shareholder’s particular circumstances, of the Company’s status as a domestic corporation for U.S. federal tax purposes. The remainder of this summary assumes that the Resulting Issuer will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

### ***U.S. Federal Income Taxation of U.S. Holders***

#### **Distributions on Resulting Issuer Shares**

It is not anticipated the Resulting issuer will pay dividends on Resulting Issuer Shares. In the event that the Resulting Issuer makes a distribution on Resulting Issuer Shares, the gross amount of such distribution generally will be treated as a dividend to the extent paid out of the Resulting Issuer Shares current or accumulated earnings and profits (as determined under U.S. federal income tax principles). A distribution in excess of current and accumulated earnings and profits will be treated as a tax-free return of capital to the extent of a U.S. Holder’s adjusted tax basis in such Resulting Issuer Shares and, to the extent in excess of adjusted basis, as gain realized on the sale or other disposition of such Resulting Issuer Shares and will be treated as described below under “*Sale or Other Disposition of Resulting Issuer Shares*”. Distributions constituting dividend income to U.S. Holders that are individuals may qualify for reduced rates applicable to qualified dividend income. Distributions constituting dividend income to U.S. Holders that are U.S. corporations may qualify for the dividends received deduction.

#### **Sale or Other Disposition of Resulting Issuer Shares**

A U.S. Holder will generally recognize capital gain or loss on a sale, exchange, redemption (other than a redemption that is treated as a distribution) or other disposition of Resulting Issuer Shares equal to the difference between the amount realized upon the disposition and the U.S. Holder’s adjusted tax basis in the Resulting Issuer Shares so disposed. Such capital gain or loss will be a long-term capital gain or loss if the U.S. Holder’s holding period for the Resulting Issuer Shares disposed of exceeds one year at the time of disposition. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses for individuals and corporations is subject to limitations, including that net capital losses may only offset capital gain income plus \$3,000 of ordinary income in the current year, and net capital losses cannot be carried back to prior years.

#### **Foreign Tax Credits and Limitations**

As a result of the Resulting Issuer being subject to tax both as a U.S. domestic corporation and as a Canadian resident corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to any dividends paid on the Resulting Issuer Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to foreign tax credits, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction are classified as either foreign source or U.S. source. The status of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes is expected to cause any dividends paid by the Resulting Issuer to be treated as U.S. source rather than foreign source income for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Resulting Issuer. Similarly, to the extent a sale or disposition of Resulting Issuer Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder, a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In the case of Canadian withholding on a dividend or in connection with a sale or redemption, a U.S. Holder should be able to instead take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not made an election to credit other foreign taxes during the same taxable year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

### **Foreign Currency**

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange, or other taxable disposition of Resulting Issuer Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own tax advisors concerning issues related to foreign currency.

### **Information Reporting and Backup Withholding**

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of Resulting Issuer Shares payable to a U.S. Holder. Certain U.S. Holders may be subject to backup withholding with respect to the payment of dividends and certain payments of proceeds on the sale or redemption of Resulting Issuer Shares unless such U.S. Holders provide proof of an applicable exemption or a correct taxpayer identification number (usually with an IRS Form W-9), and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. Holder is allowable as a credit against such U.S. Holder's U.S. federal income tax, which may entitle the U.S. Holder to a refund, provided that the U.S. Holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a U.S. Holder who is required to furnish information but does not do so in the proper manner. U.S. Holders should consult their own tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury Regulations.

### ***U.S. Federal Income Taxation of Non-U.S. Holders***

### **Distributions on Resulting Issuer Shares**

It is not anticipated the Resulting issuer will pay dividends on Resulting Issuer Shares. In the event that the Resulting Issuer makes a distribution on Resulting Issuer Shares, the gross amount of such distribution generally will be treated as a dividend to the extent paid out of the Resulting Issuer Shares current or accumulated earnings and profits (as determined under U.S. federal income tax principles). A distribution in excess of current and accumulated earnings and profits will be treated as a tax-free return of capital to the extent of a Non-U.S. Holder's adjusted tax basis in such Resulting Issuer Shares and, to the extent in excess of adjusted basis, as gain realized on the sale or other disposition of such Resulting Issuer Shares and will be treated as described below under "*Sale or Other Taxable Disposition of Resulting Issuer Shares*".

Subject to the discussion below regarding effectively connected income, dividends paid to a Non-U.S. Holder will generally be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate as is specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes to the applicable withholding agent a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate. This certification must be provided to the applicable withholding agent before the payment of dividends and must be updated periodically. If the Non-U.S. Holder holds Resulting Issuer Shares through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to the agent, which will then be required to provide certification to the applicable withholding agent, either directly or through intermediaries. A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders are urged to consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If a Non-U.S. Holder holds Resulting Issuer Shares in connection with the conduct of a trade or business in the United States, and dividends paid to a Non-U.S. Holder are effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the applicable U.S. federal income rates, as if such Non-U.S. Holder were a resident of the United States. A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate as is specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders are urged to consult their own tax advisors regarding these rules and any applicable income tax treaties that may provide for different rules.

### **Sale or Other Disposition of Resulting Issuer Shares**

Subject to the discussion below regarding backup withholding and FATCA, a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon a sale, exchange, or other disposition of Resulting Issuer Shares unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States and, if an applicable income tax treaty so provides, is attributable to a permanent establishment or a fixed base maintained by the Non-U.S. Holder in the United States, in which case, the Non-U.S. Holder generally will be taxed on a net income basis at the U.S. federal income tax rates applicable to U.S. persons (and a corporate holder may be subject to the additional branch profits tax

described above);

- the Non-U.S. Holder is an individual that is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case, the holder generally will be subject to a 30% tax (or such lower rate specified by an applicable income tax treaty) on the net gain derived from the disposition, which may be offset by U.S.-source capital losses, if any, realized during the same taxable year; or
- the Resulting Issuer is or was a “United States real property holding corporation” for U.S. federal income tax purposes at any time during the shorter of the five-year period preceding the disposition or the Non-U.S. Holder’s holding period for the Resulting Issuer Shares, and the Shares are not regularly traded on an established securities market during the calendar year in which the sale or disposition occurs.

Generally, a corporation is a United States real property holding corporation if the fair market value of its “United States real property interests” equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Cathedra believes that the Resulting Issuer could be a United States real property holding corporation, which depends on the relative fair market value of its assets and the classification of certain of its assets as United States real property interests, from time to time. If the Resulting Issuer is a United States real property holding corporation, the tax relating to disposition of stock in a United States real property holding corporation generally would not apply to a Non-U.S. Holder whose holdings, directly, indirectly, and constructively, constituted 5% or less of the Resulting Issuer Shares at all times throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition, provided that the Resulting Issuer Shares are “regularly traded on an established securities market” (as provided in applicable Treasury Regulations) at any time during the calendar year in which the disposition occurs. However, no assurance can be provided that the Resulting Issuer Shares will be regularly traded on an established securities market for purposes of the rules described above. If a Non-U.S. Holder is subject to U.S. federal income tax pursuant to these rules, any gains on the sale or other disposition of Resulting Issuer Shares would be taxed on a net income basis at the rates applicable to U.S. persons (subject to the provisions under an applicable income tax treaty), and the holder would be required to file a U.S. tax return with respect to such gains. In addition, the purchaser of the shares may be required to withhold U.S. tax from the sales proceeds. Non-U.S. Holders are urged to consult their own tax advisors regarding the possible adverse U.S. federal income tax consequences to them if the Resulting Issuer is, or were to become, a United States real property holding corporation.

### **U.S. Estate and Gift Tax Consequences of Owning Resulting Issuer Shares**

Because the Resulting Issuer is expected to be treated as a U.S. corporation under Section 7874 of the Code, U.S. gift, estate, and generation-skipping transfer tax rules may apply to a Non-U.S. Holder. In general, the Resulting Issuer Shares will likely be considered a U.S.-situs assets for U.S. estate tax purposes and could be subject to U.S. estate tax at the death of a Non-U.S. Holder depending on the particular facts and circumstances of the Non-U.S. Holder. Non-U.S. Holders of our shares should consult an independent tax advisor with respect to U.S. gift, estate, and generation-skipping transfer tax consequences applicable to the ownership of the Resulting Issuer Shares.

### ***Additional Withholding Requirements Under FATCA***

Under Sections 1471 through 1474 of the Code, and the Treasury Regulations and administrative guidance thereunder (“FATCA”), withholding tax may apply to certain types of payments made to “foreign financial institutions” (as defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax



may be imposed on dividends on the Resulting Issuer Shares paid to a “foreign financial institution” or to a “non-financial foreign entity” (each as defined in the Code), unless (i) in the case of a foreign financial institution, such institution enters into an agreement with the U.S. government to withhold on certain payments, and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are non-U.S. entities with U.S. owners); (ii) in the case of a non-financial foreign entity, such entity certifies that it does not have any “substantial United States owners” (as defined in the Code) or provides the applicable withholding agent with a certification identifying the direct and indirect substantial United States owners of the entity (in either case, generally on IRS Form W-8BEN-E); or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules and provides appropriate documentation (such as IRS Form W-8BEN-E). Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States may be subject to different rules. Under certain circumstances, a shareholder might be eligible for refunds or credits of such taxes withheld under these rules. Proposed Treasury Regulations would eliminate the requirement to withhold tax under FATCA on gross proceeds from the sale or disposition of property that can produce U.S.-source interest or dividends. The IRS has announced that taxpayers are permitted to rely on the proposed regulations until final Treasury Regulations are issued. Prospective investors are encouraged to consult their own tax advisors regarding the effect of FATCA on their investment in Resulting Issuer Shares in light of their particular circumstances.

#### ***No U.S. Legal Opinion or IRS Ruling***

No legal opinion from U.S. legal counsel or ruling from the United States Internal Revenue Service has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Transaction. Shareholders who are subject to U.S. taxation should consult with their own professional advisers with regard to the Transaction's U.S. tax implications.

#### **Certain Canadian Federal Tax Considerations**

The following summary describes the principal Canadian federal income tax considerations as a result of the Transaction to a beneficial holder of Resulting Issuer Shares who, at all relevant times, for purposes of the application of the Tax Act, (1) deals at arm's length with the Resulting Issuer; (2) is not affiliated with the Resulting Issuer; (3) holds the Resulting Issuer Shares as capital property; and (4) does not use or hold, and is not deemed to use or hold, the Resulting Issuer Shares in a business carried on in Canada (a “**Holder**”). Special rules, which are not discussed in this summary, may apply to a non-Canadian holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act and the *Canada-United States Tax Convention (1980)*, as amended, and on counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular shareholder. This summary is not exhaustive of all Canadian income tax considerations. Accordingly,

Resulting Issuer shareholders should consult their own tax advisors having regard to their own particular circumstances, including in respect of any Canadian tax consequences to them as a result of the Transaction.

### **Holders Resident in Canada**

This portion of the summary is generally applicable to a Holder who, for purpose of the Tax Act and at all relevant times, is or is deemed to be resident in Canada ("**Resident Holder**").

As discussed under "*Certain U.S. Federal Tax Consequences*", if the Transaction constitutes an inversion transaction, the Resulting Issuer will be treated for all purposes of the Code as a U.S. corporation. However, the Resulting Issuer is and will continue to be regarded as a taxable Canadian corporation for purposes of the Tax Act and will generally be regarded as a resident of Canada for purposes of the *Canada-United States Income Tax Convention (1980)*. As a result, Resident Holders may also be subject to tax in the U.S. on distributions received from the Resulting Issuer and dispositions of Resulting Issuer Shares as described under "*Certain U.S. Federal Tax Consequences*". Both Canada and the U.S. have rules that permit the crediting or deducting of income taxes paid by qualifying taxpayers to the government of the U.S. or Canada, respectively. These rules, however, are very complex and it is unlikely that a Resident Holder will qualify for any foreign tax credits in Canada for taxes paid in the U.S. in respect of such distributions or dispositions. Accordingly, no assurance can be given that all or some of a Resident Holder's income will not be subject to double taxation.

### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is not and is not deemed to be resident in Canada ("**Non-Resident Holder**"). Special rules not discussed in this summary may apply to a non-resident insurer carrying on an insurance business in Canada and elsewhere, and any such insurers should consult their own tax advisors.

The general rules with respect to the Canadian federal income tax consequences of the acquisition, holding and disposition of common shares in a taxable Canadian corporation that are listed on a designated stock exchange will apply to Non-Resident Holders. In particular,

- (a) Dividends paid or credited on the Resulting Issuer Shares or deemed to be paid or credited on the Resulting Issuer Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where the Non-Resident Holder is a U.S. resident entitled to benefits under the *Canada-United States Income Tax Convention (1980)* and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%; and
- (b) A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of the Resulting Issuer Shares, unless the Resulting Issuer Shares are "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. Generally, the Resulting Issuer Shares will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that (1) the Resulting Issuer Shares are listed at that time on a designated stock exchange (which includes the Exchange), and (2) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal with at arm's

length, or the Non-Resident Holder together with all such persons, have not owned 25% or more of the issued shares of any class or series of the capital stock of the Resulting Issuer at any time during the 60-month period that ends at that time. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, the Resulting Issuer Shares could be deemed to be taxable Canadian property.

As discussed under “*Certain U.S. Federal Tax Consequences*”, if the Transaction constitutes an inversion, the Resulting Issuer will be treated for all purposes of the Code as a U.S. corporation. However, the Resulting Issuer is and will continue to be regarded as a taxable Canadian corporation for purposes of the Tax Act and will generally be regarded as a resident of Canada for purposes of the *Canada-United States Income Tax Convention (1980)*. As a result, Non-Resident Holders may also be subject to tax in the U.S. on distributions received from the Resulting Issuer and dispositions of the Resulting Issuer Shares as described under “*Certain U.S. Federal Income Tax Consequences*”. Both Canada and the U.S. have rules that permit the crediting or deducting of income taxes paid by qualifying taxpayers to the government of the U.S. or Canada, respectively. These rules, however, are very complex and it is unlikely that a Non-Resident Holder will qualify for any foreign tax credits in Canada for taxes paid in the U.S. in respect of such distributions or dispositions. Accordingly, no assurance can be given that all or some of a Non-Resident Holder’s income will not be subject to double taxation.

### **Income Tax Considerations**

Any discuss of the tax consequences of the Transaction to the Cathedra Shareholders resident in Canada or otherwise has been provided for information purposes and no representation is made about that accuracy of such disclosure. Accordingly, no representation with respect to the Canadian federal or income tax consequences in other jurisdictions to any particular Cathedra Shareholder is made herein. Shareholders should consult their own tax advisors with respect to their particular circumstances including, where relevant, the application and effect of the income and other taxes of any country, province, territory, state or local tax authority.

## **INFORMATION CONCERNING THE COMPANY**

The following information reflects the current business, financial and share capital position of the Company. See “*Information Concerning the Resulting Issuer*” for pro forma business, financial and share capital information following the conclusion of the Transaction.

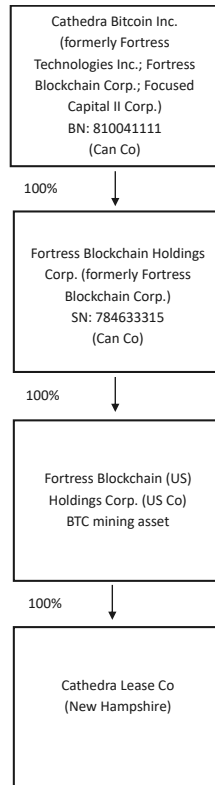
### **Corporate Structure of the Company**

The Company was incorporated on July 13, 2011 pursuant to the *Business Corporations Act (Ontario)* under the name “Focused Capital II Corp.” On August 15, 2018 the Company was continued under the laws of the province of British Columbia. On August 16, 2018 the Company changed its name to “Fortress Blockchain Corp”. On April 10, 2019 the Company changed its name to “Fortress Technologies Inc.”. On December 8, 2021 the Company changed its name to its present name of “Cathedra Bitcoin Inc”. Its head and registered office is located at #320 – 638 Broughton Street, Vancouver, BC V6G 3K3.

Following completion of the Transaction, the Resulting Issuer will hold 100% of the issued and outstanding shares of Kungsleden and will indirectly hold 100% of the issued and outstanding shares of the Kungsleden’s subsidiaries.

As at the date of this Circular, the Company currently has one directly held and wholly-owned subsidiary, being Fortress Blockchain Holdings Corp, a corporation existing under the laws of the province of British Columbia. Fortress Blockchain Holdings Corp. in turns holds the following wholly-owned subsidiary, Fortress

Blockchain (US) Holdings Corp, a corporation existing under the laws of the State of Delaware. Fortress Blockchain (US) Holdings Corp. in turn holds the following wholly-owned subsidiary, Cathedra Leaseco LLC, a limited liability company existing under the laws of the State of New Hampshire. The following is a corporate chart of the Company:



### General Development of the Company

Since incorporation, the Company has taken the following steps to develop its business:

- 1) sought strategic acquisitions of cryptocurrency Mining facilities, commencing with the Original Washington Site acquired from WeHash on February 16, 2018 pursuant to the Original Washington Site acquisition;
- 2) purchased 1400 Bitmain Antminer S9 model Rigs on January 12, 2018 for a total purchase price of approximately US\$3,346,000 in order to mine Bitcoin at the Original Washington Site within the current 2MW capacity, which Rigs arrived on March 6, 2018. All 1400 Bitmain Antminer S9 model Rigs were installed at the Original Washington Site as of March 31, 2018.
- 3) In 2018, commenced Mining BTC at the Original Washington Site after the arrival of the 1400 BitMain Antminer S9 model Rigs purchased by Cathedra for use at the Original Washington Site;
- 4) In 2018, purchased an additional 149 Bitmain Antminer S9 model Rigs for a total purchase price of approximately US\$372,500 for use at the Original Washington Site, which were installed at the Original Washington Site to operate within the additional 0.5 mega-watt capacity at the Original Washington Site;
- 5) In 2018, raised aggregate gross proceeds of \$20,098,394 through the sale of: (a) convertible

debentures convertible for units consisting of an aggregate of 10,000,000 Company Shares and 7,692,308 warrants; (b) units consisting of an aggregate of 8,400,000 Company Shares and 7,007,692 warrants; and (c) 47,377,979 Company Shares.

- 6) On March 21, 2018, Focused Capital II Corp. ("**Focused Capital**") entered into a definitive business combination agreement with Fortress Blockchain Corp. ("**Fortress Blockchain**"), a private British Columbia company incorporated on November 14, 2017, whereby Focused Capital acquired all issued and outstanding shares of Fortress Blockchain on August 16, 2018, on a one-for-one basis (the "**RTO**"). The RTO resulted in the formation of the Company. The RTO was structured as a three-cornered amalgamation pursuant to which Fortress Blockchain amalgamated with 1171054 BC Ltd., a wholly-owned subsidiary of Focused Capital, to form an amalgamated entity carrying on the business of Fortress Blockchain Corp, creating the predecessor to the Company;
- 7) On March 27, 2019, the Company subleased the Original Washington Facility to WeHash for US\$25,000 payable at every thirty-day period (the "Sublease Agreement");
- 8) On May 16, 2019, the Sublease Agreement was amended whereby the US\$25,000 payable at every 30-day period is replaced by a monthly consulting fee for the custody and sale of Bitcoin and transferring proceeds from the sale of Bitcoin to the Company in US dollars;
- 9) In July 2020, the Company announced its intention to commence a normal course issuer bid to purchase for cancellation up to an aggregate of 5,688,227 Company Shares, representing 8% of the Company's issued and outstanding Company Shares. As of December 2020, upon closing of the bid, the Company had repurchased and cancelled 1,450,000 Company Shares for \$195,324;
- 10) On February 24, 2021, the Company entered into an agreement with Canaccord Genuity Corp. acting as lead underwriter, whereby Canaccord agreed to purchase 14,797,700 units of the Company at a price of \$0.63 per unit on a bought-deal private placement basis for aggregate gross proceeds of up to \$9.3 million, which included the full exercise of the over-allotment option. Each unit was composed of one Company Share and one Company Share purchase warrant exercisable to acquire one Company Share at a price of \$0.82 per warrant share at any time prior to the date 60 months following closing. The net proceeds of this private placement were used for the expansion of the Company's Bitcoin Mining operations, growth-related opportunities and general corporate purposes;
- 11) On April 6, 2021, the Company announced that it had launched a new venture in partnership with Great American Mining ("**GAM**") to increase its Bitcoin production. Pursuant to the GAM partnership, the Company commissioned and paid for 12 containers to operate 2,160 bitcoin mining machines (180 machines per container). Under the terms of the GAM Partnership, the Company received between 60% and 85% of the gross Bitcoin mined, depending on prevailing bitcoin mining economics;
- 12) Marcus Dent was appointed to the board of directors of the Company on September 2, 2021;
- 13) On September 24, 2021, the Company announced that Aydin Kilic, Joshua Crumb and Michael Costa resigned from the Board, and Antonin "AJ" Scalia and Thomas "Drew" Armstrong were appointed to the Board. AJ Scalia was also appointed as Chief Executive Officer and Drew Armstrong was appointed President and Chief Operating Officer;
- 14) On September 24, 2021, the Company announced that it had entered into an agreement to purchase approximately \$254,000 worth of bitcoin mining machines and \$306,000 worth of Bitcoin from sellers AJ Scalia and Drew Armstrong in return for 1,000,000 fully paid and non-assessable Company Shares,

for total consideration of \$560,000;

- 15) On October 18, 2021, the Company announced the purchase of 180 new MicroBT Whatsminer M30S bitcoin mining machines to be installed at the Original Washington Site;
- 16) On October 20, 2021, the Company announced that it had entered into an agreement pursuant to a non-brokered private placement offering to issue up to \$20,000,000 of 3.5% senior secured convertible debenture units (each, a **“Convertible Debenture Unit”**) due 36 months following the date of issuance to a consortium of institutional investors (the **“October 2021 Debenture Financing”**). Each Convertible Debenture Unit consisted of: (i) \$1,000 principal amount of senior secured convertible debenture of the Company (each, a **“2021 Convertible Debenture”**) and (ii) 641 Company Share purchase warrants (each, an **“October 2021 Warrant”**), with each October 2021 Warrant exercisable for one Company Share. Each October 2021 Warrant entitles the holder to acquire a Company Share at an exercise price of \$0.95 per October 2021 Warrant for a period of 60 months from the date of issuance. On November 5, 2021, the Company announced an upsize to the October 2021 Debenture Financing (the **“Upsized October 2021 Debenture Financing”**). Upon the Upsized October 2021 Debenture Financing being fully subscribed, there would be an aggregate of \$25,000,000 principal of Convertible Debenture Units outstanding convertible for approximately 32,051,282 Company Shares, and approximately 16,025,000 October 2021 Warrants exercisable for 16,025,000 Company Shares. The Company announced the closing of the Upsized October 2021 Debenture Financing on November 12, 2021, which was fully subscribed;
- 17) On October 22, 2021, the Company announced that three additional containers had been delivered pursuant to the GAM partnership, bringing the production of the GAM partnership mining operation to 92 PH/s across seven GAM containers.
- 18) On November 1, 2021, the Company announced the purchase of 4,500 Bitmain Antminer S19J Pro bitcoin mining machines, expected to be delivered in equal installments from April through September 2022. Upon deployment of all 4,500 machines, the purchase would add 450 PH/s to the Company’s total hash rate. The total capital expenditure for machines and related hardware in the transaction was approximately US\$26 million, which was to be funded using existing working capital and proceeds from the October 2021 Debenture Financing;
- 19) On November 18, 2021, the Company announced that three additional containers had been delivered pursuant to the GAM partnership, bringing the production of the GAM partnership mining operation to 131 PH/s across 10 GAM containers.
- 20) On November 22, 2021, the Company announced the purchase of 600 Bitmain Antminer S19 XP bitcoin mining machines (the **“S19 XPs”**), expected to be delivered in equal installments from July through December 2022. Upon deployment of all 600 machines, the purchase would add 84 PH/s to the Company’s total hash rate;
- 21) On December 8, 2021, the Company announced that one additional container had been delivered pursuant to the GAM partnership, bringing the production of the GAM partnership mining operation to 145 PH/s across 11 GAM Containers;
- 22) On December 8, 2021, the Company changed its name from Fortress Technologies Inc. to Cathedra Bitcoin Inc. The Company Shares commenced trading under the new name on the Exchange on December 10, 2021 under the Company’s new ticker symbol **“CBIT”**;

- 23) On January 24, 2022, the Company announced it had deployed the final container under the GAM partnership in North Dakota, bringing total hash rate under the partnership to 155 PH/s.
- 24) On January 26, 2022, the Company granted 2,361,732 restricted shares units and 266,523 options to acquire Company Shares to employees of the Company and cancelled 1,161,732 restricted share units;
- 25) On February 4, 2022, the Company entered into an equipment financing agreement with NYDIG ABL (“**NYDIG**”), under which NYDIG agreed to provide up to approximately US\$17 million in proceeds to fund the expansion of the Company’s mining operations (the “**NYDIG Financing**”). The NYDIG Financing bore interest at 14% per annum, was to be repaid over the course of 24 months and was collateralized by Bitmain bitcoin mining machines owned by the Company;
- 26) On February 16, 2022, the Company Shares commenced trading on the OTCQX Best Market under the ticker symbol “CBTTF”. The Company Shares continued trading on the Exchange under the symbol “CBIT”;
- 27) On March 4, 2022, the Company announced three additions to the Company’s management team. Isaac Fithian was hired as Chief Field Operations and Manufacturing Officer, Rete Browning was hired as Chief Technology Officer, and Tom Masiero was hired as Head of Business Development;
- 28) On March 17, 2022, the Company announced that it began the manufacturing process for proprietary mobile data centers (the “**Bitcoin Mining Rovers**”). The Bitcoin Mining Rovers were initially developed to house bitcoin mining machines which the Company purchased in November 2021. Production and assembly of the Bitcoin Mining Rovers began in Berlin, New Hampshire, and continued through the course of Fiscal 2022;
- 29) On May 3, 2022, the Company announced that the terms of the GAM partnership had been amended to provide for the conclusion of the business relationship between the Company and GAM on September 15, 2022 (the “**Amended GAM Agreement**”). Under the terms of the Amended GAM Agreement, the Company agreed to collect its bitcoin mining machines from the GAM site in North Dakota. GAM also agreed to purchase the 12 containers back from the Company for approximately US\$935,750 on or before September 15, 2022;
- 30) On May 18, 2022, the Company announced the execution of a subscription agreement with Kingsway Capital and Ten31 for the sale of up to 17,916,667 units (the “**May 2022 Units**”) at a purchase price of \$0.36 per May 2022 Unit (the “**May 2022 Offering**”). Each May 2022 Unit consisted of one Company Share and three quarters of one Company Share purchase warrant (a “**May 2022 Warrant**”). Each May 2022 Warrant entitles the holder thereof to acquire one Company Share for a period of five years following the closing date of the May 2022 Offering. A total of 13,437,500 May 2022 Warrants underly the May 2022 Units, with the following exercise prices: 2,867,500 May 2022 Warrants at an exercise price of \$0.54, 2,867,500 May 2022 Warrants at an exercise price of \$0.79, 2,867,500 May 2022 Warrants at an exercise price of \$1.04, 2,867,500 May 2022 Warrants at an exercise price of \$1.29, and 2,867,500 May 2022 Warrants at an exercise price of \$1.54;
- 31) On May 19, 2022, the Company granted 300,000 restricted shares units and 88,841 options to acquire Company Shares to employees of the Company and cancelled 1,161,732 restricted share units;
- 32) On May 20, 2022, the Company closed the May 2022 Offering for total gross proceeds of \$6,450,000 through the sale of 17,916,667 May 2022 Units;

- 33) On May 23, 2022, the Company entered into a hosting agreement under which the Company agreed to deploy certain bitcoin mining machines at various data centers in Kentucky and Tennessee that are owned and managed by a third-party operator. Under the May Hosting Agreement, which had an initial term of 12 months, the Company pays a fixed rate of US\$0.055 per kilowatt hour, plus 10% of gross bitcoin revenue produced by the hosted machines. The Company installed an aggregate 1,129 S19J Pros at the Kentucky and Tennessee facilities from May through August 2022;
- 34) On May 27, 2022, the Company repaid all principal and interest due on two outstanding equipment loans for a total of \$14,578,870 (US\$11,479,425), in accordance with the terms of the loans;
- 35) On May 30, 2022, the Company announced it had recently installed 323 machines from its first order of S19J Pros at the Original Washington Site, where they replaced older-generation hardware. As of May 30, 2022, the Original Washington Site produced 52 PH/s;
- 36) Throughout May 2022, the Company sold 235 Bitcoin at an average price of \$37,315 (US\$29,152) for total cash proceeds of \$8,768,922 (US\$6,849,646). Throughout the remainder of 2022 and Q1 2023, the Company continued liquidating 100% of mined Bitcoin;
- 37) On June 6, 2022, the Company announced that it intended to complete an offering (the “**June 2022 Offering**”) for the sale of 8,000,000 units (the “**June 2022 Units**”) at a purchase price of \$0.36 per June 2022 Unit, for gross proceeds of approximately \$2,880,000. Each June 2022 Unit consisted of one Company Share and three quarters of one Company Share purchase warrant (each a “**June 2022 Warrant**”) for a period of five years following the closing date. A total of up to 6,000,000 June 2022 Warrants underlie the June 2022 Units, with the following exercise prices: 1,200,000 June 2022 Warrants at an exercise price of \$0.54, 21,200,000 June 2022 Warrants at an exercise price of \$0.79, 21,200,000 June 2022 Warrants at an exercise price of \$1.04, 1,200,000 June 2022 Warrants at an exercise price of \$1.29, and 21,200,000 June 2022 Warrants at an exercise price of \$1.54. On June 9, 2022, the Company closed the June 2022 Offering for total gross proceeds of \$2,880,000 through the sale of 8,000,000 June 2022 Units. Anson Advisors, Inc., an “insider” of the Company, purchased all 8,000,000 June 2022 Units on behalf of certain investment funds for which it serves as co-investment advisor, pursuant to the June 2022 Offering;
- 38) On July 11, 2022, the Company announced that, in connection with major downturns in bitcoin mining conditions, it had paused all major capital expenditures to conserve cash and, accordingly, elected to forgo making final payment on the June batch under its S19J Pro order, opting to receive a reduced allocation of 522 machines (versus the 750 originally contemplated);
- 39) On August 18, 2022, the Company announced it had elected to forgo making final payment on its July batch of S19J Pros, instead taking delivery of a reduced allocation of 635 machines (versus the 750 originally contemplated). The Company also announced its intention to take delivery of its full allocation of 750 machines per month in each of August and September;
- 40) On September 28, 2022, the Company entered into a hosting agreement (the “**September Hosting Agreement**”) with a Kungsleden predecessor entity under which it deployed 372 machines from its May batch of S19J Pros at a third-party data center in Tennessee. Under the initial terms of the September Hosting Agreement, which lasts for an initial term of 12 months, the Company pays a fixed rate of US\$0.07 per kWh, plus 5% of gross bitcoin revenue. The installation of the S19J Pros was completed on October 10, 2022;
- 41) On October 11, 2022, the Company announced that pursuant to the Amended GAM Agreement, the



Company had concluded its partnership with GAM. The last of the Company's machines and containers were retired from the North Dakota site, including four which were tendered to GAM in exchange for waived power and generator expenses, and eight that were relocated into storage;

- 42) On November 14, 2022, the Company announced it had implemented additional measures to reduce operating expenses and increase cash flow, cutting payroll by over 60% through a combination of layoffs and salary reductions, canceling certain real estate leases, and eliminating significant other general and administrative costs;
- 43) In December 2022, the Company prepaid the full outstanding principal balance on its last equipment loan for a total of US\$270,690. The equipment loan carried interest at 15% and was prepaid at par value;
- 44) On January 3, 2023, the purchaser of the S19 XPs in the previously announced XP Sale declined to accept delivery and make payment on the final 200 machines. Consequently, on January 10, 2023, the Company and the purchaser entered into a termination agreement which mutually released each party of and from any and all remaining obligations under the original purchase agreement. The Company retained the 200 remaining S19 XPs for its own mining operations;
- 45) On January 12, 2023, the Company announced it had deployed an additional 920 S19J Pros at the Original Washington Site and had recently optimized its operations at two sites by "underclocking" certain of its existing machines—reducing power draw to improve machine efficiency, as measured by energy consumed per unit of hash rate produced. Additionally, the Company announced it had made further reductions to corporate salaries, saving an estimated US\$285,000 per year in payroll expenses. Furthermore, the Company reached an agreement with the Board to restructure the Board's compensation plan. Under the restructured plan, the Company reduced its total cash directors' fees by US\$62,400 per year and in return granted its directors a total of 1,560,000 restricted share units under the Company's long-term incentive plan for the 2023 fiscal year;
- 46) On January 20, 2023, the Company deployed 150 of the remaining 200 S19 XPs at a third-party data center in Tennessee. Under the terms of the hosting agreement which was with a Kungsleden predecessor entity (the "**January Hosting Agreement**"), which lasts for an initial term of 12 months, the Company pays a fixed rate of US\$0.07 per kWh, plus 10% of gross bitcoin revenue produced by the hosted S19 XPs;
- 47) On January 29, 2023, the Company entered into an agreement to lease a 2.5-megawatt ("MW") bitcoin mining facility (the "**New Washington Facility**") in Washington State (the "January Lease Agreement"). The January Lease Agreement has an initial term of 24 months, under which the Company will make lease payments of US\$108,000 per month, a rate equivalent to US\$0.06 per kWh, including all electricity costs. Under the January Lease Agreement, the Company also received a right of first opportunity to purchase the 2.5-MW facility and several adjacent facilities on the same premises, which together total approximately 10 MW of bitcoin mining capacity;
- 48) On January 29, 2023, the Company entered into an operating agreement (the "**January Operating Agreement**") with a third-party service provider, under which the service provider will manage the Company's bitcoin mining machines at the New Washington Facility in exchange for 10% of the gross revenue produced by the Company's machines at the New Washington Facility. The January Operating Agreement has an initial term of 24 months;
- 49) On February 3, 2023, the Company entered into a hosting agreement with a Kungsleden predecessor

entity (the “**February Hosting Agreement**”) under which it will deploy 490 S19J Pros and 50 S19 XPs at a third-party data center in Kentucky. The February Hosting Agreement has an initial term of 12 months, and the Company will pay a fixed rate of US\$0.07 per kWh, plus 10% of gross bitcoin revenue produced by the hosted machines;

- 50) On April 5, 2023, the Company announced that Roy Sebag had resigned from the Company’s board of directors, effective April 4, 2023. Drew Armstrong, President and Chief Operating Officer, assumed the role of Chairman upon Mr. Sebag’s resignation;
- 51) On April 10, 2023, the Company announced that it has settled \$2,500,000 of principal amount of the 2021 Convertible Debentures in exchange for the issuance of 18,518,518 Company Shares. The remaining principal amount of the 2021 Convertible Debentures will continue to bear interest at a rate of 3.5% per annum from the date of issue, payable quarterly in arrears on the last day of March, June, September and December of each year until November 11, 2024;
- 52) Over the course of Q4 2022 and Q1 2023, the Company liquidated certain credits and coupons from third party suppliers for approximately US\$1.8 million in total cash proceeds;
- 53) On April 18, 2023, the Company announced it had completed the deployment of the 490 S19J Pros and 50 S19 XPs under the February Hosting Agreement. Additionally, the Company deployed approximately 400 of the total 773 S19J Pro machines under the January Lease Agreement;
- 54) In April 2023, the Company began retaining a portion of the bitcoin mined by its operations in the Company’s treasury once again. As of May 24, 2023, the Company held approximately \$3,848,415 of cash and \$653,000 of Bitcoin (17.96 bitcoin) for a total of approximately \$4,501,415 of cash and Bitcoin;
- 55) On June 2, 2023 the Company announced the entering into of a strategic partnership with 360 Mining, Inc. Under the terms of this partnership, Cathedra expects to deploy mobile data centers and bitcoin mining machines at 360 Mining’s off-grid location in Texas, with 360 Mining providing natural gas and power generation infrastructure to supply continuous electricity to Cathedra’s bitcoin mining infrastructure. The parties also reserve the option to abstain from Mining Bitcoin to sell the natural gas to market in the event it is economically advantageous to do so;
- 56) On June 20, 2023, the Company renewed its hosting agreement with an existing partner in Tennessee for another 12-month term beginning on July 1, 2023. Under the terms of the renewed agreement, the Company will pay a fixed rate of US\$72.50 per megawatt hour for electricity and hosting services for 1,129 Bitmain Antminer S19J Pro machines which produce approximately 113 PH/s in aggregate. Additionally, the Company reserved the option to underclock its machines at its discretion, reducing the machines’ break-even hash price to approximately US\$40.00/PH/s/day (vs. current hash price of approximately \$76.00/PH/s/day at time of publication);
- 57) On September 7, 2023 the Company announced the filing of its final base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada. The shelf prospectus will be valid for a 25-month period, during which time the Company may issue Company Shares, warrants, subscription receipts, units, debt securities, and share purchase contracts in amounts at prices and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement having an aggregate offering amount of up to US\$10 million;
- 58) In September, the Company completed the initial deployment of its off-grid mining partnership with

360 Mining in Texas. Further, the Company streamlined its operations by relocating machines from its third-party data center in Kentucky to one of its existing third-party data centers in Tennessee. The relocation did not affect the terms of the existing hosting agreement;

- 59) On October 25, 2023 the Company announced the launch of CathedraOS, an aftermarket software product for bitcoin mining machines. CathedraOS may be downloaded for free on the Company's website at [cathedra.com/firmware](http://cathedra.com/firmware) by all Bitcoin miners who agree to the terms of the concomitant End User Agreement. The Company will receive a share of the hash rate produced by each end user of the software as a developer fee, which is expected to result in capex- and opex-free hash rate expansion for the Company;
- 60) On December 15, 2023 the Company announced that it has settled \$10,743,329 of principal amount of the 2021 Convertible Debentures in exchange for the issuance of 96,439,227 Company Shares. In addition, the Company repaid C\$2,000,000 of principal amount of the 2021 Convertible Debentures to retire C\$3,333,333 of the outstanding principal amount of the 2021 Convertible Debentures and extended the maturity date for the remaining principal amount of \$5,733,728 by an additional 12 months to November 11, 2025.
- 61) On January 3, 2024 the Company announced that it has responded to improving mining conditions by adjusting the settings of approximately 2,000 of its S19J Pro machines hosted in various data centers in Tennessee to approximately 100 TH/s per machine at an efficiency level of 30.0 J/TH, thereby maximizing operating profits under current bitcoin mining conditions and increasing fleet hash rate to approximately 404 PH/s (an improvement of approximately 14% versus previously disclosed fleet hash rate of 355 PH/s);
- 62) On March 7, 2024, the Company announced the Transaction.

### **Significant Acquisitions and Dispositions**

Cathedra has not completed any significant acquisitions or dispositions for which financial statements would be required under National Instrument 41-101 – General Prospectus Requirements or if this Circular was a prospectus of the Company.

### **Narrative Description of the Business and Operations**

#### ***General***

The Company's principal business is cryptocurrency Mining. Mining is the process of confirming transactions to be added on a Blockchain by solving complex, computation puzzles using high-performance computers referred to as Rigs. Mining is critical to the continuing functioning and security of the cryptocurrency network and, to incentivize this activity, a miner that verifies and solves a new Block is awarded newly generated quantity of coins. The Company may exchange a portion of coins earned through its Mining operations for fiat currencies, such as Canadian dollars or US dollars in order to fund forecasted expenses and Rig and related asset acquisitions from time to time, while holding the remainder as inventory to benefit from price appreciation/volatility.

Details regarding the cryptocurrency market and Blockchain technologies, including cryptocurrency, keys and wallets, are provided below.

#### ***Cryptocurrency Market***

Cryptocurrencies first surfaced in 2009 with the debut of Bitcoin as the world's first decentralized cryptocurrency. In early 2010, the initial exchange rate for Bitcoin was 1 BTC = US\$0.003.<sup>4</sup> As of the date hereof, the trading price of one Bitcoin is approximately US\$65,150<sup>5</sup>.

### ***Blockchain Background and History***

Blockchain was discovered with the invention of the cryptocurrency Bitcoin in 2009 by a pseudonymous person or organization known as Satoshi Nakamoto. Satoshi Nakamoto sought to create a new digital currency, but one that was global and not controlled by any single authority. Bitcoin is the oldest and most commonly used cryptocurrency today.

Blockchain is often defined as a distributed ledger or database with decentralized control. The types of databases that could be implemented on the Blockchain are broad and include, among others, databases similar to a bank ledger that record statements of accounts or transactions, or any other digital record of asset ownership, such as an identity system, land registry or even the rights and obligations defined in a contract. In the traditional centralized model (i.e. one that does not include Blockchain technology), the master version of such ledgers are controlled by a bank, government or a trusted third party. Disputes are resolved by checking the master version, through a manual and often redundant reconciliation process. In the decentralized Blockchain model, the master ledger is not stored in one place or controlled by one entity. Every counterparty on the network receives an identical real-time copy of the ledger; the data in the ledger is tamper-proof using cryptography; new states of the ledger are agreed upon by consensus among all parties - with trust achieved through the application of economic game theory, as discussed below; and the entire process is automated using software.

Participants (also referred to as nodes or miners) on a Blockchain network connect their computer resources with each other via a common software protocol. The software appropriates the necessary processing power and storage for the network to run, and acts as a secure messaging system to enable transactions. The protocol is coded with specific rules to ensure the validity of transactions, and shares the ledger and all valid transactions to all participants on the network in real time. This ensures broad persistence of the data, and continuity in the event that any computers go off-line. In public Blockchains the software is open source and created by an open community of developers, while in closed Blockchains the software is created by private organizations.

The shared ledger is made tamper-proof using a cryptographic technique called hashing. A hashing algorithm is a mathematical transformation function with two key properties. First, it accepts any alphanumeric dataset as an input and produces a unique 256 bit code as an output. It is nearly impossible to find another data set that produces the same code. Second, the smallest change in the dataset results in a significant change in the unique code. Any tampering of the dataset can be detected by re-hashing the data and checking for a change in the unique code. Any user that runs the hash algorithm on the same strings will derive the same unique code. Thus, the data on the distributed ledger can be run through a series of hash algorithms to create a unique code, which ensures the entire ledger is immutable. Furthermore, whenever a new set or block of transactions is added to the ledger, it is appended with the code from the prior state of the ledger before it is hashed. This chain links both states of the ledger by combining them into a single unique code. Thus, tampering of any historical state of the ledger can be automatically detected by the Blockchain software protocol.

As new Blocks of transactions are collected, the concepts of game theory are applied before the next Block is hashed and chained to the ledger. This ensures that the data in the new Block is trustworthy and that no participants on the network cheat. The process is commonly referred to as "mining", particularly on the Bitcoin

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<sup>4</sup> <https://coinmarketcap.com/currencies/bitcoin/>

<sup>5</sup> <https://coinmarketcap.com/currencies/bitcoin/>

Blockchain, and in general terms is referred to as a consensus algorithm. Essentially, the miners are network nodes that compete to play a game, with the winner earning the right to record the next Block of data to the Blockchain. The game requires a cost to play, to ensure miners have a vested interest in fair play. A reward is also offered to offset these costs and provide an incentive for miners to participate. Once the winner is determined, the new Block of data must match the versions held by the majority of nodes before the reward is provided. If consensus is not achieved, the reward is not given, and the game is played again. Therefore, the costs of cheating outweigh the benefits, and decentralized trust can be established. Notably, the game is also meritocratic. The number of times a miner can expect to win the Bitcoin reward is based on the proportion of their costs incurred vs the total costs of all miners on the network. Thus, the incentive system is fair, and the rewards are shared proportionally.

In public, open source Blockchains, a token is created to capture the utility value of the underlying service the Blockchain is enabling and provides the incentive that powers the consensus algorithm. Users of the Blockchain must buy the tokens to use the service, with the value of the token determined by market forces of supply and demand. Demand increases with usage, while supply is set by the underlying protocol as determined by the consortium of developers creating the particular Blockchain. Tokens are also provided to the miner as their reward, with the prospects for value appreciation offering an economic incentive for miners to participate and for the consensus algorithm of the Blockchain to function. Tokens also incentivize the addition of processing power to the network, and creates a virtuous circle or network effect for the system to grow from the ground up. Notably, token supply may or may not be capped, and increases may be gradual or immediate, depending on how the particular Blockchain protocol is defined.

Bitcoin was the first Blockchain protocol. In the Bitcoin network, counterparties connect their computers to a shared network via the Bitcoin software protocol. Accounts or wallets are represented by numeric addresses on the network, and coins are represented by unique and specially coded serial numbers. There are two kinds of parties on the Bitcoin network: nodes and miners. Nodes track and check the validity of all transactions. Miners collect groups of transactions into blocks, and compete to earn the right to add these blocks to the Blockchain. The consensus algorithm in Bitcoin is known as Proof-of-Work (PoW). Miners collect blocks of transactions and append the hash of the prior block to the dataset. Miners are then required to add a single additional number (called a “nonce” – number used only once) such that the resulting new hash starts with a certain number of zeros. Miners run the hash calculation over and over to guess the unique nonce that results in a hash with the required number of zeros. The network sets the number of zeros required based on the total processing power among all miners (known as the hash rate), such that the solution takes 10 minutes to find. The miner that finds the solution first earns the right to add their version of the block to the Blockchain. For their efforts, they receive all the transaction fees within the block, plus newly mined or minted Bitcoins, if they are available. The reward is set to halve every four years (with the last halving event occurring in April 2024), and the maximum amount of Bitcoin that will ever be generated is capped at 21 million Bitcoin. Considering that the reward is expected to be cut in half every four years, it is estimated that the supply limit will be reached in the year 2140. When the supply limit is reached, miners only receive the transaction fees as their reward. See *“Risk Factors – Bitcoin Halving Event”*

For users, Bitcoin is valued as a fast and efficient borderless payment network, and valued for the potential as an inflation hedge, given its limited supply. If demand outpaces supply, the value of the coins appreciate. For miners, Bitcoin is valued for transaction fees and new Bitcoin rewards. Furthermore, these incentives ensure sufficient processing power is provided to the network, and creates a virtuous circle or network effect for the system to grow from the ground up.

### ***Types of Blockchains***

Open or public Blockchains: Open or public Blockchains are available to the general public, counterparties are unknown, and protocols are generally open-source and developed by a decentralized community or an open not-for-profit foundation. A token of value is required to drive the incentive and consensus mechanisms of the Blockchain. Examples include Bitcoin, Ethereum and Litecoin. See “*Narrative Description of the Business and Operations - Blockchain – Background and History*” above.

Closed or permissioned Blockchains: Closed or permissioned Blockchains are restricted to known counterparties, and development is more centralized or completely proprietary. Read and write permissions are assigned independently, and a token of value is not required for an incentive mechanism or consensus algorithm. Rather, counterparties share a common interest for trust, such as automation to lower costs. Examples include Chain, Hyperledger and Ripple, each of which are working with major banks to automate back-office operations.

Distributed ledgers and databases: A distributed ledger type of Blockchain can be a simple record of transactions, a record of asset ownership, or a record of rights and obligations between counterparties. Bitcoin and similar payment networks are the simplest types of ledger-based Blockchains. Other examples include identity records (i.e. citizenship, shareholders), ownership registries (i.e. land, cars), supply chains, and systems to manage simple processes like licensing and voting. In some cases such as government-run Blockchain registries, tokens may only have nominal value or may not be required at all.

Smart contracts and distributed applications: In a smart contract, the obligations between counterparties (i.e. payments, approvals or notifications) are recorded and automatically executed by the Blockchain protocol. Ethereum is the second largest Blockchain protocol by market capitalization, and is a platform that enables smart contracts. Ethereum is essentially a distributed computer powered by Ether tokens, with a scripting language to allow for the creation of smart contracts and other tokenized Blockchain applications. The latter are referred to as decentralized applications (DAPPs) and are essentially applications that run autonomously using the decentralized consensus mechanisms of Blockchain. A simplified example of a smart contract is a power utility that creates a tokenized Blockchain network for a neighbourhood. Homeowners would pay monthly tokens to receive power, and in the event of a default, the smart contract could automatically trigger a shutdown and notify the customer’s bank, the regulator and credit agencies as required. Furthermore, consumers that generate excess power could receive tokens as payment from the power authority for net power they contribute to the grid. More significantly, with Blockchain, this type of system can now be created as an open system by a consortium of miners, without the involvement of any central authority, power company or bank. This would be considered a type of distributed application. Smart contract platforms today include Tezos, Eos and Interbit, by BTL Group.

Blockchain systems offer significant advantages over traditional centralized systems, are disruptive to the status quo, and are potentially invaluable to society. The technology is also at its infancy and is rapidly evolving to address significant challenges that it is facing.

Blockchain protocols, while complex, are typically open source and available to all counterparties for scrutiny and evaluation. Participants are also generally free to join and exit at will. While limited regulations at this stage require participants to verify the quality of the protocol on their own, the rules governing protocols can be understood in advance, and can only change with the consensus of the majority of counterparties on the network.

Cryptographic hashing of transactions creates a tamper-proof record of the entire history of a Blockchain. This makes forging of records very unlikely. It also allows for the entire history of a given token to be tracked between addresses, albeit with the appropriate analytical software. Requirements to disclose ownership of network addresses are not ubiquitous, however. Hence Blockchains such as Bitcoin remain pseudonymous.

While it may be possible to track the history of every coin through every address, it may not be possible to identify the address owners without proper regulation.

With no centralized authority or control, Blockchain systems do not have a single source of failure or corruption. Furthermore, consensus algorithms are typically meritocratic, where rewards are distributed in proportion to relative investment in the system. This creates a flatter and more equitable system for shared value creation.

Similar to traditional peer-to-peer networks, the broader the distribution of nodes on the network, the more resilient the network is to infrastructure failures or data corruption. This also reduces the ability for single parties to control, manipulate or even shut the system down.

Blockchains are typically global peer-to-peer networks that are limited only by the reach of the internet, or by the particular rules embedded into each specific Blockchain protocol. This offers a large addressable market for growth and diversification. For Bitcoin, this has been a double-edged sword. Bitcoin's global presence has supported its growth and persistence, but its borderless nature has caused concern for governments and central banks, since regulations for security, capital control, anti-money laundering are not yet in place.

As primarily open source protocols, Blockchains benefit from large, diverse groups of software developers which can accelerate the development of new capabilities. Open source software can often leapfrog traditionally developed software. The success of Android as the most pervasive mobile operating system, and the flexibility of Linux as an operating system deployed in PCs, web servers and cars, are good examples.

Blockchains, and Bitcoin in particular, have powerful built-in network effects. These are generally a consequence of the incentive mechanisms built into the consensus algorithms. Providing a reward to miners through a valuable and potentially appreciating token not only removes the incentive to cheat, but creates the incentive for token owners to recruit more users to the network. During periods of growing adoption, demand will outpace supply and tokens will appreciate, with the majority of the value accruing to the earlier users of the network.

### ***Cryptocurrency***

A cryptocurrency is a form of encrypted and decentralized digital currency, transferred directly between peers across the internet, with transactions being settled, confirmed and recorded in a distributed public ledger through Mining. Cryptocurrency is typically generated in one of two ways, they are either newly created or "minted" through an Initial Coin Offering or "mined" which results in a new coin generated as a reward to incentivize miners for verifying transactions on the Blockchain. Mining cryptocurrency is the only revenue generating activity of the Company.

Cryptocurrencies enable instant transfers to anyone, anywhere in the world. Transactions occurs via an open source, cryptographic protocol platform which uses peer-to peer technology to operate with no central authority. No single entity owns or operates the network, the infrastructure of which is collectively maintained by a distributed user base. Units of a cryptocurrency exist only as data on the internet. Whereas most of the world's money currently exists in the form of electronic records managed by central authorities such as banks, units of a cryptocurrency exist as electronic records in a decentralized tamper-proof transaction database called a Blockchain. See "*Narrative Description of the Business and Operations – Blockchain*" above.

The value of a coin is determined by market supply and demand for the coins, the prices set in transfers as well as the number of merchants that accept the coins. Because coins are digital files that can be transferred without the involvement of intermediaries or third parties, there are little or no transaction costs in direct peer-to-peer

transactions. Coins can be used to pay for goods and services or can be converted to fiat currencies, such as the US dollar, at rates determined by various exchanges.

Cryptocurrencies offer many advantages over traditional (also known as ‘fiat’) currencies, including:

- acting as a fraud deterrent, as cryptocurrencies are digital and cannot be counterfeited or reversed arbitrarily by sender;
- immediate settlement;
- eliminate counterparty risk;
- no centralized intermediary required;
- lower fees;
- identity theft prevention;
- accessible by everyone;
- transactions are verified and protected through a confirmation process, which prevents the problem of double spending currencies;
- decentralized - no central authority (government or financial institution); and
- not bound by government imposed exchange rates.

Examples of some of the largest cryptocurrencies in terms of market capitalization today include Bitcoin, Ethereum, Binance Coin, Solana and Ripple, Litecoin and Bitcoin Cash. As of the date hereof, there are more than thousands digital currencies in existence. See *“Narrative Description of the Business and Operations – Blockchain”* above and *“Narrative Description of the Business and Operations – Bitcoin”* below.

### ***Keys to Cryptocurrency***

A private key is a secret number that allows coins to be spent on a Blockchain protocol. Every digital currency wallet (see *“Narrative Description of the Business and Operations – Cryptocurrency Wallets”* below) contains one or more private keys, which are saved in the wallet file. The private keys are mathematically related to all addresses generated for the wallet.

Because the private key is the “ticket” that allows someone to spend coins, it is important that these are kept secure. Private keys can be kept on computer files, but in some cases are also short enough that they can be printed on paper.

To be able to spend coins and unlock funds, the private key stored in one’s wallet must match the public address the currency is assigned to on the Blockchain. If public and private keys match, the balance of the receiving digital wallet will increase, and the sender’s balance will decrease accordingly. Although the balance associated with the wallet is said to increase, there is no actual exchange of real coins or “storage” within the wallet, as one might expect given the function of a traditional fiat currency “pocket” wallet. The transaction is signified merely by a transaction record on the Blockchain. The wallet itself simply contains the private key which is required to “spend” the cryptocurrency. See *“Narrative Description of the Business and Operations – Cryptocurrency Wallets and Custodians”* below.



### ***Cryptocurrency Wallets and Custodians***

A cryptocurrency wallet is a software program that stores private and public keys (see “*Narrative Description of the Business and Operations – Keys to Cryptocurrency*” above) and interacts with various Blockchains to enable users to send and receive digital currency and monitor their balance. Millions of people use cryptocurrency wallets, but there is considerable misunderstanding about how they work. Unlike traditional fiat currency “pocket” wallets, digital wallets don’t store currency. In fact, currencies don’t get stored in any single location or exist anywhere in any physical form. All that exists are records of transactions stored on Blockchain.

When a new cryptocurrency wallet is opened, two sets of keys are created, a public key and a private key. The public key or address is only used to receive funds into a wallet and does not have to be kept secret as it is receive only access. The private keys allow the user to update and send cryptocurrencies on the Blockchain. These must be kept in a safe place because if you lose your private keys you lose your funds. Receiving or transferring funds is effectively recording a transaction on the Blockchain and linking a public key and private key to the respective funds which is unique to a wallet.

Receipt of funds into a cryptocurrency wallet is effectively documenting a permanent record on the Blockchain that a specified unit of cryptocurrency belongs to an account or wallet. There is no actual movement into the cryptocurrency wallet, it is simply a record tying the fact that currency is owned by that account or private/public key combination.

To receive cryptocurrency into a wallet, users must provide their public key to a sender and the transaction will then be documented on the Blockchain as belonging to that account or public/private key combination. The private key is not something that is publicly available but is encrypted within the Blockchain so that when an owner inputs the code to sell the currency, the miners are able to verify that it belongs to the particular wallet or account.

For example, when wallet A sends funds to wallet B, the person who owns the funds in wallet A must input their private key to record the transaction. Once verified, the funds are sent to the public address for wallet B and recorded on the Blockchain. The Blockchain now has a record that these funds are linked with the account for wallet B and can only be spent by using the private key associated with wallet B.

There are several types of wallets that provide different ways to store keys. Each wallet will have its own private key and therefore transfers of funds between wallets of the same owner will result in a different private key associated with the funds. Given the importance of keeping the private key confidential, the type of wallet used becomes very important in order to protect the security of digital currency.

There are two main categories of wallets – a hot wallet and a cold wallet. A hot wallet is an electronic wallet that is always connected to the internet and more prone to hacks. A cold wallet is disconnected from the internet and considered more secure. Wallets can be further broken down into three distinct categories – software, hardware and paper. Software wallets can be in the form of a desktop, mobile or online wallet, and are discussed below, along with hardware and paper wallets.

- **Desktop wallets**, which are downloaded and installed on a PC or laptop. They are only accessible from the single computer on which they are downloaded. Desktop wallets offer one of the highest levels of security; however, if a computer is hacked or gets a virus, there is the possibility of hackers obtaining the private key resulting in a loss of funds.
- **Online wallets**, which run on the internet and are accessible from any computing device in any

location. While they are more convenient to access, online wallets store private keys online and are controlled by a third party which makes them more vulnerable to hacking attacks and theft.

- **Mobile wallets**, which run on an “app” on a cell phone and are useful because they can be used anywhere, including retail stores. Mobile wallets are usually much smaller and simpler than desktop wallets because of the limited space available on a mobile phone.
- **Hardware wallets** differ from software wallets in that they store a user’s private keys on a hardware device, such as a USB. Although hardware wallets make transactions online, they are stored offline which delivers increased security over the private key. Transactions using hardware wallets are relatively simple. Users simply plug in their hardware device to any internet-enabled computer or device, enter a pin, send currency and confirm. Hardware wallets make it possible to easily transact while also keeping private keys offline and away from danger.
- **Paper wallets** are easy to use and provide a very high level of security. While the term paper wallet can simply refer to a physical copy or printout of public and private keys, it can also refer to a piece of software that is used to securely generate a pair of keys which are then printed. Using a paper wallet is relatively straightforward. Transferring currency to a paper wallet is accomplished by the transfer of funds from your software wallet to the public address shown on the paper wallet. To withdraw or spend currency, funds are transferred from a paper wallet to a software wallet. This process, often referred to as “sweeping,” can either be done manually by entering your private keys or by scanning the QR code on the paper wallet.

The level of security of wallets vary by type listed above and the service provider. A web server is an intrinsically riskier environment to keep currency compared to offline. Online wallets can expose users to possible vulnerabilities in the wallet platform which can be exploited by hackers to steal private keys and ultimately funds. Offline wallets, on the other hand, cannot be hacked because they simply aren’t connected to an online network and don’t rely on a third party for security.

Although online wallets have proven the most vulnerable and prone to hacking attacks, diligent security precautions need to be implemented and followed when using any wallet. No matter which wallet is used, loss of the private keys will lead to loss of the currency held. Similarly, if a wallet gets hacked, there is no way to reclaim lost currency or reverse the transaction.

Precautions can be taken to protect cryptocurrency wallets as follows:

- **Offline storage.** Only small amounts of currency for everyday use should be kept online with the remainder of available funds maintained in a high security environment. Cold or offline storage options such as paper or USB (hardware) protect against computer failures and allow for recovery in the event a computer is lost or stolen.
- **Regular software updates.** Keeping wallet, computer and mobile software up to date ensures the latest security enhancements available.
- **Additional security layers.** Set long and complex passwords and ensure any withdrawal of funds requires a password. Further, utilize wallets that have a good reputation and provide extra security layers like two-factor authentication and additional pin code requirements every time a wallet application gets opened.

The Company holds its bitcoins through its wholly-owned U.S. subsidiary, Fortress US. Fortress US works with

Coinbase Inc., a third-party custodian (the “**Custodian**”), who utilizes a cold storage custody configuration to store the majority of Fortress US’s cryptocurrency assets. The Custodian generates private keys offline, utilizing hardware that is not connected to the internet, mitigating the risk of remote access by hackers. Cathedra is not aware of any security breaches or similar incidents involving the Custodian as a result of which cryptocurrency assets have been lost or stolen. Cryptocurrency private keys that are held using the Custodian’s cold storage custody services are covered by an insurance policy from a syndicate of insurers that covers losses in a calendar year up to a specified amount. Subject to the full policy terms, conditions and exclusions, including sub-limits for certain types of losses, the policy covers: unrecoverable losses due to natural catastrophe, unrecoverable losses due to theft or copying of the private keys by a third party physically present within a secure area, insider and third-party collusion, and secure transit of related materials between the various geographically diverse secure storage facilities. However, the Company cannot ensure that the limits of this policy will be available to the Company or, if available, sufficient to make the Company whole for any of its bitcoins that are stolen or lost.

The Custodian has a track record of providing secure custody solutions to major banks, insurance companies, and other financial institutions, The Custodian is not a Canadian financial institution as defined in NI 45-106. Prior to Fortress US onboarding with the Custodian, Cathedra performed a rigorous due diligence process to ensure that the Company’s Bitcoins would remain safe. The Custodian maintains stringent governance controls and utilizes a top-tier auditor for financials and custody procedures, including SOC 1 and SOC 2 reports. As of the date of this Circular, substantially all of the Company’s cryptocurrency assets (approximately 98%) are held by Fortress US with the Custodian.

The Company is not aware of any sub-custodian used by the Custodian in the provision of custodial services of Fortress US cryptocurrency assets. While the Company cannot ensure that this will always be the case because the Custodian retains the contractual ability to use a sub-custodian, any such sub-custodian would be required to be appropriately licensed and regulated in the U.S. as a digital asset custodian. The Custodian is not a related party of the Company. The Company is not aware of anything with regards to the Custodian’s operations that would adversely affect the Company’s ability to obtain an unqualified audit opinion on its audited financial statements. The assets for which the Custodian provides custodial services to the U.S. Company do not change title and remain as assets on the Company’s balance sheet, including in the event that the Custodian were to go bankrupt or become insolvent.

Cathedra will continuously evaluate and update processes and procedures, including its use of the Custodian, to ensure a high level of cyber security.

See also “*RISK FACTORS – Cybersecurity Threats and Malicious Actors*”.

### ***Cryptocurrency Exchanges***

An exchange is an online website where you can buy and sell cryptocurrencies. They are also some of the most popular options for hot wallets where cryptocurrency can be purchased and private keys stored directly by the exchange. Common exchanges include Gemini, Bittrex, Poloniex and Coinbase.

Private keys stored on an exchange are vulnerable in the event the exchange is hacked. The risk is very similar to online banking which is more prone to security breaches. Like banks that have an online presence, online wallets and exchanges go to extreme measures to ensure security; however, like any site connected to the internet it is not impenetrable. The safest way to store private keys is to have a device that is stored in a safe location that is not connected to the internet. Many online exchanges and wallets are starting to store the majority of their funds in cold wallets.

### ***Mining Equipment***

Typically, Rigs are unique to the specific currency involved; however, many are capable of Mining more than one type. Cathedra utilizes Application Specific Integrated Circuit (“**ASIC**”) Rigs, which consume less power than Graphic Processing Units (“**GPUs**”) and are far more powerful. ASIC Rigs can only be used to mine a singular coin, whereas GPUs can be used to mine more than one coin.

Cathedra’s bitcoin mining operations currently produce approximately 403 PH/s of hash rate across five locations in three U.S. states from a mix of 4,164 Bitmain S19J Pro and 200 Bitmain S19 XP machines. These machines are all located at third-party or leased data centers which Cathedra does not own (including one Kungsliden data center in Tennessee).

The Bitmain S19J Pro delivers hash rate of approximately 100 terahashes per second (TH/s) at an efficiency of approximately 30 joules per terahash (J/TH).

The Bitmain S19 XP delivers hash rate of approximately 140 terahashes per second (TH/s) at an efficiency of 22 joules per terahash (J/TH).

As Cathedra grows and additional Rigs are purchased, it intends to continue to focus on Bitcoin as the leading cryptocurrency by market capitalization and adoption.

### ***Bitcoin***

Cathedra decided to mine Bitcoin largely due to the network size and proven security. Both are substantial advantages over other digital currencies currently available. Bitcoin has an established history of being a store of value. Most coins try to create differentiation based on smaller use cases, such as smart contracts, anonymous transactions and predictive markets. Bitcoin has an enormous lead as a store of value over other coins because it has existed for fifteen years without failure. The security of Bitcoin has been proven far longer than any of the newly created cryptocurrencies.

Bitcoin is more accessible with exchanges, merchants and software solutions that support it. Bitcoin is far more liquid, with much larger volumes than all the other cryptocurrencies combined. Bitcoin has the largest developer ecosystem with more software and implementations.

### ***Cyber Security***

The Company’s management team has developed a risk management policy as a commitment to continuously focus on cyber security as a key initiative of the Company. Key elements of the policy as well as initiatives already implemented are as follows:

- 1) **Wallet** – To the extent Cathedra holds its Bitcoin in a wallet, Cathedra will maintain private keys using a cold storage hardware wallet. This form of wallet is considered the most secure means of storage for private keys currently available in the marketplace as it is not connected to the internet. The Company will continuously evaluate new alternatives and will ensure that the private key is stored in the most secure environment available in the marketplace.
- 2) **Custody** – As of the date of this Circular, substantially all of the Company’s cryptocurrency assets (approximately 98%) are held by Fortress US with the Custodian. See “*Narrative Description of the Business and Operations – Cryptocurrency Wallets and Custodians*” above.
- 3) **Cryptocurrency Exchanges** – The Company will minimize the value and time that cryptocurrency is

listed on a public exchange to reduce the risk associated with fund misappropriation resulting from the exchange being hacked. Any exchange used by the Company must comply with current best practices for cyber security including use of cold storage, two-factor authentication for login, and good public validation of security practices.

- 4) **Security Updates** – The Company will ensure that software updates and recommendations are implemented immediately. This includes updates related to the exchange, wallet as well as software installed on local computers including malware and anti-virus.
- 5) **Password protection** – Passwords will be utilized for all electronic devices and online accounts and will adhere to best practices for effective passwords including storage, expiry, length, special characters, upper and lower case numbers.
- 6) **Dual factor authentication** – Dual factor authentication will be utilized for wallets and online exchanges.

As a commitment to uphold cyber security and safeguarding of assets, the leadership team will continuously review and develop risk management processes around the receipt, storage and sale of coins. Software updates will occur regularly, electronic and physical controls will be constantly evaluated and maintained and continuous process improvements will be sought. Risk management processes and procedures will be reviewed by the advisory board, board of directors and management.

All connections to Mining pools will use https with Secure Sockets Layer (“SSL”). SSL is the standard security technology for establishing an encrypted link between a web server and a browser. This link ensures that all data passed between the web server and browsers remain private and integral.

All data at rest on servers and laptops will be encrypted. Data protection at rest aims to secure inactive data stored on any device or network. While data at rest is sometimes considered to be less vulnerable than data in transit, attackers often find data at rest a more valuable target than data in motion.

The Company has a password policy implemented where it is mandatory to change passwords regularly. The security provided by a password system depends on the passwords being kept secret at all times.

### ***Mining Hash Rates and Difficulty***

Difficulty is the measure of how hard it is to generate a new Block in the Blockchain. Difficulty varies with the coin mined and fluctuates daily. Hash rate is the speed at which a computer is completing an operation in the cryptocurrency code. A higher hash rate is better when mining as it increases the opportunity of finding the next Block and receiving the reward. Hash rates and difficulty are both key considerations that impact profitability in cryptocurrency mining. The Company monitors both of these factors when making decisions regarding acquisitions, machine operation and profitability forecasting. Bitcoin mining companies manage portfolios of hash rate. As in the traditional asset management business, diversification can be a powerful tool to improve risk-adjusted performance. Whereas most of the large, publicly traded bitcoin miners continue to pursue a similar strategy to one another—developing and/or renting space at hyperscale datacenters in a single electricity market—the Company has aimed to optimize its approach to minimize regulatory, market, environmental, or other idiosyncratic risk within its portfolio of hash rate. As of the date of this Circular, the Company’s active bitcoin mining hash rate totaled 403 PH/s across three states and five locations in the United States.

### ***CathedralOS***

October 25, 2023 the Company announced the launch of CathedraOS, an aftermarket software product for bitcoin mining machines. The Company receives a share of the hash rate produced by each end user of the software as a developer fee, which is expected to result in capex- and opex-free hash rate expansion for the Company.

### **Mining Facilities**

Determining where to set up a cryptocurrency mining facility is generally based on three key factors: (i) miners need to have access to low-cost electricity to run their operations profitably; (ii) miners need to have a sufficiently fast internet connection to quickly receive and broadcast data with other nodes on the network; and (iii) mining equipment must be kept from overheating to function optimally, which is why locations that have low temperature zones offer substantial advantages as cooling costs can be kept low. Mining facilities are mainly concentrated in locations where most of the key drivers discussed above are satisfied. Mining facilities are primarily located in North America, Northern and Eastern Europe as well as in China.

The Company's mining operations are currently carried out at several sites located in the states of Washington, Tennessee, and Texas in the United States. Hash rates, difficulty levels, temperatures, Rig statuses, and power consumption are monitored with the Company's software by the Company's employees, contractors, and/or hosting partners at the various facilities.

The following tables contain a summary of the Company's active bitcoin mining operations as of the date of this Circular:

Site Name	State	Contract Type	Fixed Hosting/		Number of Machines	Machine Model
			Power Rate (US\$/MWh)	Revenue Share (%)		
Tennessee A	TN	Hosting	\$ 72.50	–	1,129	S19J Pro
Tennessee B	TN	Hosting	70.00	5%	957	S19J Pro
Tennessee B	TN	Hosting	70.00	10%	200	S19 XP
New Wash.	WA	Lease	60.00	10%	1,028	S19J Pro
Legacy Wash.	WA	Lease	46.00	–	1,050	S19J Pro
Texas	TX	Hosting	45.80	10%	300	Whatsminer M31/M32S
<b>Total/Average</b>			<b>\$ 63.92</b>	<b>4%</b>	<b>4,664</b>	

Site Name	Expected Break-Even			Hash Rate (PH/s) <sup>(4)</sup>	Power Draw (kW)	Efficiency (J/TH)	Expiration Date
	Hash Price (US\$/PH/s/d) <sup>(1)</sup>	Expected Monthly Bitcoin (BTC) <sup>(1)(2)</sup>	Expected Cost Per Bitcoin (US\$) <sup>(1)(3)</sup>				
Tennessee A	\$ 52.00	5.35	\$ 33,500	113	3,387	30	Q3 2024
Tennessee B	53.00	4.54	32,300	96	2,871	30	Q2 2024
Tennessee B	40.00	1.33	23,200	28	602	22	Q2 2024
New Wash.	45.00	4.05	26,000	85	2,400	28	Q2 2025
Legacy Wash.	29.00	3.60	18,600	76	2,000	26	Q4 2025
Texas	66.00	0.24	38,100	5	270	54	Q3 2024
<b>Total/Average</b>	<b>\$ 46.00</b>	<b>19.11</b>	<b>\$ 28,200</b>	<b>403</b>	<b>11,530</b>	<b>29</b>	

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\$109/PH/s/d and bitcoin price of US\$70,000.

(3) Cost per bitcoin metric assumes network hash rate of 595 EH/s and transaction fees equal to 3% of the total block reward.

(4) Expected gross hash rate produced by the Company's machines (excludes revenue share component).

### Washington Operations

Since 2018, the Company has operated the Original Washington Site, a 2-MW bitcoin mine in a leased data center facility in Washington State. At the Original Washington Site, the Company pays approximately US\$0.046 per kWh for electricity from the grid, which is predominantly generated by hydroelectric sources, according to the Washington State Department of Commerce 2020 Fuel Mix Disclosure<sup>6</sup>. In 2023, the local utility increased the electricity rate for bitcoin miners to approximately US\$0.046 per kWh from approximately US\$0.026 per kWh. Over the past several years, the Company has made several improvements to the Original Washington Site, installing custom firmware on some machines and replacing older-generation machines with more efficient units. As of the date of this Circular, the Original Washington Site produces approximately 76 PH/s of bitcoin mining hash rate.

In January 2023, the Company entered into an agreement to lease the New Washington Facility, a 2.5-MW bitcoin mining facility in Washington State and an operating agreement with a third-party service provider under which the service provider will manage the Company's bitcoin mining machines at the New Washington Facility. Under the two agreements, the Company will pay an all-in cost of approximately US\$0.06 per kWh plus 10% of gross revenue produced by the Company's machines at the site.

The agreements last for an initial term of 24 months and provide the Company a right of first opportunity (the "ROFO") to purchase the New Washington Facility and several adjacent facilities on the same premises, which together total approximately 10 MW of bitcoin mining capacity. The ROFO expires upon termination or expiration of the lease agreement.

As of the date of this Circular, the New Washington Facility produces approximately 85 PH/s of bitcoin mining hash rate.

#### North Dakota Operations

During 2021 and 2022, the Company partnered with Great American Mining ("GAM") on a bitcoin mining venture under which the two companies developed and operated a bitcoin mine powered by electricity that was generated off-grid using natural gas that would otherwise be flared or vented in North Dakota.

Under the partnership, the Company commissioned GAM to design and manufacture 12 bitcoin mining containers to house approximately 1,980 MicroBT Whatsminer M31S and 180 MicroBT Whatsminer M32S bitcoin mining machines capable of producing an aggregate 158 PH/s. Together, the Company and GAM deployed these 12 containers over the course of 2021 and 2022 at the gas wells in North Dakota.

By October 2022, in response to worsening bitcoin mining conditions and elevated power generation prices, the Company and GAM had concluded their partnership, retiring the last of the machines and containers. The Company tendered four of the GAM Containers to GAM in exchange for waived power and generator expenses at the conclusion of the partnership. The Company has relocated the remaining eight containers and all machines into storage until such time as they can be redeployed at a profitable site.

#### Kentucky & Tennessee Operations

Throughout 2022 and 2023, the Company entered into a series of hosting agreements under which the Company deployed approximately 2,086 S19J Pros and 200 S19 XPs at several data centers across Kentucky and Tennessee (the "Kentucky and Tennessee Facilities") which are owned and managed by third parties,

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<sup>6</sup> "Washington electric utility fuel mix disclosure reports" (2020), online: *Washington State Department of Commerce – Energy Division* <[www.commerce.wa.gov/wp-content/uploads/2022/08/CY-2020-report.pdf](http://www.commerce.wa.gov/wp-content/uploads/2022/08/CY-2020-report.pdf)>.

including Kungsleden predecessor entities. The Company has since consolidated these machines and hosting agreements at two locations: one in Kentucky which is owned and operated by a third-party, and one in Tennessee which is owned and operated by Kungsleden. At the former location, the Company pays a fixed hosting rate of US\$72.50 per kilowatt hour. At the Kungsleden site, the Company pays a fixed hosting rate of US\$70.00 per kilowatt hour, plus a share of the revenue produced by the Company's machines at the site, ranging from 5% to 10% (depending on the machine model).

As of the date of this Circular, Company's operations at the Kentucky and Tennessee Facilities span two locations and produce approximately 237 PH/s of hash rate.

### 360 Mining Partnership

In June 2023, the Company announced a strategic partnership with 360 Mining, an off-grid bitcoin mining company with a presence in Texas. Under the partnership, Cathedra deployed a mobile data center and bitcoin mining machines at 360 Mining's off-grid location in Texas, with 360 Mining providing natural gas and power generation infrastructure to supply continuous electricity to our bitcoin mining infrastructure. The Company pays 360 Mining an effective rate of US\$45.80 per megawatt hour for power consumed, plus 10% of gross bitcoin mined at the site. The deployment currently produces approximately 5 PH/s of hash rate.

### ***Products and Services***

The Company is predominantly a proprietary Bitcoin mining company. The Company confirms transactions for, and provides settlement assurances to, users of the Bitcoin blockchain. In return, the Bitcoin network compensates the Company with newly minted Bitcoins and Bitcoin transaction fees. The Company's business model is to convert electricity into Bitcoins at below-market cost, retaining as many mined coins as possible on the Company's balance sheet indefinitely.

The main components of the Company's bitcoin mining operations are ASICs, or specialized bitcoin mining machines in each of the Company's data center facilities; power supply units ("PSUs"); networking equipment, security equipment; electronic components; cooling equipment; and other miscellaneous hardware.

The table below provides a summary of the Company's current portfolio of bitcoin mining ASICs:

<b>Manufacturer</b>	<b>Series</b>	<b>Model</b>	<b>Count</b>	<b>Hash Rate/Unit (TH/s)<sup>1</sup></b>	<b>Power Draw/Unit (W)<sup>1</sup></b>	<b>Efficiency (J/TH)<sup>1</sup></b>	<b>Date Acquired</b>	<b>Status<sup>2</sup></b>
Bitmain	Antminer	S19 XP	200	140	3,010	22	Nov-21	Active
Bitmain	Antminer	S19J Pro	4,164	100	3,000	30	Nov-21	Active
MicroBT	Whatsminer	M30S	182	90	3,400	38	Oct-21	Inactive
MicroBT	Whatsminer	M31S+	15	82	3,444	42	Sep-21	Active
Bitmain	Antminer	S17	3	52	2,198	42	Sep-21	Inactive
MicroBT	Whatsminer	M31S	1,980	74	3,330	45	Jun-21	Inactive
MicroBT	Whatsminer	M32S	180	64	3,330	52	Jun-21	Inactive
Bitmain	Antminer	S9	1,596	14	1,323	98	Mar-18	Inactive

#### Notes:

- 1 Machine specifications represent average specifications provided by the manufacturer and do not account for any efficiency improvements realized by the Company through underclocking.
- 2 "Active" status indicates machines that are currently mining or expected to be upon the Company's completion of its expansion at the New Washington Facility.

The majority of the Company's currently operating bitcoin mining machines and those recently secured by purchase orders in connection with the expansion plans are primarily manufactured by Bitmain Technologies



and MicroBT, both leading suppliers of ASICs for the bitcoin mining industry. The machines are typically purchased directly from the manufacturer; however, during elevated demand and pricing conditions, the Company has made purchases through secondary suppliers on occasion.

### ***Supply of Electrical Power, Electricity Rates, Terms of Service***

The cost of electricity is the primary determinant of the ongoing profitability of a Bitcoin mine. At the Original Washington Site, the Company pays approximately US\$0.046 per kWh for electricity from the grid, which is predominantly generated by hydroelectric sources, according to the Washington State Department of Commerce 2020 Fuel Mix Disclosure. The Company pays US\$0.060 per kWh pursuant to a lease agreement at the New Washington Facility, which includes electricity that is generated from the same sources.

At the Kentucky facility, the Company pays a fixed hosting rate of US\$72.50 per kilowatt hour. At the Kungsleden-owned Tennessee Facility, the Company pays a fixed hosting rate of US\$70.00 per kilowatt hour, plus a share of the revenue produced by the Company's machines at the site, ranging from 5% to 10% (depending on the machine model). The electricity at these locations is drawn from the grid and is predominantly generated using carbon-free sources, according to the Tennessee Valley Authority's FY 2020 Generation Portfolio<sup>7</sup>.

At 360 Mining's off-grid location in Texas, 360 Mining provides uses natural gas and power generation infrastructure to supply continuous electricity to the Company's bitcoin mining infrastructure. The Company pays 360 Mining an effective rate of US\$45.80 per megawatt hour for power consumed, plus 10% of gross bitcoin mined at the site.

See also "*Risk Factors – Access to Power and Electricity Rates*"

### ***Specialized Skills and Knowledge***

All aspects of the Company's business require specialized skills and knowledge. Skills and knowledge in the areas of Blockchain technology, software development, finance and accounting are currently key to the Company. The Company has retained qualified management, employees and consultants, including advisory board members, to conduct business equal to, or exceeding, industry standards.

### ***Employees***

At the date of this Circular, the Company has 4 employees and 1 contractor.

### ***Foreign Operations***

The Company's Mining operations are carried out entirely in the United States through Fortress US, which is authorized to carry on business in the United States as a company incorporated under the laws of the State of Delaware.

### ***Competitive Conditions***

The Bitcoin mining industry is highly competitive. The Company competes with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, possibly including securities backed by

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<sup>7</sup> "Diverse and Cleaner Energy Mix" (2022), online: *Tennessee Valley Authority* <[www.tvasites.com/wp-content/uploads/TVA-Generation-Portfolio-2022.pdf](http://www.tvasites.com/wp-content/uploads/TVA-Generation-Portfolio-2022.pdf)>.

or linked to cryptocurrencies through entities similar to the Company.

Many online companies exist that offer cryptocurrency mining services, as well as companies, individuals and groups that run their own mining farms. Miners can range from individual enthusiasts to professional mining operations with dedicated data centers, however, a majority of Mining is now undertaken by Mining pools.

A Mining pool is created when cryptocurrency miners pool their processing power over a network and mine transactions together. Rewards are then distributed proportionately to each miner based on the work/hash power contributed. Mining pools allow miners to pool their resources so they can generate blocks quickly and receive rewards on a consistent basis instead of Mining alone where rewards may not be received for long periods.

Other market participants in the cryptocurrency industry include investors and speculators, retail users transacting in cryptocurrencies, and service companies that provide a variety of services including buying, selling, payment processing and storing of cryptocurrencies.

There are several companies competing in the Company's industry, including, but not limited to, Hut 8 Mining Corp. (TSX: HUT and Nasdaq: HUT), Hive Digital Technologies Ltd. (TSXV and NASDAQ: HIVE), Bitfarms Ltd (TSX and NASDAQ: BITF), Digihost Technology Inc. (TSXV: DGHI), Core Scientific Inc. (Formerly NASDAQ: CORZ); Riot Platforms, Inc. (NASDAQ: RIOT), Marathon Digital Holdings Inc (NASDAQ: MARA), Iris Energy Ltd. (NASDAQ: IREN), and CleanSpark Inc. (NASDAQ: CLSK). In addition, many other private companies are active in the industry.

It is difficult to obtain an accurate estimate of market share. As at the date of the Filing, the hash rate of the Company's installed machines represented less than 0.1% of the entire Bitcoin network's hash rate, which is estimated to total approximately 600 EH/s. Estimates of the Bitcoin network hash rate can be retrieved at [www.blockchain.com/en/charts/hash-rate](http://www.blockchain.com/en/charts/hash-rate).

#### ***Business Cycle and Seasonality***

The Company's business is generally not cyclical or seasonal; however, coin generation may vary depending on the level of difficulty involved in confirming transactions to be added to the Blockchain. Difficulty levels and coin generation have an inverse relationship and the difficulty generally increases over time. Temperature extremes may have a marginal effect on the efficiency of the Company's Bitcoin mining operations.

#### ***Environmental Policies***

The Company does not currently have any formal environmental policies in place; however, the Company's bitcoin mining operations across Washington, Tennessee, and Kentucky are powered using electricity which is predominantly generated from carbon-free sources, particularly hydroelectric and nuclear.

To the best of the Company's knowledge, the Company will not incur significant costs or investments in order to comply with provisions relating to environmental protection, besides maintaining the procedures currently applied.

#### ***Bankruptcy and Similar Proceedings***

There are no bankruptcies, receivership or similar proceedings against the Company or its subsidiaries, and there has not been any voluntary bankruptcy, receivership or similar proceedings by the Company or its subsidiaries since incorporation.

### **Reorganizations**

Other than set out below, neither the Company nor its subsidiaries has completed any material reorganization and no reorganization is proposed for the current financial year other than with respect to the Transaction.

The Company wound down the following subsidiaries of the Company during Q4 2023: - Hash Stream Inc., Standard Resources LLC, Chronos SPV LLC, Entelechy Bitcoin SPV LLC and Portage Resource Holdings LLC.

### **Selected Financial Information**

The following table set out certain selected financial information of Cathedra in summary form for the financial years ended December 31, 2023 and 2022 and for the three-month period ended March 31, 2024. This selected financial information should be read in conjunction with the audited consolidated financial statements of Cathedra for the financial years ended December 31, 2023 and 2022 which is attached to this Circular as Schedule "A" and the unaudited reviewed consolidated financial statements of Cathedra for the three-month period ended March 31, 2024 which is attached to this Circular as Schedule "C".

	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>	<b>As at December 31, 2022</b>
Net Sales / Total Revenue	\$4,123,166	\$10,924,611	\$8,809,104
Income from Continuing Operations	\$772,168	(\$5,481,169)	(\$44,988,819)
Net Loss, in total	\$863,889	(\$5,481,169)	(\$45,031,066)
Total Assets	\$19,946,487	\$18,857,876	\$25,763,750
Total Long Term Financial Liabilities	\$5,290,359	\$5,167,957	\$18,196,163
Cash Dividends Declared	Nil	Nil	Nil
Total Operating Expenses	(\$1,002,361)	(\$6,586,901)	(\$12,915,184)
Amounts deferred in connection with the Transaction	Nil	Nil	Nil

### **MD&A**

The MD&A of the Company for the years ended December 31, 2023 and December 31, 2022 is attached hereto Schedule "B" and should be read in conjunction with the Company's financial statements and notes thereto for the corresponding periods, which are attached hereto as Schedule "A". The MD&A of the Company for the three month period ended March 31, 2024 is attached hereto Schedule "D" and should be read in conjunction with the Company's financial statements and notes thereto for the corresponding periods, which are attached hereto as Schedule "C".

## Description of the Securities

The authorized capital of the Company consists of an unlimited number of Company Shares, of which 237,513,935 fully paid Company Shares are issued and outstanding as of the date of this Circular.

Holders of the Company Shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the company. The Company Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of ordinary shares to contribute additional capital and no restrictions on the issuance of additional securities by the Company.

See *“Information Concerning the Resulting Issuer – Description of Securities”* for information on the proposed amendments to the share structure of the Company pursuant to the Share Structure Alteration.

## Long Term Incentive Plan

The Company maintains the a long term incentive plan which was last approved by shareholders of the Company at the annual meeting of the Company held on August 31, 2023. A copy of the LTIP, as amended, is attached hereto as Schedule “J”. The Resulting Issuer intends to adopt the LTIP. For a summary of the LTIP, please see *“General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan.”*

## Dividends

The Company has not generated profits and therefore no dividends have been declared or paid, and none are envisaged until time such times as the Company generates sufficient profits.

## Consolidated Capitalization

The following table sets forth the consolidated capitalization of the Company as at the date of this Circular:

Designation of Security	Authorized	Outstanding as at December 31, 2023	Outstanding as at the date of this Circular
Company Shares	Unlimited	236,029,034	237,513,935
Options	N/A	2,391,523	3,605,364
Restricted Stock Units	N/A	4,512,550	1,716,881
Warrants	N/A	51,144,882	51,144,882
Convertible Debentures	N/A	\$5,733,728.38 principal amount	\$5,733,728.38 principal amount

## Prior Sales

During the past 12-month period the Company issued the following securities:

Date	Type of Transaction	Number of Company Shares	Price Per Share	Gross Proceeds
April 10, 2023	Debt Settlement	18,518,518	\$0.135	N/A
May 16, 2023	RSU	157,449	\$0.115	N/A
June 21, 2023	RSU	314,898	\$0.15	N/A
October 4, 2023	RSU	157,449	\$0.095	N/A
October 25, 2023	RSU	100,000	\$0.115	N/A
December 11, 2023	RSU	1,652,346	\$0.095	N/A
December 15, 2023	Debt Settlement	96,439,227	\$0.1114	N/A
December 21, 2023	RSU	157,449	\$0.12	N/A
January 17, 2024	RSU Settlement	1,170,000	\$0.105	N/A
May 28, 2024	RSU Settlement	314,901	\$0.10	N/A

### Trading Price Volume

Date	High	Low	Volume
03/2024 <sup>(1)</sup>	0.11	0.09	1,682,451
02/2024	0.12	0.09	9,507,270
01/2024	0.14	0.09	11,023,206
12/2023	0.15	0.1	18,727,185
11/2023	0.13	0.1	4,040,260
10/2023	0.15	0.09	7,258,215
09/2023	0.11	0.09	4,311,044
08/2023	0.16	0.1	5,230,407
07/2023	0.23	0.15	5,763,484
06/2023	0.19	0.08	9,163,158
05/2023	0.14	0.09	3,750,395
04/2023	0.16	0.12	5,250,974
03/2023	0.16	0.11	2,268,509

#### Notes

(1) Trading of the Company Shares was halted on March 7, 2024 in connection with the announcement of the Transaction. As of the date hereof, trading of the Company Shares remains halted.

### Principal Shareholders

To the knowledge of the directors and executive officers of the Company, the following persons beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the Company Shares on a

non-diluted basis as of the date of this Circular.

Name and Municipality of Residence	Number of Company Shares	Percentage of Company Shares
Anson Advisors Inc. <i>Toronto, Ontario</i>	35,566,232	15.0%
MMCAP International Inc. SPC <i>Toronto, Ontario</i>	46,835,848	19.7%

## Executive Compensation

### Named Executive Officer

For the purposes of this Circular, a Named Executive Officer (“**NEO**”) of the Company means each of the following individuals:

- (a) a chief executive officer (“**CEO**”) of the Corporation;
- (b) a chief financial officer (“**CFO**”) of the Corporation;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

### Oversight and description of Director and NEO Compensation

#### *Elements of the Compensation Program*

The responsibilities relating to executive and director compensation, including reviewing and recommending compensation of the Company’s officers and employees and overseeing the Company’s base compensation structure and equity-based compensation program is performed by the Board of Cathedra as a whole. The Board of Cathedra also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Corporation’s senior management. The Board of Cathedra generally reviews the compensation of senior management on an annual basis taking into account compensation paid by other issuers of similar size and activity and the performance of officers generally and in light of the Company’s goals and objectives.

The Company is a technology company with limited resources. The compensation for senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including: (a) attracting and retaining talented, qualified and effective executives; (b) motivating the short and long-term performance of executives; and (c) better aligning the interests of executive officers with those of the Company’s shareholders. In the Board of Cathedra’s view, paying salaries which are competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives.

The Board of Cathedra determines the compensation for the CEO, the CFO and the President and COO. The compensation of the Company’s executives is determined by the Board after the recommendation of the CEO and the President and COO. In each case, the Board of Cathedra takes into consideration the prior experience

of the executive, industry standards, competitive salary information on comparable companies of similar size and stage of development, the degree of responsibility and participation of the executive in the day-to-day affairs of the Corporation, and the Company's available cash resources.

In the Board's view, to attract and retain qualified and effective executives, the Company must pay base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates.

The Board has assessed the Company's compensation plans and programs for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The Board of Cathedra has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation. The Board of Cathedra considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Company has not adopted a policy restricting its executive officers or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its executive officers or directors. To the knowledge of the Company, none of the executive officers or directors have purchased such financial instruments.

#### *Compensation Governance*

The Board of Cathedra is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board of Cathedra with respect to the compensation of the Company's executive officers. The Board of Cathedra will ensure that total compensation paid to all NEOs is fair, reasonable, and consistent with the Company's compensation philosophy.

From time to time the Board of Cathedra will make and may approve, recommendations regarding compensation to executive officers and directors. A combination of fixed and variable compensation is used to motivate executive officers to achieve overall corporate goals. The basic components of the Company's executive officer compensation program are:

- base salary;
- annual incentive (bonus) payments; and
- option-based compensation.

Base salaries are paid in cash, and constitute the fixed portion of the total compensation paid to executive officers. Annual incentives comprise the remainder, and represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) market performance of the Common Shares. To date, no specific formula has been developed to assign a specific weighting to each of these components. Instead, the Board will consider each performance target and the Company's performance and assigns compensation based on this assessment.

#### *Base Salary*

The Board of Cathedra will approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels and practices of similarly situated companies and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The

Company may consider comparative data for the Company's peer group, which are accumulated from a number of external sources including independent consultants. The Company's policy for determining salary for executive officers will be consistent with the administration of salaries for all other employees.

#### *Annual Incentive (Cash Bonus) Payments*

Cash annual incentive awards are based on various personal and company-wide achievements. Performance goals for annual incentive payments are subjective and include achieving individual and corporate targets and objectives, as well as general performance in day-to-day corporate activities.

The Board determines target annual incentive amounts based on a number of factors, including comparable compensation of similar companies. Funding of the annual incentive awards is capped at the Company level and the distribution of funds to the executive officers will be at the discretion of the Board of Cathedra. Each NEO may receive partial or full payment of the target annual incentive amount set by the Board of Cathedra, depending on the number of the predetermined targets met, and the assessment of such NEO's overall performance by the Board of Cathedra.

#### *Option-Based Compensation*

Options may be granted to directors, management, employees and certain service providers as long-term incentives to align the individual's interests with those of the Company. Options and RSUs are awarded to directors and employees, including NEOs, at the Board of Cathedra's discretion. Decisions with respect to options granted are based upon the individual's level of responsibility and their contribution towards the Company's goals and objectives, and additionally may be awarded in recognition of the achievement of a particular goal or extraordinary service. The Board of Cathedra considers outstanding options granted under the LTIP and held by management in determining whether to make any new grants of options, and the quantum or terms of any options grant.

#### *Long Term Incentive Plan*

The Corporation currently maintains the LTIP. For a summary of the material features of the LTIP, see "*General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan*" in this Circular.

#### Director and NEO Compensation, Excluding Compensation Securities

The following compensation table, excluding options and compensation securities, provide a summary of the compensation paid by the Company to NEOs and members of the Board of Cathedra for the most recently completed financial year and the year ended December 31, 2022. Options and compensation securities are disclosed under the heading "*Compensation Securities Table*".

During the financial years ended December 31, 2023, and December 31, 2022, based on the definition above, the NEOs of the Corporation were: Antonin Scalia, CEO; Thomas Armstrong, President and COO; and Sean Ty, former CFO.

The directors of the Corporation who were not NEOs during the financial years ended December 31, 2023, and December 31, 2022, were: Roy Sebag (former director), Marcus Dent and David Jaques.



Table of compensation excluding compensation securities							
Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$) <sup>(10)</sup>	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	All other compensation (\$)	Total compensation (\$)
Antonin Scalia <sup>(1)</sup> Director and CEO	2023	134,908	Nil	23,309	Nil	450,803	609,020
	2022	188,040	Nil	Nil	Nil	1,925,544	2,113,584
Thomas Armstrong <sup>(2)</sup> Chairman, President and COO	2023	146,167	Nil	23,309	Nil	450,803	620,279
	2022	193,607	Nil	Nil	Nil	1,925,544	2,119,151
Sean Ty <sup>(3)</sup> Former CFO and Corporate Secretary	2023	157,379	Nil	Nil	Nil	68,161	225,540
	2022	144,077	Nil	Nil	Nil	162,428	306,505
Roy Sebag <sup>(4)</sup> Former Chairman	2023	5,763	Nil	Nil	Nil	Nil	5,763
	2022	40,265	Nil	Nil	Nil	23,201	63,457
David Jaques <sup>(5)</sup> Director	2023	43,229	Nil	Nil	Nil	Nil	43,229
	2022	42,012	Nil	Nil	Nil	Nil	42,012
Marcus Dent <sup>(6)</sup> Director	2023	23,309	Nil	Nil	Nil	24,454	47,763
	2022	40,256	Nil	Nil	Nil	314,002	354,258

Notes:

- (1) Mr. Scalia became a Director and was appointed as CEO on September 24, 2021.
- (2) Mr. Armstrong became a Director and was appointed as President and COO on September 24, 2021.
- (3) Mr. Ty was appointed CFO on November 1, 2018. Ty Consulting Inc., a private company beneficially owned by Mr. Ty, was paid fees for accounting services. Mr. Ty resigned from the Company effective April 1, 2024.
- (4) Mr. Sebag was appointed a Chairman and Director on August 16, 2018. The Board duly accepted Mr. Sebag's resignation from the Board on April 4, 2023.
- (5) Mr. Jaques was appointed a Director on August 16, 2018.
- (6) Mr. Dent was appointed a Director on September 1, 2021.
- (7) Starting January 1, 2020, each director of the Corporation was paid \$3,500 cash per month. On January 6, 2023, Messrs. Sebag, Dent, Armstrong and Scalia elected to reduce their cash director's fees to US\$1,300 per month for the following 12 months in exchange for a one-time grant of 390,000 RSUs each. Mr. Jaques agreed to redenominate his cash director's fees to U.S. dollars (from \$3,500 to US\$2,600 per month).

Compensation Securities Table

The Corporation's authorized share capital is an unlimited number of Company Shares. At the date of this Circular there were 237,513,935 Company Shares issued and outstanding. The Corporation currently has the LTIP in place, allowing it to grant options to a maximum of 10% of the issued and outstanding Company Shares, and a fixed maximum of 11,500,000 RSUs, from time to time.

The following table discloses all compensation securities granted or issued to each director and named

executive officer by the Corporation in the financial year ended December 31, 2023, for services provided or to be provided, directly or indirectly, to the Corporation.

Name and Position <sup>(1)</sup>	Compensation Securities						
	Type of Compensation Security <sup>(1)</sup>	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Antonin Scalia <sup>(1)</sup> Director and CEO	Options RSU	325,000 91,545	September 24, 2021 September 24, 2021	0.52 N/A	0.52 0.52	0.1225 0.1225	September 24, 2026 N/A
Thomas Armstrong <sup>(2)</sup> Chairman, President and COO	Options RSU	325,000 125,907	September 24, 2021 September 24, 2021	0.52 N/A	0.52 0.52	0.1225 0.1225	September 24, 2026 N/A
Sean Ty <sup>(3)</sup> Former CFO and Corporate Secretary	Options Options Options Options RSU	30,000 100,000 250,000 88,841 194,898	February 20, 2018 May 3, 2021 August 27, 2021 May 18, 2022 October 25, 2023	0.50 0.51 0.485 0.35 N/A	0.60 0.51 0.52 0.35 0.1225	0.1225 0.1225 0.1225 0.1225 0.1225	February 20, 2028 May 3, 2024 August 27, 2026 May 18, 2027 N/A
Roy Sebag <sup>(4)</sup> Former Chairman	Options RSU	Nil Nil	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A
David Jaques <sup>(5)</sup> Director	Options RSU	150,000 Nil	February 20, 2018 N/A	0.60 N/A	0.60 N/A	0.1225 N/A	February 20, 2028 N/A
Marcus Dent <sup>(6)</sup> Director	Options RSU	2,000,000 Nil	September 1, 2021 N/A	0.60 N/A	0.49 N/A	0.1225 N/A	February 20, 2028 N/A

Notes:

- (1) As of December 31, 2023, Mr. Scalia holds 325,000 Options.
- (2) As of December 31, 2023, Mr. Armstrong holds 325,000 Options.
- (3) As of December 31, 2023, Mr. Ty holds 468,841 Options and 194,898 RSUs. Mr. Ty resigned as CFO of the Company effective April 1, 2024.
- (4) As of December 31, 2023, Mr. Sebag holds Nil Options and Nil RSUs. Mr. Sebag resigned from the Company effective April 4, 2023.
- (5) As of December 31, 2023, Mr. Jaques holds 150,000 Options and Nil RSUs.
- (6) As of December 31, 2023, Mr. Dent holds 2,000,000 Options and Nil RSUs.

Exercise of Compensation Securities by NEOs and Directors

The following table sets forth information concerning the exercise of options by NEOs and directors during the fiscal year ended December 31, 2023.

Name and Position	Type of Compensation Security	Number of underlying securities exercised (#)	Exercise Price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Antonin Scalia Director and CEO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Thomas Armstrong Chairman, President and COO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sean Ty Former CFO and Corporate Secretary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roy Sebag Former Chairman	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Jaques Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Marcus Dent Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A

#### Employment, Consulting, and Management Agreements

Effective May 12, 2022, the Company entered into a new consulting agreement with Ty Consulting Inc. The agreement provided Ty Consulting Inc. an annual consulting fee of US\$150,000 and an initial stock option grant of 88,841 options and 300,000 restricted share units, of which 157,449 restricted share units vested immediately on the effective date and 142,551 restricted share units vested six months following the effective date. On October 25, 2022, the Company granted an additional 487,244 restricted share units to Ty Consulting Inc., of which 60% off the restricted share units will vest 12 months following the effective date and twenty percent 20% every six months thereafter, such that 100% of the restricted share units will be vested 24 months following the effective date. Mr. Ty resigned from the Company effective April 1, 2024.

On November 22, 2022, in response to weakening market conditions, the Company amended its consulting agreement with Ty Consulting Inc. to reduce the latter's annual consulting fee to US\$90,000, with the intention of restoring the fee to the original rate of US\$150,000 per year as market conditions improve. The result in the termination of the consulting agreement if a change of control event occurs will be one-time lump sum payment equal to six months of the original US\$150,000 annual compensation payable within 30 days of such termination.

The Company, Fortress US, Antonin Scalia and Arete Associates Trust, a trust for which Mr. Scalia serves as a trustee, has entered into a consulting agreement dated April 24, 2024 pursuant to which Arete Associates Trust shall provide the services of Antonin Scalia to act as Chief Executive Officer of the Company. The agreement provides Mr. Scalia with an annual base salary of US\$125,000 and entitles Mr. Scalia to participate in the LTIP. The Company may terminate Mr. Scalia as Chief Executive Officer of the Company at any time without cause, in which case Mr. Scalia would be entitled to severance equal to twelve months of the base salary compensation in one lump sum on the date of termination.

The Company has entered into an employment agreement with Thomas Armstrong, as the Company's President and Chief Operating Officer, effective September 24, 2021. The agreement provides Mr. Armstrong with an annual base salary of US\$125,000 and entitles Mr. Armstrong to participate in the LTIP. The Company may terminate the employment of Mr. Armstrong at any time without cause, in which case Mr. Armstrong would be entitled to severance equal to twelve months of the base salary compensation in one lump sum on the date of termination.

#### Compensation Risk Considerations

The Board of Cathedra is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk taking. The Company anticipates the programs will be balanced and will not motivate any unnecessary or excessive risk taking. The Company does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity. However, to the knowledge of the Corporation, as of the date hereof, no director or NEO of the Corporation has participated in the purchase of such financial instruments.

Base salaries are fixed in amount and do not encourage risk taking. While annual incentive awards will focus on the achievement of short-term or annual goals and short-term goals may encourage the taking of short-term risks at the expense of long-term results, the Company's annual incentive award program will represent a small percentage of employees' compensation opportunities.

Stock option awards are important to further align employee's interests with those of the Shareholders of Cathedra. The ultimate value of the awards is tied to the price of the Company Shares and since awards are expected to be staggered and subject to long-term vesting schedules, they will help ensure that NEOs have significant value tied in long-term stock price performance.

#### Compensation of Executives

Except for the grant of equity incentives to the NEOs and any compensation payable pursuant to an executive compensation agreement between the CEO or CFO and the Company, there are no arrangements under which NEOs were compensated by the Company during the two most recently completed financial years for their services in their capacity as NEOs, directors or consultants.

#### Compensation of Directors

At the date of this Circular, the Company has four directors. The Company regularly reviews the competitiveness of non-employee director compensation levels against the competitive marketplace. While the results of that share review have generally demonstrated that non-employee director compensation levels at the Company were competitive with the market, adjustments to annual fees have been made throughout the Company growth cycle in recent years to further strengthen the Company's competitiveness while also reflecting the greater time and commitment required of the roles. As of January 6, 2023, the directors elected to reduce their cash director's fees to US\$1,300 per month from \$3,500 per month for the following 12 months in exchange for a one-time grant of 390,000 RSUs each. In January 2023, the directors' fees reverted to their previous rate of US\$2,600 in cash per month.

#### Option and Share-Based Awards

The Company currently has the LTIP in place, which was established to provide incentive to qualified parties to

increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Management proposes share option grants and grants of restricted share units to the Board of Cathedra based on such criteria as performance, previous grants, and hiring incentives. The Board of Cathedra administers the Company's LTIP and all option grants require such Board approval. The LTIP allows options to be issued to directors, officers, employees or consultants of the Company.

In compensation its senior management, the Company employees a combination of salary and equity participation. The Board of Cathedra is of the view that encouraging its executives and employees to hold shares of the Company is the best way to align their interests with those of the Company's Shareholders. Equity participation is accomplished through the LTIP.

Share options are granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and competitive factors. The amounts and terms of options granted are determined by the Board of Cathedra based on recommendations put forward by the CEO. Option grants are an important part of executive compensation to assist in maintaining executive motivation.

Given the evolving nature of the Company's business, the Board of Cathedra continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

#### Indebtedness of Directors and Officers

No current or former directors, executive officers or employees of Cathedra, or any subsidiary thereof, have any indebtedness owing to Cathedra or any subsidiary thereof other than "routine indebtedness", as defined in the Exchange Form 3D2.

#### **Non-Arm's Length Party Transaction**

Other than as set above under "*Management Contracts*" and as set out below, neither the Company nor any of its subsidiaries has completed any acquisitions of assets or services or provisions of assets or services from (i) any director, officer or promoter of the company, (ii) a principal securityholder of the Company, either before or after giving effect to the Transaction; or (iii) an Associate or Affiliate of any Person described in (i) or (ii).

The Company currently hosts machines at a Kungsleden-owned data center in Tennessee, where the Company pays Kungsleden a fixed hosting rate of US\$70.00 per kilowatt hour, plus a share of the revenue produced by the Company's machines at the site, ranging from 5% to 10% (depending on the machine model).

The Transaction is an arm's length transaction and terms of the Transaction were determined pursuant to arm's length negotiations between representatives of Cathedra and Kungsleden. Cathedra, in determining whether the Transaction is fair to the shareholders of Cathedra and the proposed Exchange Ratio is appropriate, engaged independent advisors to review and provide an independent comprehensive valuation with regard to the fair market value of the Kungsleden Shares. See "Valuation".

Please see note 15 of the Company's financial statements for the years ended December 31, 2023 and 2022, attached hereto as Schedule "A" for a description of the related party transactions which occurred during the foregoing period, which consists of compensation to directors and officers of the Company. Please see note 10 of the Company's financial statements for the three-month period ended March 31, 2024, attached hereto as Schedule "C" for a description of the related party transactions which occurred during the foregoing period, which consists of compensation to directors and officers of the Company.

## Legal Proceedings

The Company, including any of its subsidiaries, is not a party to any legal proceedings currently material to it or of which any of its property is the subject matter, and no such proceedings are known by Cathedra to be contemplated.

## Auditor, Transfer Agent and Registrar

The independent auditor of the Company is Kingston Ross Pasnak LLP, Suite 1500, 9888 Jasper Av., Edmonton, Alberta, T5J 5C6. The registrar and transfer agent of the Company is Computershare Investor Services Inc., 510 Burrard St. 3rd Floor, Vancouver, British Columbia, V6C 3B9.

## Material Contracts

Except for contracts entered into in the ordinary course of business, except for the Transaction Agreement, there are no contracts entered into by the Company since incorporation that can reasonably be regarded as presently material to the Company.

## INFORMATION CONCERNING KUNGSLEDEN

The following information reflects the current business, financial and share capital position of Kungsleden. See “Information Concerning the Resulting Issuer” for pro forma business, financial and share capital information following the conclusion of the Transaction.

### General Development of the Business

Since the Related Party Acquisitions (as defined below), Kungsleden has taken the following steps to develop its business:

1. On October 1, 2023 Sentinel entered into a hosting agreement with Perfso Trade Limited (US), which was amended on November 13, 2023, whereby Sentinel would host the equipment of Perfso Trade Limited (US) at its Tennessee Facility.
2. On December 15, 2023 Tirpitz Technology Landco LLC, an entity of which Kungsleden is a 25% shareholder, but maintains operational control, entered into a capacity lease agreement with AES (as defined herein) whereby AES assigned a portion of the rights to purchase a portion of the electrical energy generated by the plant and to design, develop, construct, own, operate and maintain certain interconnection equipment and data processing facilities, including but not limited to, containers, buildings, fixtures, data containers, data miners, internet and network infrastructure, and electrical equipment at the North Dakota Facility.
3. On March 6, 2024 Kungsleden entered into the Share Exchange Agreement, the Transaction was then announced on March 7, 2024.

### Corporate Structure of Kungsleden

Kungsleden is a private company incorporated under the laws of the state of Delaware on September 13, 2023. Its head office is located at 850 New Burton Road, Suite 201, Dover, Delaware 19904.

Kungsleden currently has five directly held and wholly-owned subsidiaries, being:

1. Sentinel Technology, LLC, existing under the laws of the state of Delaware;
2. North Campbell HoldCo, LLC, existing under the laws of the state of Tennessee;
3. Churchill Technologies LLC, existing under the laws of the state of Tennessee;
4. Two Keys Technologies, LLC, existing under the laws of the state of Tennessee;
5. Smithville HoldCo LLC, existing under the laws of the state of Tennessee;

North Campbell HoldCo has two subsidiaries, North Campbell HostCo LLC and North Campbell LandCo LLC, both existing under the laws of the state of Tennessee. North Campbell LandCo LLC is the operating entity for land management which holds the lease, and North Campbell HostCo LLC is the operating entity for the hosting agreements which is party to the service contracts and selling the capacity of the LandCo to third parties. North Campbell HoldCo LLC, North Campbell HostCo LLC and North Campbell LandCo LLC collectively operate the Kentucky 2 Facility.

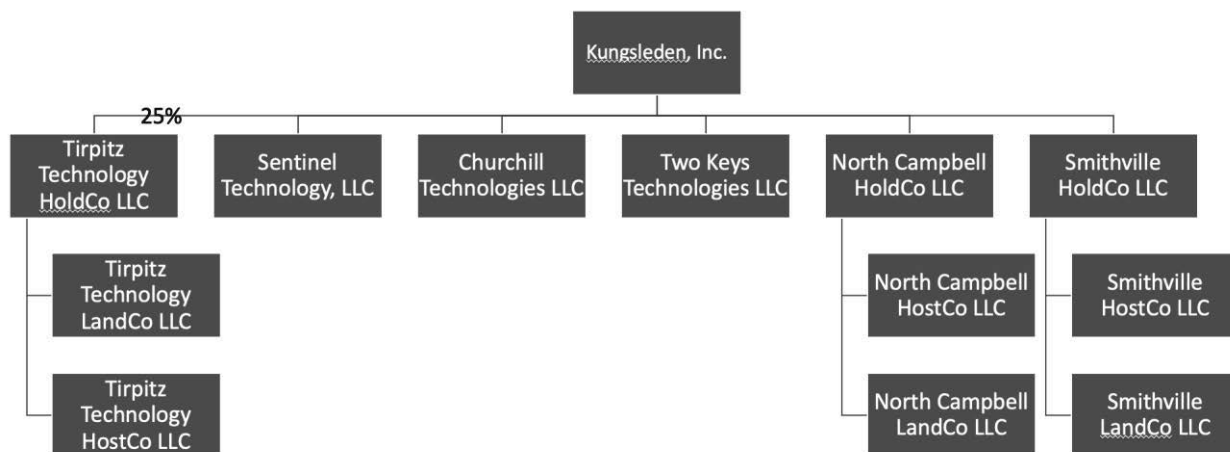
Smithville HoldCo LLC has two subsidiaries, those being Smithville LandCo LLC and Smithville HostCo LLC. All three entities are dormant, and do not operate any assets of Kungsleden.

Sentinel Technology, LLC operates the Tennessee Facility. It does not have any subsidiaries.

Churchill Technologies LLC is the operating entity for land management which holds the lease for the Kentucky 1 Facility. Two Keys Technologies LLC is the operating entity for the hosting agreements for the Kentucky 1 Facility, and is the party to the service contracts and selling the capacity of the Kentucky 1 Facility to third parties.

The Company also holds 25% of the issued and outstanding membership interests of Tirpitz Technology HoldCo LLC. Tirpitz Technology HoldCo LLC operates the North Dakota Facility, which is presently under development and as such is not an active business.

A chart outlining the current corporate structure of Kungsleden is presented below:



Following completion of the Transaction, the Resulting Issuer will hold 100% of the issued and outstanding shares of Kungsleden and will indirectly hold 100% of Kungsleden’s wholly-owned subsidiaries.

## Significant Acquisitions and Dispositions

On September 13, 2023, Kungsleden acquired a 100% interest in the following entities (collectively, the “Subsidiaries”):

1. Sentinel Technology, LLC, existing under the laws of the state of Delaware;
2. North Campbell HoldCo, LLC, existing under the laws of the state of Tennessee;
3. Churchill Technologies LLC, existing under the laws of the state of Tennessee;
4. Two Keys Technologies, LLC, existing under the laws of the state of Tennessee;
5. Smithville HoldCo LLC, existing under the laws of the state of Tennessee;

The businesses of each of the Subsidiaries are reflected in the audited financial statements of Kungsleden for the year ended December 31, 2023 contained in this Filing Statement. As consideration for the acquisition of the Subsidiaries, Kungsleden issued an aggregate of 990,000 Kungsleden Shares at a deemed issue price per Kungsleden Share of USD\$0.0001 for an aggregate deemed transaction value of USD\$99. The fair value of the Subsidiaries exchanged for the Kungsleden Shares is greater than the nominal share issuance price, on the basis that the aggregate NTA of the businesses of the Subsidiaries for the year ended December 31, 2022, prior to completion of the acquisition by Kungsleden, was approximately US \$1.04 million.

There are no existing material obligations that must be complied with in connection with the acquisition of the Subsidiaries. As the Subsidiaries are the core operating entities of Kungsleden’s business, the acquisition of the same has had a significant effect on the operating results and financial position of Kungsleden as demonstrated in the audited financial statements of Kungsleden for the year ended December 31, 2023 contained in this Filing Statement.

In connection with its evaluation of the Transaction, Cathedra engaged Evans to prepare the Valuation – see disclosure under the heading “*The Transaction – Valuation*”.

Kungsleden acquired 100% of the interests of Sentinel Technology, LLC, Churchill Technologies LLC, Two Keys Technologies, LLC and Smithville HoldCo LLC and 90% of the interests of North Campbell HoldCo, LLC from Togetsu Trust and Thy Kingdom Trust in exchange for 501,250 Kungsleden Shares and 478,750 Shares, respectively (the “**Related Party Acquisitions**”) Kungsleden acquired the remaining 10% of the interests of North Campbell HoldCo, LLC from Bit Garden, Inc.

At the time of the acquisition of the Subsidiaries, Thomas Masiero was, and currently is, the CEO and a director of Kungsleden; and Jialin (Gavin) Qu was, and currently is, a director of Kungsleden. Mr. Masiero is a Trustee of Thy Kingdom Trust and Mr. Qu is a Trustee of Togetsu Trust. As such the Related Party Acquisitions were Related Party Transactions as defined in MI 61-101 -*Protection of Minority Security Holders in Special Transactions*. Mr. Masiero expects to resign as a director, manager and officer of Kungsleden and the Kungsleden Subsidiaries, as applicable, upon Closing.

## Description of the Business and Operations

### General

Kungsleden is a privately held developer and operator of alternative high-density compute infrastructure. Kungsleden has identified opportunities in the bitcoin mining space as current bitcoin miners (“Miners”) are



looking to expand their operations and require the infrastructure and low-cost electricity to do so. Kungsleden has developed its business to provide bitcoin mining clients with specialized data centers to operate their bitcoin mining Rigs from and provides these clients with hosting and support services.

### **Principal Products or Services**

Kungsleden aims to provide Miners with a convenient one stop solution for their data center needs. Kungsleden provides specialized data centers featuring the infrastructure for prospective clients to house their Rigs, access to low-cost electricity based on the client's actual power usage, and hosting and support services. Kungsleden's offering allows Miners access to the services they require to build and expand their operations.

Kungsleden identifies ideal industrial locations to serve as data centers and enters into agreements with the owner to lease or purchase the property, then works with local utilities or power generation facilities near its centers to establish access to low-cost electricity through power contracts. After retrofitting the facilities with the infrastructure necessary to host Rigs, Kungsleden then enters into hosting agreements with Miners, providing them with an optimal location and infrastructure to mine bitcoin. For certain hosting agreements Kungsleden is entitled to a monthly profit share fee, paid in bitcoin, which is primarily based on the actual amount of bitcoin mined using by the Miner's Rigs hosted at the data centers.

While the client's Rigs are hosted at a data center, Kungsleden provides a number of services, including: installation services, physical security, electrical services, network services, ambient cooling and ventilation, technical support, data and network security, data center access, remote access and accident protection and safety. The vast majority of Kungsleden's revenue comes from providing the hosting services to clients; additional revenue may come from providing installation services. The balance of the services described above are included within the hosting fee.

### **Operations**

In looking for new sites, Kungsleden searches for commercially zoned locations that are in close proximity to utilities. The sites are often undeveloped. In developing each site, Kungsleden sources transformers, low voltage connection materials, and high-performance modular data centers for installation. Kungsleden contracts out all site work to install the various pieces equipment.

Kungsleden currently owns and operates 45 MW of hosting capacity across four data centers in three US States, including a 25% minority interest in, and operational control over, the North Dakota Facility, which is currently under development. Kungsleden has two data centers located in Kentucky and one in Tennessee, each of these centers is capable of providing 10 MW of hosting capacity to Miners.

Kungsleden has operated the following data centers since inception:

#### **The Kentucky 1 Facility**

Kungsleden identified the Kentucky 1 Facility, an industrial space located in south central Kentucky as an ideal location to provide Mining hosting services. On February 23, 2023 Churchill Technologies, LLC ("**Churchill**") entered into a lease agreement with Expedi Terra Inc. to rent the 2,000 sq foot building for \$10,000 a month until January 31, 2033. On April 1, 2023 Churchill entered into a prepaid electric power contract with the local Electric Plant Board (the "**Kentucky 1 Power Provider**") whereby the Kentucky 1 Power Provider agreed to supply a maximum electrical demand of 10,000 KW for an initial term of 60 months. Churchill then made several improvements to the Kentucky 1 Facility and on August 14, 2023 entered a hosting agreement with Meta Centergy LLC ("**Meta**"). Meta then pays a hosting fee based on its power consumption from the use of

Rigs at the Kentucky 1 Facility.

### **The Tennessee Facility**

Kungsleden identified the Tennessee Facility, which is in close proximity to a utility substation and zoned appropriately for commercial use, located in central Tennessee. On July 6, 2022 it purchased the Tennessee Facility and began preparing the facility for Mining use. On October 6, 2022 Sentinel Technology, LLC (“**Sentinel**”) a subsidiary of Kungsleden, entered into a prepaid electric power contract with the local Utility Board (the “**Tennessee Power Provider**”) whereby the Tennessee Power Provider agreed to supply a maximum electrical demand of 10,000 KW for an initial term of 60 months. From August 2022 to November 2023 Kungsleden entered into hosting agreements with five different clients, including the Company, to providing hosting services at the Tennessee Facility.

### **The Kentucky 2 Facility**

Kungsleden identified the Kentucky 2 Facility, which is in close proximity to a utility substation and zoned appropriately for commercial use, located in southwestern, Kentucky. On April 26, 2023 North Campbell LandCo, LLC, a subsidiary of Kungsleden entered into a lease agreement with local Electric Plant Board (the “**Kentucky 2 Electric Plant**”) whereby Kungsleden pays \$1,000 a month in rent a month for an initial term of six years. On April 26, 2023 North Campbell LandCo, LLC entered into an industrial power contract with the Kentucky 2 Electric Plant whereby the Kentucky 2 Electric Plant agreed to make substantial infrastructure improvements to the Kentucky 2 Facility at the cost of Kungsleden, and supply a maximum electrical demand of 10,000 KW for a period of six years. On August 14, 2023 North Campbell HostCo LLC entered into a service framework agreement with Meta whereby Meta pays a hosting fee based on its power consumption from the use of Rigs at the Kentucky 2 Facility.

### **The North Dakota Facility**

On December 15, 2023 Tirpitz Technology Landco LLC, an entity of which Kungsleden is a 25% shareholder, but maintains operational control, entered into a capacity lease agreement with AES-Energy Campus-ND, LLC (“**AES**”), whereby AES assigned a portion of the rights to purchase a portion of the electrical energy generated by the plant and to design, develop, construct, own, operate and maintain certain interconnection equipment and data processing facilities, including but not limited to, containers, buildings, fixtures, data containers, data miners, internet and network infrastructure, and electrical equipment at the North Dakota Facility.

### **Specialized Skills and Knowledge**

The specialized skills and knowledge possessed by management of Kungsleden include expertise in setting up and maintaining efficient Mining centers, as well as expertise in the management of Miners and the optimization of hash rate. Kungsleden must also maintain strong relationships with suppliers and service providers to ensure on time and cost-effective production and delivery of the equipment necessary for development of its hosting facilities. Due to variations in temperate based on seasonal changes, Kungsleden must also understand the needs of its various facilities for maintaining appropriate temperatures for the hosted Rigs.

### **Sources, Pricing and availability of Component Parts**

For the various large component parts, which include transformers and high-performance modular data

centers, Kungsleden sources these items directly from the manufacturers, which are typically located in China. For the smaller components required for development of the hosting facilities, Kungsleden sources these items from both local and national electrical distributors. Sourcing of transformers from China has the longest lead times and are often the most expensive component in developing a site.

### **Intangible Property**

Kungsleden's sole intellectual property is its brand name.

### **Seasonality**

Kungsleden's business is not cyclical or seasonal; revenue derived by the company consists of a fixed portion based on its power contracts, and a cyclical component whereby it earns a fixed percentage of the BTC mined at its centers. The price of BTC and BTC generated at Kungsleden's facilities vary depending on market forces and the level of difficulty involved in confirming transaction to be added to the bitcoin Blockchain.

### **Renegotiation or Termination of Contracts**

No part of Kungsleden's business is reasonably expected to be affected in the current financial year by either the renegotiation or termination of any contract.

### **Environmental Protection**

Kungsleden has no unusual environmental protection requirements, and does not anticipate that environmental regulations will materially affect its business. The primary environmental considerations for Kungsleden are the noise and heat that are created at the data centers when hosting client's Rigs. Kungsleden locates its data centers in rural locations away from heavily populated areas, as such the noise emanating from the Rigs is absorbed into the data center's surrounding. Kungsleden ensures that each of its data centers has ample ambient cooling and ventilation.

### **Employees**

Kungsleden operates out of its main office at 1824 Roane State Hwy, Unit 197, Harriman, TN 37748, and as of the date of this Circular Kungsleden has 1 employee who functions as the President, Secretary, and Treasurer. Kungsleden hires contractors on an as-needed basis.

### **Environmental Regulations or Controls**

Kungsleden does not currently face any material environmental regulations or controls on ownership or profit repatriation, or economic or political conditions that materially affect its operations. That is not to say Kungsleden will not face any such conditions or regulations in future, as the industry remains the subject of political pressure and attention. The result of the upcoming presidential election in the United States could cause significant changes to the industry, which brings the potential of new regulations and controls on Kungsleden's business and operations. Contractually, at times of high electricity demand by the grid, Kungsleden may be required to curtail its power usage to allow for its contracted electricity to be used elsewhere on the grid. Failure to curtail may result in financial penalties to Kungsleden, but Kungsleden has processes in place to appropriately respond to these curtailments so as to avoid any such penalties.

## **Foreign Operations**

Kungsleden's business and operations are currently carried out in the States of North Dakota, Kentucky and Tennessee. Kungsleden's foreign activities are subject to the risks normally associated with conducting business in foreign countries, include exchange controls and currency fluctuations, foreign taxation, laws or policies of particular countries, labour practices and disputes, and uncertain political and economic environments, as well as risk of war and civil disturbances, or other risk that could cause exploration or development difficulties or stoppages, restrict the movement of funds or result in the deprivation or loss of contract rights or the taking of property by nationalization or expropriation without fair compensation. Foreign operations could also be adversely impacted by laws and policies affecting foreign trade, investment and taxation.

## **Market**

The price of bitcoin has increased nearly 50% since January 1, 2024 due, in part, to the approval of the spot bitcoin exchange traded funds by the US Securities Exchange Commission and subsequent institutional interest. With the increase in price, there is an increased interest in bitcoin mining, which leads to an increase in demand for hosting facilities. Because Kungsleden does not do its own proprietary mining, instead focusing on hosting Rigs for Miners, Kungsleden has seen an overall increase in the demand for cheap electricity and hosting space in the broader bitcoin mining industry. Two of the major inputs for hosting Rigs is access to the internet and the availability of low-cost electricity. As a result, the only true geographical requirement of the business is to find real estate that is properly zoned for commercial use in areas that have excess power in bulk, typically found in rural areas that larger industries have abandoned. Rural utilities and co-ops typically find great value in customers like Kungsleden because they offer a consistent load and are flexible in regard to having their power interrupted to help the local grid. Customers like Kungsleden also help stabilize electricity rates in these areas for end consumers. With this flexibility in mind, Kungsleden is not limited geographically as to where it may develop future hosting facilities, instead focusing on finding the most cost effective locations, as clients focus on price rather than location.

## **Trends**

The largest trend in the bitcoin mining industry is getting hash rate online as quickly and cheaply as possible. Mining companies are competing to have the greatest amount of hash rate, which correlates to an increase in the need for both rack space and cheap electricity. Because of these needs, the industry has seen a trend of growth in rural areas that offer cheap electricity rates and have the space available for hosting large amounts of hash rate. There is no one state or location that is the sole focus of miners, but there has been significant growth in Texas as well as certain northern states including Wyoming and North Dakota.

## **Competition Position**

Determining where to set up a data center is generally based on three key factors: (i) Miners need to have access to low-cost electricity to run their operations profitably; (ii) Miners need to have a sufficiently fast internet connection to quickly receive and broadcast data; and (iii) mining equipment must be kept from overheating to function optimally, which is why locations that have low temperature zones offer substantial advantages as cooling costs can be kept low. Kungsleden has organized its data centers in areas that offer all three key factors. Beyond those factors, the cost to develop and build out a site can be great. Kungsleden has built relationships with both manufacturers and service providers allowing it to develop and build its sites at a lower cost than many of its competitors. Kungsleden seeks to maintain its competitive position by leveraging its relationships and operational efficiency to offer competitive hosting rates and competitive facilities at its

various sites.

### **Marketing Market Controls and Regulations**

Kungsleden's business has not been subject to any effects of material market controls or regulations that affect the marketing of its services.

### **Marketing Plans and Strategies**

Kungsleden is not currently marketing its services. In the future, Kungsleden may market its hosting services to Miners who are looking for additional rack space for their Rigs for competitive rates. These Miners would likely not own or operate their own facilities.

### **Competitive Conditions**

Kungsleden faces intense competition in the market in which it operates. Kungsleden is in a unique position in which it has competition for electricity with bitcoin mining companies who seek the same cheap electricity and it is in competition with other businesses which seek clients for the provision of hosting services. From a mining company competitor standpoint, some of the principal competitors would be Bitdeer (a publicly traded bitcoin miner), GRID (a publicly traded bitcoin miner), and Primeblock (a privately held bitcoin miner). From a client sourcing competitor standpoint, Bitdeer and HUT8, both publicly traded companies, would be Kungsleden's closest competitors, along with other smaller hosting providers that are private and which Kungsleden may not know. Some of its competitors may be better positioned to develop superior services featuring technological innovations and are better able to adapt to changing market trends. Kungsleden's ability to compete depends on its ability to deliver high quality services and obtain low-cost electricity. Kungsleden is able to develop sites on a per megawatt basis below the industry standard, which allows Kungsleden to build its sites cheaper and faster than most of its competitors. Furthermore, the ability to get components like modular data centers and transformers direct from manufacturers helps to keep Kungsleden competitive.

Increased competition may require Kungsleden to reduce prices or increase costs which could have a material adverse effect on its financial condition and results. The largest potential source of new competition facing Kungsleden is the growth of artificial intelligence compute. The growth of computation for artificial intelligence will require greater amounts of electricity for hosting facilities. Additionally, these artificial intelligent compute may seek the same low-cost electricity and components that Kungsleden uses to stay competitive.

### **Future Developments**

Kungsleden's goal is to continue to optimize performance and facilities at its existing sites to ensure its customer's success. Kungsleden will also continue to look for below market opportunities to acquire sites, both developed and undeveloped, to make profitable through its hosting services.

For the North Dakota Facility, Kungsleden is actively pursuing expansion opportunities with the energy producer with which it has contracted. Currently 10 MW are operational at the site, with the remaining capacity expected to be fully operational by the end of July 2024. Kungsleden is waiting on the arrival of transformers and modular data centers to make the site fully operational.

### **Proprietary Protection**

Kungsleden does not have any proprietary protections as no such protections are required or necessary for

operation of the Kungsleden’s business.

### Lending

Kungsleden has not adopted any specific investment policies or lending and investment restrictions, but will ensure any investment or debt activities incurred are in the best interests of Kungsleden and its security holders.

### Bankruptcy and Similar Procedures

There have been no bankruptcies, receivership or similar proceedings against Kungsleden since its inception nor is Kungsleden aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by Kungsleden since its inception.

### Selected Consolidated Financial Information

#### Annual Information

The following table sets out certain financial data for Kungsleden’s business in respect of the year ended December 31, 2023, for Kungsleden’s predecessor entity for the period from inception on May 11, 2022 to December 31, 2022 and for Kungsleden for the three month period ended March 31, 2024. Such information is derived from and should be read in conjunction with Kungsleden’s financial statements and notes thereto attached as Schedule “C” and Schedule “E” to this Circular.

Audited	Kungsleden Three months ended March 31, 2024	Kungsleden and Predecessor Entity Year ended December 31, 2023	Predecessor Entity Period from inception on May 11, 2022 to December 31, 2022
Total Revenue	US\$4,349,829	US\$11,303,301	US\$998,679
Income From Continuing Operations	US\$862,610	US\$2,219,933	US\$(177,947)
Net Income	US\$832,101	US\$1,611,136	US\$(177,695)
Total Assets	US\$9,053,905	US\$8,755,257	US\$2,385,783
Total Liabilities	US\$6,787,363	US\$7,320,816	US\$2,563,478
Shareholders’ Equity	US\$2,266,542	US\$1,434,441	US\$(177,695)

#### Quarterly Information

Quarter End	Total Revenue	Income From Continuing Operations	Net Income
Year ended December 31, 2023	US\$11,303,301	US\$2,219,933	US\$1,611,136
Three month period ended March 31, 2024	US\$4,349,829	US\$862,610	US\$832,101

As Kungsleden is not a reporting issuer, it has not prepared quarterly financial statements for the eight most recently completed quarters.

## MD&A

The MD&A of Kungsleden for the year ended December 31, 2023 and the period from incorporation on May 11, 2022 ended December 31, 2022 is attached hereto as Schedule “D”, and should be read in conjunction with the Kungsleden financial statements and notes thereto for the corresponding period, which is attached hereto as Schedule “C”. The MD&A of Kungsleden for the three month period ended March 31, 2024 attached hereto as Schedule “F”, and should be read in conjunction with the Kungsleden financial statements and notes thereto for the corresponding period, which is attached hereto as Schedule “E”

## Description of the Securities

The authorized capital of Kungsleden consists of ten million (10,000,000) Kungsleden Shares with a par value of US\$0.0001, of which 1,000,000 fully paid Kungsleden Shares are issued and outstanding as of the date of this Circular.

Holders of Kungsleden Shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the company. The Kungsleden Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of ordinary shares to contribute additional capital and no restrictions on the issuance of additional securities by Kungsleden.

## Dividends

Kungsleden has not generated profits and therefore no dividends have been declared or paid, and none are envisaged until time such times as Kungsleden generates sufficient profits.

## Consolidated Capitalization

The following table sets forth the consolidated capitalization of Kungsleden as at the date of this Circular:

Designation of Security	Authorized	Outstanding as at December 31, 2023 <sup>(1)</sup>	Outstanding as at the date of this Circular
Common Shares	Unlimited	1,000,000	1,000,000
Options	N/A	Nil	Nil
Warrants	N/A	Nil	Nil

Notes:

(1) As of December 31, 2023 Kungsleden had retained earnings of \$1,434,441.

## Prior Sales

Since its incorporation, Kungsleden has sold the following Kungsleden Securities:

Date	Type of Transaction	Number of Kungsleden Securities	Price Per Share	Gross Proceeds
September 13, 2023	Transfer of Assets from predecessor entity <sup>(1)</sup>	980,000	N/A	Assets Acquired
September 13, 2023	Assets <sup>(2)</sup>	10,000	N/A	Asset Acquired
September 13, 2023	Services <sup>(3)</sup>	10,000	N/A	Services Provided

Notes:

- (1) In connection with this issuance, Kungsleden acquired: (i) a 100% interest in the following subsidiaries: Sentinel Technology; Churchill Technologies LLC; Two Keys Technologies, LLC; and Smithville HoldCo LLC; and (ii) a 90% interest in North Campbell HoldCo.
- (2) In connection with this issuance, Kungsleden acquired a 10% interest in North Campbell HoldCo.
- (3) In connection with this issuance, Kungsleden received certain consulting services.

## Stock Exchange Price

The shares of Kungsleden are not listed or quoted on any stock exchange.

## Executive Compensation

### Named Executive Officers

During the period from inception on May 11, 2022 to the financial year ended December 31, 2023 Kungsleden had one Named Executive Officer being Thomas Masiero, Chief Executive Officer, Secretary, Treasurer and a director of Kungsleden. Mr. Masiero expects to resign as a director, manager and officer of Kungsleden and the Kungsleden Subsidiaries, as applicable, upon Closing.

### Director and Named Executive Officer Compensation

There has been no compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, to the directors and NEOs of Kungsleden since its inception.

### Stock Options and Other Compensation Securities

As of the date hereof, there have been no stock options or other compensation securities granted to the directors and NEOs of Kungsleden. No compensation securities were re-priced, cancelled and replaced, had their term extended, or otherwise materially modified during the period from inception on May 11, 2022 to the financial year ended December 31, 2023, and no compensation securities of Kungsleden were exercised by any NEO or director of Kungsleden during the period from inception on May 11, 2022 to the financial year ended December 31, 2023.

### Stock Option Plans and Other Incentive Plans

Kungsleden has no equity incentive plan currently in place.

### Oversight and Description of Director and Named Executive Officer Compensation

The Kungsleden Board has not yet established any formal objectives or criteria for executive compensation and does not have a formal pre-determined compensation plan on the basis that its current stage of development and financial resources requires flexibility in determining remuneration for its officers and directors.



## Pension Disclosure

Kungsleden does not have any pension or retirement plan which is applicable to the NEOs or directors. Kungsleden has not provided compensation, monetary or otherwise, to any person who now or previously has acted as an NEO of Kungsleden, in connection with or related to the retirement, termination or resignation of such person, and Kungsleden has provided no compensation to any such person as a result of a change of control of Kungsleden.

## Employment, Consulting and Management Agreements

Management functions of Kungsleden are substantially performed by directors and senior officers of Kungsleden and not, to any substantial degree, by any other person with whom Kungsleden has a contract. No individual acting as a NEO of Kungsleden is acting through an external management company.

## Indebtedness

ABG Energy (“ABG”), a company controlled by the directors of Kungsleden, has advanced Kungsleden interest free loans, due on demand, which as of March 31, 2024 total US\$643,000, as of May 31, 2024, the remaining balance of the loan was US\$72,500. It is expected that the above noted indebtedness will be repaid prior to Closing. See *“Information Concerning Kungsleden – Non-Arm’s Length Party Transaction”*.

## Non-Arm’s Length Party Transaction

Cash contributions by way of loans, through ABG, were made by Mr. Masiero and Mr. Qu for Poimen Trust to be able to develop the business of the operating entities prior to the ultimate sale of the operating entities to Kungsleden in September 2023 for restructuring purposes. Prior to the sale of the operating entities in September 2023, Mr. Masiero and Mr. Qu contributed US \$2,595,466 toward site equipment and construction costs, US \$453,480 of which was repaid to them prior to the sale. As of December 31, 2023, the remaining balance of the loan was US\$1,843,604. See Note 10 of Kungsleden’s audited financial statements for year ended December 31, 2023 and for the period from May 11, 2022 through December 31, 2022. As of March 31, 2024, the remaining balance of the loan was US\$643,000 and as of May 31, 2024, the remaining balance of the loan was US\$72,500, all of which is expected to repaid prior to Closing.

Pursuant to the Amended and Restated Operating Agreement between Tirpitz Technology HoldCo LLC (“**Tirpitz HoldCo**”), Kungsleden, Arashiyama Trust, Clay Electric LLC, Peanuts ND Inc. and Bend Property Group LLC dated January 10, 2024 (the “**Tirpitz Operating Agreement**”), Kungsleden holds a 25% equity interest in Tirpitz HoldCo (the “**Tirpitz Equity Interest**”). In accordance with the Tirpitz Operating Agreement, in exchange for the Tirpitz Equity Interest, Kungsleden was required to contribute US\$3,750,000 to Tirpitz HoldCo in the form of cash, or equivalent equipment and services necessary to bring the North Dakota Facility into operation. As of the date hereof, Kungsleden has contributed an aggregate of US\$315,000 with US\$3,435,000 left outstanding (the “**Outstanding Contribution**”).

The Outstanding Contribution was required in order advance construction necessary to bring the North Dakota Facility into operation. To avoid delays, Tirpitz HoldCo incurred expenditures at the North Dakota Facility, on behalf of Kungsleden, in the amount of the Outstanding Contribution. As a result of the foregoing, the Outstanding Contribution has become an accounts payable liability owing from Kungsleden to Tirpitz HoldCo as reflected in Kungsleden’s interim financial statements for the three-month period ending March 31, 2024.

## Legal Proceedings

Kungsleden, including its subsidiaries, is not a party to any legal proceedings currently material to it or of which any of its property is the subject matter, and no such proceedings are known by Kungsleden to be contemplated.

## Material Contracts

Except for contracts entered into in the ordinary course of business, the only contracts entered into by Kungsleden since incorporation that can reasonably be regarded as presently material to Kungsleden are as follows:

- 1) the lease agreement between Expedit Terra Inc. and Churchill Technologies LLC dated February 23, 2023.
- 2) the lease agreement between the Electric Plant Board in a local city in Kentucky and North Campbell LandCo, LLC dated April 26, 2023.
- 3) the service framework agreement between Meta Centergy LLC and Two Key Technologies LLC dated August 14, 2023.
- 4) the prepaid electric power contract between Churchill Technologies LLC and the Electric Plant Board in a local city in Kentucky dated April 1, 2023.
- 5) the interruptible power product agreement between Churchill Technologies LLC, Tennessee Valley Authority and the Electric Plant Board in a local city in Kentucky dated May 11, 2023.
- 6) the hosting agreement between Two Key Technologies LLC and River Financial Inc. dated April 4, 2023.
- 7) the hosting agreement between Sentinel Technology, LLC and Perfso Trade Limited (US) dated October 1, 2023.
- 8) the hosting agreement between Sentinel Technology LLC and Newrays Inc (US) dated August 25, 2023.
- 9) the hosting agreement between Sentinel Technology, LLC and Long BTC Mining Four, LLC (US) dated August 18, 2022.
- 10) the addendum to hosting agreement between Sentinel Technology, LLC and Two Key Technologies LLC dated November 13, 2023.
- 11) the prepaid electric power contract between Sentinel Technology LLC and a Utility Board in Tennessee dated October 6, 2022.
- 12) the interruptible power product agreement between Sentinel Technology, LLC, a local city in Tennessee and Tennessee Valley Authority dated August 26, 2022.
- 13) the economic interruption amendment between Sentinel Technology, LLC and Tennessee Valley Authority dated May 3, 2023.

- 14) the industrial power contract between the Electric Plant Board in a local city in Kentucky and North Campbell LandCo LLC dated April 26, 2023.
- 15) the interruptible power product agreement between North Campbell LandCo LLC, the Electric Plant Board in a local city in Kentucky and Tennessee Valley Authority dated August 11, 2023.
- 16) the service framework agreement between Meta Centergy LLC and North Campbell HostCo LLC dated August 14, 2023.
- 17) the capacity lease agreement between AES-Energy Campus-ND, LLC and Tirpitz Technology LandCo LLC dated December 15, 2023.
- 18) the operating agreement between Churchill Technologies LLC and Poimen Trust dated January 21, 2023.
- 19) the operating agreement between North Campbell HostCo LLC and North Campbell HoldCo LLC dated April 10, 2023.
- 20) the operating agreement between North Campbell LandCo LLC and North Campbell HoldCo LLC dated April 10, 2023.
- 21) the operating agreement between North Campbell HoldCo LLC, Poimen Trust and Meta Centergy LLC dated May 16, 2023.
- 22) the operating agreement between Sentinel Technology, LLC and Poimen Trust dated October 13, 2022.
- 23) the operating agreement between Smithville HoldCo LLC and Poimen Trust dated June 23, 2023.
- 24) the operating agreement between Smithville HoldCo LLC and Smithville HostCo LLC dated June 23, 2023.
- 25) the operating agreement between Smithville HoldCo LLC and Smithville LandCo LLC dated June 23, 2023.
- 26) the operating agreement between Tirpitz Technology HoldCo LLC and Kungsleden Inc. dated November 15, 2023.
- 27) the amended and restated operating agreement between Tirpitz Technology HoldCo LLC, Kungsleden Inc., Arashiyama Trust, Clay Electric LLC, Peanuts ND Inc. and Bend Property Group LLC dated January 10, 2024.
- 28) the operating agreement between Tirpitz Technology HoldCo LLC and Tirpitz Technology HostCo LLC dated November 15, 2023.
- 29) the operating agreement between Tirpitz Technology HoldCo LLC and Tirpitz Technology LandCo LLC dated November 15, 2023.

All of the contracts specified above may be inspected at the registered and records offices of Kungsleden at 850 New Burton Road, Suite 201, Dover, Delaware 19904 during normal business hours up to the Closing Date and for a period of 30 days thereafter.

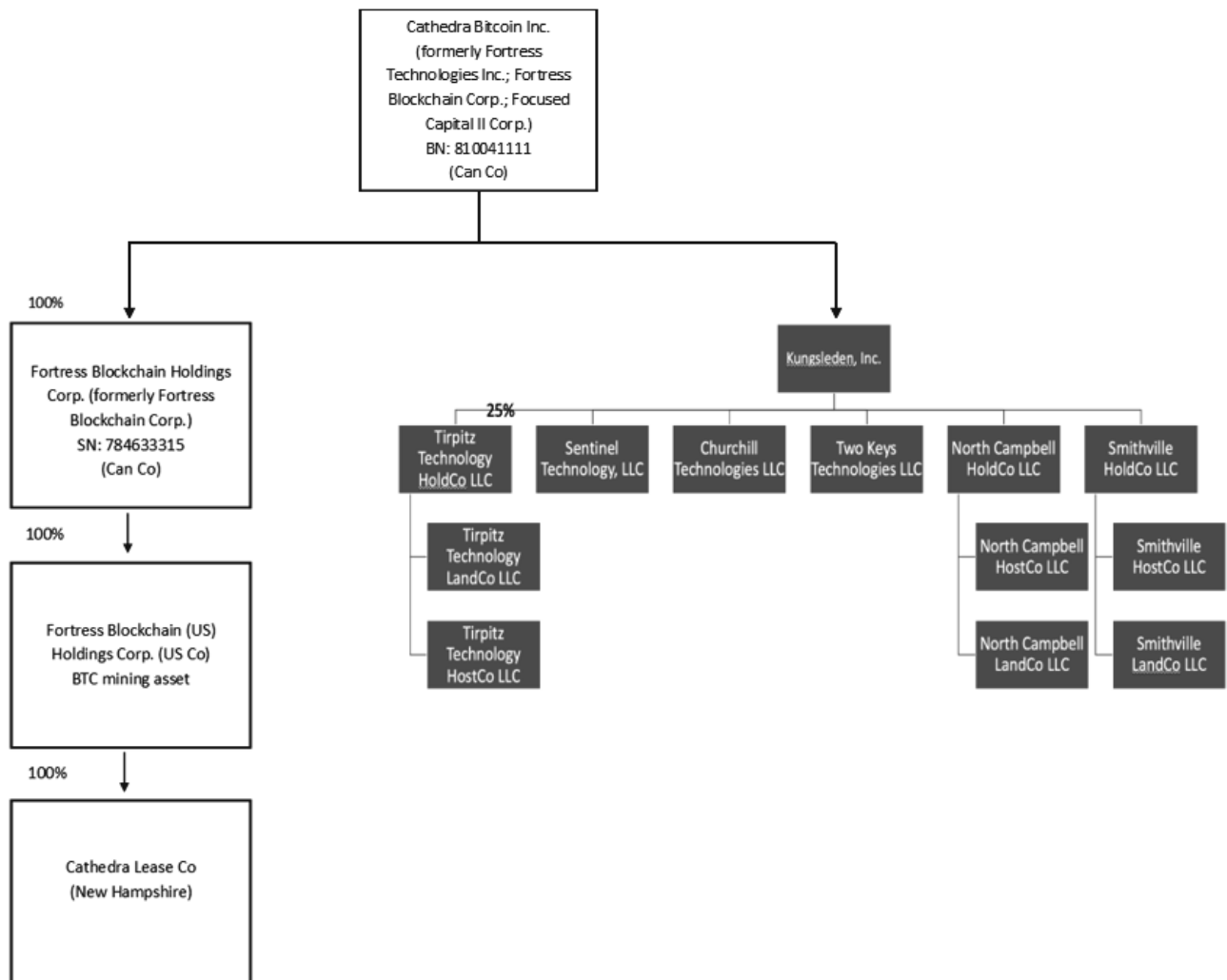
## INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented on a post-Transaction basis and is reflective of the business, financial and share capital position of the Company as the Resulting Issuer, after giving effect to the Transaction. This section only includes information respecting the Resulting Issuer after the Transaction that is materially different from information provided earlier in this Circular under “*Information Concerning the Company*” and “*Information Concerning Kungsleden*”.

### Corporate Structure

The Resulting Issuer’s head office and its records and registered office will be located at #320 – 638 Broughton Street, Vancouver, BC V6G 3K3. The Resulting Issuer will be a corporation existing under the BCBCA and will retain the name of the Company, being “Cathedra Bitcoin Inc.”.

Upon completion of the Transaction, Kungsleden will become a wholly-owned subsidiary of the Resulting Issuer. The Resulting Issuer will have the following structure:



## **Narrative Description of the Business of the Resulting Issuer**

### ***Business Objectives***

The Resulting Issuer is expected to be a Mining and data center and Hosting company. The Resulting Issuer's principal business will be cryptocurrency Mining and it will continue to pursue the business of the Company as described under "*Information Concerning the Company*" above. In addition, the Resulting Issuer will continue to pursue the business of Kungsleden as described under "*Information Concerning Kungsleden*" above.

The Resulting Issuer's business objectives will be to continue to build a leading technology-oriented Blockchain Mining company committed to operating in low cost North American green-energy regions, achieve peak operational efficiency in industrial scale Bitcoin Mining, and deliver an industry leading competitive advantage in performance. To accomplish these objectives, the Resulting Issuer intends to continue Mining at its current sites, commence Mining at the Kungsleden sites and complete construction and initiate operations at the North Dakota Facility. In addition, the Resulting Issuer expects to generate revenue by Hosting Mining equipment for third-parties at the Resulting Issuer's hosting facilities.

The above objectives may change at any time depending on market conditions. There is no certainty that any objectives in respect of potential acquisitions will be completed on the terms anticipated or at all. See "*Risk Factors*".

### ***Milestones***

To accomplish the foregoing business objectives, the Resulting Issuer will target the following milestones:

*Continue managing and optimizing Cathedra's existing bitcoin mining operations and Kungsleden's existing hosting operations.*

Cathedra's bitcoin mining operations currently produce approximately 403 PH/s of hash rate across five locations in three U.S. states from a mix of Bitmain S19J Pro and Bitmain S19 XP machines. These machines are all located at third-party or leased data centers which Cathedra does not own (including the Tennessee Facility). The Resulting Issuer will continue to manage these machines through its relationships with third-party hosts and site-level contractors, including implementing further efficiency optimizations through the Company's proprietary bitcoin mining firmware, CathedraOS (which will be the proprietary bitcoin mining firmware of the Resulting Issuer upon Closing). Such optimizations may allow the Resulting Issuer's existing fleet of machines to mine more profitably following the 2024 Halving. Additionally, the Resulting Issuer will make efforts to relocate its machines from existing third-party and leased data centers to data centers owned and operated by Kungsleden, thereby improving profitability through access to Kungsleden's lower wholesale power cost. Finally, if the Resulting Issuer is unsuccessful in relocating some or all of its machines, the Resulting Issuer will work to renew its hosting and lease agreements with existing partners or may explore alternative hosting arrangements that may prove to be economically beneficial. Kungsleden currently owns and operates 30 MW of hosting capacity across three data centers in Kentucky and Tennessee. The Resulting Issuer will continue to oversee these operations by promptly billing tenants for services rendered each month, providing ongoing machine and site maintenance services, and delivering utilities services to tenants' machines, including physical security, electricity, and internet connectivity. Over the next 18 months, Mining and Hosting revenue is estimated to be approximately \$61,000,000 and Mining and Hosting cash costs are estimated to be approximately \$46,000,000.

*Complete construction of Kungsleden data center in North Dakota.*

Kungsleden is a 25% minority partner in a joint venture which is developing a 60-MW data center in North Dakota. Kungsleden's ownership translates to approximately 15 MW of power capacity, however Kungsleden is serving as developer and operator for the full 60-MW project, such responsibility will be assumed by the Resulting Issuer upon Closing. The site is currently under construction and is expected to be completed in phases by the end of July 2024. Kungsleden has already completed construction and energization of the 10-MW first phase and is currently awaiting delivery of the tenants' machines for installation. The 50-MW second phase is expected to be completed by the end of July 2024; Kungsleden's funding share will require approximately US\$3,450,000 of additional investment, which Kungsleden, or the Resulting Issuer upon closing, intends to fund using cash flows from its existing operations. Remaining work on the 50-MW second phase includes site preparation and delivery and installation of electrical infrastructure, modular data center structures, networking equipment, physical and cybersecurity infrastructure, and the tenants' mining machines. See "*Information Concerning Kungsleden – Indebtedness*".

*Evaluate additional expansion opportunities for the Resulting Issuer's joint bitcoin mining and hosting operations.*

Over the next 18 months, the Resulting Issuer intends to explore additional opportunities to expand its joint operations, including the potential to purchase new Bitcoin Mining machines directly from manufacturers and/or from existing Kungsleden tenants, or developing new hosting data centers. As of the date of this Circular, neither Cathedra nor Kungsleden has entered into any agreements to expand beyond Kungsleden's 25% minority interest in the North Dakota Facility.

The Resulting Issuer intends to continue to seek, evaluate and, if warranted, execute opportunities to acquire additional Mining machines and new hosting data centers. The Company will use its unallocated working capital, as described under the heading "*Information Concerning the Resulting Issuer – Principal Purpose of Funds*", to capitalize on any such opportunities to acquire additional Mining machines and new hosting data centers. See also "*Risk Factors – Liquidity and Future Financing Risk*" and "*Risk Factors – Uncertainty of Additional Funding*".

The above milestones may change at any time depending on market conditions and are subject to various risks associated with Closing, including the satisfaction of standard conditions for transactions of this nature and the entering into of definitive agreements, as applicable, on terms acceptable to the Resulting Issuer, as well as financing risks. There is no certainty that potential transactions or milestones will be completed on the terms anticipated or at all. See "*Risk Factors*".

## **Description of the Securities**

### ***Authorized Share Capital on Closing of the Transaction***

Upon the Closing of the Transaction, the authorized share structure of the Resulting Issuer will consist of (i) an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. An aggregate of 237,513,935 Subordinate Voting Shares and 6,253,429 Multiple Voting Shares are estimated to be issued and outstanding upon Closing. All of the Multiple Voting Shares will be held by the Vendors.

### ***Description of Subordinate Voting Shares and Multiple Voting Shares***

In connection with the Transaction, Cathedra is seeking shareholder approval to amend and restate its articles by deleting its existing articles in their entirety and substituting new articles therefor (the "**New Articles**"). The Share Structure Alteration will result in, among other things, (i) the re-designation of the name of the Company Shares to Subordinate Voting Shares, (ii) the creation of a new class of unlimited preferred shares ("**Preferred**

Shares”) without par value, issuable by the directors of the Company in series, with each series having the special rights and restrictions designated by the directors (ii) the creation a new series of Preferred Shares designated as “Multiple Voting Shares”, each convertible into 100 Subordinate Voting Shares; and (iv) the addition special rights and restrictions to Multiple Voting Shares, pursuant to which, among other things, the holders of the Multiple Voting Shares will be entitled to 152 votes per Multiple Voting Share held.

It is a condition to the completion of the Transaction (unless waived by Kungsleden and the Vendors) that Cathedra adopt the dual-class voting structure contemplated herein. The following is a summary of the material terms of the Proposed New Articles as they pertain to the proposed changes to the share capital, including the creation of a new class of Multiple Voting Shares which will have multiple voting rights on a 1.52:1 basis (on an as-converted basis) compared to the Subordinate Voting Shares. This summary is qualified in its entirety by the full text of the Proposed New Articles, a current copy of which is attached as Schedule "K" to this Circular.

#### *Notice and Voting Rights of Multiple Voting Shares and Subordinate Voting Shares*

Each holder of Multiple Voting Shares and Subordinate Voting Shares is entitled to receive notice of and to attend all meetings of shareholders of Cathedra or the Resulting Issuer, as applicable. Holders of Multiple Voting Shares are entitled to 1.52 vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could ultimately then be converted, which for greater certainty, shall be equal to 152 votes per Multiple Voting Share, on all matters subject to shareholder vote, voting together as a single class with holders of Subordinate Voting Shares, except as otherwise prohibited by law. Subordinate Voting Shares are entitled to one vote per Subordinate Voting Share on all matters subject to shareholder vote, voting together as a single class with holders of Multiple Voting Shares, except as otherwise prohibited by law.

#### *Dividend Rights*

The holder of Subordinate Voting Shares shall have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. The holder of Multiple Voting Shares shall have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the conversion ratio of 100:1) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend will be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted basis) on the Subordinate Voting Shares.

#### *Rights on Liquidation or Winding Up*

In the event of the liquidation, dissolution or winding-up of the Cathedra or the Resulting Issuer, as applicable, whether voluntary or involuntary, or in the event of any other distribution of assets of Cathedra or the Resulting Issuer, as applicable, among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will be entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Subordinate Voting Shares.

#### *Voluntary Conversion*

Each Multiple Voting Share shall be convertible, at the option of the holder thereof at any time after the date of issuance of such share, into fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares by the Conversion Ratio. The “**Conversion Ratio**” for shares of Multiple Voting Shares shall be 100 Subordinate Voting Shares.

### *Automatic Conversion*

Upon the first date that Multiple Voting Shares are transferred by a holder of Multiple Voting Shares, other than to an Immediate Family Member (as such term is defined below) pursuant to a Permitted Transfer (as such term is defined below), the holder thereof, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert Multiple Voting Shares into fully paid and non-assessable Subordinate Voting Shares pursuant to the Conversion Ratio, effective immediately upon such transfer, and Cathedra or the Resulting Issuer, as applicable, shall, at its expense, effective as of such date, remove or cause the removal of such holder from the register of holders in respect of the Multiple Voting Shares subject to such automatic conversion, add such holder to the register of holders in respect of the Subordinate Voting Shares, cancel or cause the cancellation of the certificate or certificates representing the Multiple Voting Shares so deemed to have been converted for Subordinate Voting Shares, and issue or cause to be issued to such holder a certificate representing the Subordinate Voting Shares issued to the holder upon the foregoing automatic conversion of such Multiple Voting Shares registered in the name of such holder and, against receipt from such holder of the certificate or certificates representing the Multiple Voting Shares in respect of which such conversion has been deemed to have been exercised, deliver to such holder the certificate representing such Subordinate Voting Shares. If less than all of the Multiple Voting Shares represented by any certificate are automatically converted into Subordinate Voting Shares, the holder shall be entitled to receive a new certificate representing the Multiple Voting Shares represented by the original certificate which have not been converted against delivery of such original certificate.

### *Foreign Private Issuer Protection Limitations*

The Resulting Issuer will use commercially reasonable efforts to maintain its status as a foreign private issuer and accordingly, the Resulting Issuer shall not effect any conversion of Multiple Voting Shares, and the holders of Multiple Voting Shares shall not have the right to convert any portion of the Multiple Voting Shares, to the extent that after giving effect to all permitted issuances after such conversions, the aggregate number of Resulting Issuer Shares held by U.S. residents would exceed 50% of the outstanding Resulting Issuer voting securities (the “**FPI Protective Restriction**”). Before any holder of Multiple Voting Shares shall be entitled to convert the same into Subordinate Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of Cathedra or the Resulting Issuer, as applicable, to determine if the FPI Protective Restriction shall apply to the conversion of Multiple Voting Shares.

### *Single Class*

Except as otherwise provided in the amended articles of Cathedra and this Circular, the Subordinate Voting Shares and Multiple Voting Shares are equal in all respects and shall be treated as shares of a single class for all purposes under the BCBCA.

### *Restrictions on Transfer*

No Multiple Voting Share may be transferred by the holder thereof unless such transfer is to an immediate family member (“**Immediate Family Member**”) or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by such holder or Immediate Family Members of such holder or which such holder or Immediate Family Members of such holder are the sole beneficiaries thereof (in each case, a “**Permitted Transfer**”). In order to be effective, any Permitted Transfer shall require the prior written consent of Cathedra or the Resulting Issuer, as applicable. For greater clarity, “Immediate Family Member” means with respect to any individual, each parent (whether by birth or adoption), spouse (including if such person is legally married to such individual, lives in civil union with such individual or is a common law



partner with such individual, as defined in the *Income Tax Act* (Canada), as amended), child or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned persons. For greater certainty, a person who was a spouse of an individual within the meaning of this paragraph shall continue to be considered a spouse of such individual after the death of such individual.

No Multiple Voting Shares shall be transferred by any holder thereof pursuant to an exclusionary offer (“**Exclusionary Offer**”) unless, concurrently with the Exclusionary Offer, an offer to acquire Subordinate Voting Shares is made that is identical to the Exclusionary Offer in terms of price per share (calculated for the Multiple Voting Shares on an as-converted basis), percentage of outstanding shares to be taken up (exclusive of Resulting Issuer Shares owned immediately before the Exclusionary Offer by the offeror) and in all other material respects. For greater clarity, an “Exclusionary Offer” means an offer to purchase Multiple Voting Shares which must be made, by reason of applicable securities legislation or by the rules or policies of a stock exchange on which any shares of the Cathedra or the Resulting Issuer are listed, to all or substantially all holders of Multiple Voting Shares (and not, for greater certainty, to the holders of Subordinate Voting Shares).

Cathedra has provided an undertaking to the TSXV that it, nor the Resulting Issuer, will issue any Multiple Voting Shares except for the Exchanged Shares.

#### ***Take-Over Bid Considerations***

In the event that an exclusionary offer (an “**Exclusionary Offer**”) is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Subordinate Voting Shares are then listed, to be made to all or substantially all the holders of Multiple Voting Shares, no Multiple Voting Shares shall be transferred pursuant to such an Exclusionary Offer, unless, concurrently with the Exclusionary Offer, an offer to acquire Subordinate Voting Shares is made that is identical to the Exclusionary Offer in terms of price per share (on a post-converted basis, based on the Conversion Ratio), percentage of outstanding shares to be taken up (exclusive of Subordinate Voting Shares owned immediately before the Exclusionary Offer by the offeror) and in all other material respects. For greater clarity, an “Exclusionary Offer” means an offer to purchase Multiple Voting Shares which must be made, by reason of applicable securities legislation or by the rules or policies of a stock exchange on which any shares of the Cathedra or the Resulting Issuer are listed, to all or substantially all holders of Multiple Voting Shares (and not, for greater certainty, to the holders of Subordinate Voting Shares).

In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required to be made to all or substantially all of the holders of Subordinate Voting Shares pursuant to (i) applicable securities laws or (ii) the rules of any stock exchange on which the Subordinate Voting Shares of the Company are listed, then unless an identical offer concurrently is made to purchase Multiple Voting Shares, each Multiple Voting Share shall become convertible, at the option of the holder, into Subordinate Voting Shares at the Conversion Ratio, at any time while such offer is in effect until one day after the time prescribed by applicable securities laws for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. This conversion right may only be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Subordinate Voting Shares under the offer, and for no other reason.

#### **Pro Forma Consolidated Capitalization**

The following table sets forth the pro forma capitalization of the Resulting Issuer after giving effect to the Transaction:

Designation of Security	Amount Authorized	Amount Outstanding After Giving Effect to the Transaction <sup>(1)(2)</sup>
Subordinate Voting Shares	Unlimited	237,513,935
Multiple Voting Shares	Unlimited <sup>(4)</sup>	6,253,429
Options	N/A	3,605,364
Restricted Stock Units	N/A	9,858,425 <sup>(5)</sup>
Warrants	N/A	51,144,882
Convertible Debentures	N/A	\$5,733,728.38 principal amount <sup>(3)</sup>

Notes:

- (1) Assumes no exercise of any of the outstanding options, warrants or convertible debentures prior to Closing.
- (2) Figures are presented on a pre-Consolidation basis
- (3) Convertible into 38,224,855 Subordinate Voting Shares (on a pre-Consolidation basis) assuming the Repricing is complete.
- (4) An undertaking has been delivered to the Exchange that provides that so long as the Resulting Issuers Shares are listed on the Exchange it will not issue any additional Multiple Voting Shares other than the Exchanged Shares.
- (5) Includes 8,141,544 RSUs that are expected to granted in connection with Closing.

For more details on the breakdown of fully diluted capitalization, please see below table under "*Fully Diluted Share Capital*".

### ***Fully Diluted Share Capital***

The following table states the anticipated fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

Description of Security	Number of Securities <sup>(1)(2)</sup>	% of Total
Subordinate Voting Shares	237,513,935	24.60%
Multiple Voting Shares (on a post-conversion basis) <sup>(3)</sup>	625,342,900 <sup>(3)</sup>	64.76%
Options	3,605,364	0.37%
Restricted Stock Units	9,858,425 <sup>(5)</sup>	1.02%
Warrants	51,144,882	5.30%
Convertible Debentures	38,224,855 <sup>(4)</sup>	3.96%
Total	965,690,361	100.00%

Notes:

- (1) Assumes no exercise of any of the outstanding options, warrants or convertible debentures prior to Closing.
- (2) Figures are presented on a pre-Consolidation basis
- (3) Each Multiple Voting Share is convertible into 100 Subordinate Voting Shares.
- (4) Assuming the Repricing is complete and the \$5,733,728.38 principal amount outstanding under the Convertible Debentures is converted into Subordinate Voting Shares
- (5) Includes 8,141,544 RSUs that are expected to granted in connection with Closing.

### **Consolidation**

Following the completion of the Transaction and at a time to be determined by the Board of the Resulting Issuer, the Resulting Issuer expects to consolidate the Subordinate Voting Shares and Multiple Voting Shares on the basis of one Subordinate Voting Share or Multiple Voting Share, as applicable, for up to one-hundred fifty pre-Consolidation Subordinate Voting Shares or Multiple Voting Shares, as applicable. The exact Consolidation ratio will be determined by the Board of the Resulting Issuer prior to the Consolidation, provided that in no event shall the Consolidation ratio exceed one post-Consolidation Subordinate Voting Share or Multiple Voting Share, as applicable, for one-hundred fifty pre-Consolidation Subordinate Voting Shares or

Multiple Voting Shares, as applicable. The Consolidation is not expected to occur immediately following the completion of the Transaction. At the time the Board of the Resulting Issuer resolves to implement the Consolidation, the Resulting Issuer will announce this intention in a press release and will apply for Exchange approval at the Consolidation at that time. Completion of the Consolidation will be subject to Exchange Approval.

#### Principal Effects of the Share Consolidation

The Consolidation will not have a dilutive effect on the Resulting Issuer shareholders since each Resulting Issuer shareholder will, subject to rounding, hold the same percentage of Resulting Issuer Shares outstanding immediately following the Consolidation as such Resulting Issuer shareholder held immediately prior to the Consolidation. The Consolidation will not affect the relative voting and other rights that accompany the Resulting Issuer Shares.

The principal effects of the Consolidation include the following:

- (a) the fair market value of each Resulting Issuer Share will increase;
- (b) based on the number Resulting Issuer Shares expected to be issued and outstanding at closing (being 862,856,835 Resulting Issuer Shares), the number of issued and outstanding Resulting Issuer Shares would be reduced to approximately 5,752,378 Resulting Issuer Shares (subject to rounding) based on a Consolidation ratio of one (1) post-Consolidation Resulting Issuer Share for each one-hundred fifty (150) pre-Consolidation Resulting Isser Shares. The exact Consolidation ratio will be determined by the Board of the Resulting Issuer in its sole discretion prior to the effective time of the Consolidation, subject to a maximum Consolidation ratio of one (1) post-Consolidation Resulting Issuer Share for each one-hundred fifty (150) pre-Consolidation Resulting Issuer Shares;
- (c) as the Resulting Issuer will have unlimited number of Resulting Issuer Shares authorized for issuance, the Consolidation will not have any effect on the number of Resulting Issuer Shares available for issuance.

After the Consolidation, there will be no change in the voting rights or conversion rights of the Multiple Voting Shares. Each Multiple Voting Share will continue to be convertible into Subordinate Voting Shares at a conversion ratio of 1 Multiple Voting Share for 100 Subordinate Voting Shares and each Multiple Voting Share will continue to carry 152 votes per Multiple Voting Share.

#### Effect on Fractional Shareholders

No fractional shares will be issued, and no cash consideration will be paid, if, as a result of the Consolidation, a registered Cathedra shareholder would otherwise become entitled to a fractional Resulting Isser Share. After the Consolidation, then current Resulting Issuer Shareholders will have no further interest in Cathedra with respect to their fractional Resulting Issuer Shares. This is not, however, the purpose for which the Company is effecting the Consolidation.

#### Effect on Share Certificates

Registered Resulting Issuer shareholders will be required to exchange certificate(s) representing pre-Consolidation Resulting Issuer Shares in order to receive certificate(s) representing post-Consolidation Resulting Issuer Shares. A letter of transmittal, containing instructions on how to surrender certificate(s) representing pre-Consolidation Resulting Issuer Shares in order to receive certificate(s) representing post-

Resulting Issuer Company Share, will be sent to registered Resulting Issuer shareholders.

#### Procedure for Implementing the Consolidation

The Consolidation is expected to be implemented after Closing and approval has been received by the Exchange by filing Form 11 with the Registrar pursuant to the BCBCA, which will become effective on the date a new Notice of Articles is issued by the Registrar under the BCBCA.

### **Available Funds and Principal Purposes**

#### ***Available Funds***

As of May 31, 2024, the Company had working capital of approximately \$2,835,500 and Kungsleden had working capital of approximately \$822,000. In addition, the Resulting Issuer expects to generate site-level cash flow over the next 18 months equal to approximately \$10,000,000 from its Mining and Hosting operations. Site-level cash flow is a non-IFRS metric and is calculated as the sum of mining revenue and hosting revenue, estimated to be approximately \$45,000,000, less the sum of mining cash costs and hosting cash costs, estimated to be approximately \$35,000,000. Site-level cash flow differs from cash flows provided by (used in) operating activities, which is an IFRS measure, by excluding general and administrative expenses. The Company's estimate for site-level cash flow from Mining was calculated using its existing machines and hosting/power contracts, assuming no changes to the current price of bitcoin or network difficulty. The estimate for Kungsleden's site-level cash flow from its Hosting business uses Kungsleden's current average contracted hosting and power rates of US\$73.14/MWh and US\$53.00/MWh, respectively, and includes cash flow generated by Kungsleden's three existing operational data centers (30 MW total), all of which are active today, excluding the North Dakota Facility (15 MW), the first phase of which is operational and which is expected to be fully online by the end of July, and assuming historical average uptime. The Company believes this forecast to be conservative, as it has budgeted US\$3,450,000 (\$4,741,616) for payables related to the North Dakota Facility but not included any associated revenues or cash flow from the site. The costs of the Company and Kungsleden to complete the Transaction are estimated to be approximately \$177,500. In addition, Kungsleden expects to repay US\$72,500 (\$99,500) of indebtedness prior to Closing, representing the balance of an outstanding loan owed to ABG (as defined below). Please see "*Information Concerning Kungsleden - Indebtedness*" for further details. Based on these amounts, the Resulting Issuer is expected to have working capital of approximately \$3,380,500 after giving effect to the Transaction and is expected to generate Mining and Hosting revenues over the next 18 months of approximately \$45,000,000. Accordingly, the Resulting Issuer is expected to have \$48,380,500 in available funds over the next 18 months.

A pro forma balance sheet of the Resulting Issuer, giving effect to the Transaction, is included as Schedule "I" hereto.

#### ***Principal Purpose of Funds***

The Resulting Issuer will spend the funds available to it upon Closing to further the Resulting Issuer's stated business objectives. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

The Resulting Issuer, in order to achieve its stated business objectives, may require additional capital which may come from a combination of potential cash flow, equity financing and/or debt financing. There is no assurance that additional capital will be available to the Resulting Issuer to complete its stated business objectives or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of the Company's business plans. See "*Risk Factors*".

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use the total available funds after giving effect to Transaction and for the 18 months thereafter.

Item	Budgeted Expenditures <sup>(1)</sup>
Payables to Tirpitz Technology Holdco LLC in connection with the completion of the North Dakota Facility <sup>(2)(4)</sup>	\$4,741,616
General and administrative expenses for the 18-month period following Closing <sup>(3)</sup>	\$6,000,000
Debt service on outstanding convertible debenture for the 18-month period following Closing	\$300,000
Mining and Hosting cash costs	\$35,000,000
Unallocated working capital	\$2,338,884
<b>Total</b>	<b>\$48,380,500</b>

Notes:

- (1) Budgeted expenditures have been converted from U.S. dollars to Canadian dollars based on the indicative exchange rate on June 17, 2024 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars, being CDN\$1.00 equals US\$0.7276.
- (2) Kungsleden is a 25% minority partner in a joint venture which is developing the 60-MW North Dakota Facility.
- (3) General and administrative costs for the next 18 months are expected to be comprised of professional fees of \$1,500,000; stock exchange fees, filing fees and transfer agent costs of \$225,000; insurance expenses of \$1,050,000; office rents of \$165,000; travel expenses of \$375,000; marketing and shareholder communication costs of \$225,000; salaries and wages (including executive management fees) of \$2,400,000; and miscellaneous and other expenses of \$60,000.
- (4) See "*Information Concerning Kungsleden – Non-Arm's Length Transactions*".

Based on current projections, the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 18 months commencing immediately after the completion of the Transaction. Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons and/or as a result of one or more of the proposed acquisitions closing on amended terms or not at all, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer. For these reasons, management of the Resulting Issuer considers it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See "*Forward-Looking Statements*".

## Dividends

The proposed management and directors of the Resulting Issuer do not anticipate declaring any dividends payable on the Resulting Issuer Shares. The Resulting Issuer will have no restrictions on paying dividends, but if the Resulting Issuer generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time. All Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. The Resulting Issuer will be subject to certain restrictions on the declaration and payment of dividends set out in the BCBCA. In particular,

the BCBCA provides that a company will not declare or pay a dividend in property, including in money, if there are reasonable grounds for believing that the company is insolvent or the payment of the dividend would render the company insolvent.

### Principal Security Holders

To the knowledge of the directors and senior officers of the Company and Kungsleden, upon completion of the Transaction, the following Persons are anticipated to beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting securities of the Resulting Issuer.

Name and Municipality of Residence	Number of Resulting Issuer Shares After the Transaction <sup>(1)</sup>	Percentage of Resulting Issuer Shares After the Transaction <sup>(1)</sup>
Togetsu Trust <sup>(2)</sup>	313,382,900 <sup>(3)</sup>	36.32% <sup>(3)</sup>
Thy Kingdom Trust <sup>(4)</sup>	299,546,576 <sup>(5)(6)(7)</sup>	34.72% <sup>(5)(6)(7)</sup>

**Notes:**

- (1) Assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares
- (2) Jialin (Gavin) Qu, a proposed director of the Resulting Issuer, is a trustee of Togetsu Trust.
- (3) Togetsu Trust will hold 315,418,286 and 32.66% of the Resulting Issuer Shares on a fully diluted basis (assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares and including the 2,035,386 which are expected to be held by Jialin (Gavin) Qu upon Closing.)
- (4) Thomas Masiero, a proposed director of the Resulting Issuer, is a trustee of Thy Kingdom Trust. Adam Brink is also a trustee of Thy Kingdom Trust.
- (5) Mr. Masiero owns an additional 163,676 Company Shares (Subordinate Voting Shares after the Share Structure Alteration is effective) in his personal capacity. Thy Kingdom Trust and Mr. Maserio will hold an aggregate of 299,710,252 and 31.04% of the Resulting Issuer Shares (assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares)
- (6) Thy Kingdom Trust will hold 299,546,576 and 31.02% of the Resulting Issuer Shares on a fully diluted basis (assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares).
- (7) Thy Kingdom Trust and Mr. Maserio will hold an aggregate of 302,199,878 and 31.29% of the Resulting Issuer Shares on a fully diluted basis (assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares and the settlement of Mr. Masiero's 2,325,950 RSUs which are expected to be held by Mr. Masiero upon closing of the Transaction)

### Directors, Officers and Promoters

The Company's current directors are Antonin Scalia, Drew Armstrong, David Jaques and Marcus Dent. In connection with the Closing of the Transaction, it is expected that Thomas Masiero, Jialin Qu and Matthew Kita will be appointed as directors of the Resulting Issuer in addition to the current board of the Company.

The term of office of each of the present directors expires at the Company's next annual general meeting. Each director elected or appointed will hold office until the next annual general meeting of the Resulting Issuer or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Resulting Issuer or with the provisions of the BCBCA.

The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the municipality in which each is ordinarily resident, all offices of the Resulting Issuer proposed to be held by each of them, their principal occupations during the past five years and the expected number of Resulting Issuer Shares beneficially owned by each, directly or indirectly, or over which control or direction is exercised, following completion of the Transaction.

Name, Municipality of Residence, Proposed Offices	Principal Occupation During Last Five Years	Director of Cathedra Since	Director of Kungsleden Since	Number of Resulting Issuer Shares upon completion of the Transaction <sup>(1)</sup>	Percentage of Resulting Issuer Shares Held or Controlled on completion of the Transaction <sup>(1)</sup>
Antonin	CEO of Cathedra (2021 –	September 24, 2021	N/A	3,429,664	0.40%

<b>Scalia</b> <sup>(2)(10)</sup> Chief Executive Officer <i>Montana, USA</i>	present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2018 to 2021); Investment Banking Analyst at J.P. Morgan (2017 to 2018) (NYSE: JPM).				
<b>Thomas Armstrong</b> <sup>(3)(14)</sup> President and COO <i>Virginia, USA</i>	President and COO of Cathedra (2021 – present) Associate; Investment Banking, Principal Investments and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2019 to 2021); Investment Banking Analyst at Barclays (LON: BARC) (2017 to 2019).	September 24, 2021	N/A	3,146,215	0.36%
<b>David Jaques</b> <sup>(4)(10)</sup> Director <i>London, England, UK</i>	Director of Bluedot Innovation, Inc. (2014 to present); Chairman and Director of Wedo Ventures Limited (2020 to present); Director of Katapult Technology Corp. (TSXV: FUND) (2017 to 2019).	August 16, 2018	N/A	1,000,000	0.12%
<b>Marcus Dent</b> <sup>(5)(10)(14)</sup> Director <i>Texas, USA</i>	Venture Partner at Ten31 (2021 to present); Director of Business Development at Great American Mining LLC (2019 to 2021)	September 2, 2021	N/A	390,000	0.05%
<b>Thomas Masiero</b> <sup>(6)(12)</sup> Director	CEO of Kungsleden (2022-Present); Head of business development at Cathedra (2022); COO of Great American Mining (2017-2021)	N/A	September 13, 2023	299,546,576 <sup>(12)</sup>	34.72%
<b>Jialin (Gavin) Qu</b> <sup>(7)(13)</sup> Director (Chairman)	Investor and co-founder of Kungsleden's predecessor entity (2022 – Present); Investor in and operator of over 200 megawatts of bitcoin mining capacity across dozens of sites in the United States in roles at various companies.	N/A	September 13, 2023	313,382,900 <sup>(13)</sup>	36.32%
<b>Matthew Kita</b> <sup>(8)(10)(11)(14)</sup> Director	Chief Legal Officer of Axiom; General counsel of the Company; Various	N/A	N/A	100,000	0.01%

	positions within the legal departments of BitGo and FIS.				
<b>Inar Kamaletdinov</b> (9) Chief Financial Officer, Corporate Secretary	Founding Partner of Imperium Consulting LLP	N/A	N/A	Nil	0.00%
<b>Total</b>				<b>620,995,355</b>	<b>71.97%</b>

**Notes:**

- (1) Assuming the conversion of the Multiple Voting Shares into Subordinate Voting Shares
- (2) As at the date hereof, Mr. Scalia holds 325,000 Options.
- (3) As at the date hereof, Mr. Armstrong holds 325,000 Options.
- (4) As at the date hereof, Mr. Jaques holds 150,000 Options and Nil RSUs
- (5) As at the date hereof, Mr. Dent holds 2,000,000 Options and Nil RSUs.
- (6) As at the date hereof, Mr. Masiero holds nil options and 472,347 restricted share units.
- (7) As at the date hereof, Mr. Qu holds nil options and nil restricted share units
- (8) As at the date hereof, Mr. Kita holds nil options and nil restricted share units.
- (9) As at the date hereof, Mr. Kamaletdinov holds nil options and nil restricted share units.
- (10) Proposed member of the audit committee of the Resulting Issuer
- (11) Includes 100,000 pre-consolidation Company Shares issued upon the exercise of 100,000 restricted share units granted to Mr. Kita during his time as an employee of the Company.
- (12) Mr. Masiero will control an aggregate of 299,546,576 Resulting Issuer Shares through Thy Kingdom Trust, a trust of which he is a trustee and will hold 163,676 Resulting Issuer Shares in his personal capacity.
- (13) Mr. Qu will hold all Resulting Issuer Shares through Togetsu Trust, a trust of which he is a trustee.
- (14) Proposed member of the corporate governance committee of the Resulting Issuer

See “*Information Concerning the Resulting Issuer – Options to Purchase Securities*” below.

The Resulting Issuer’s audit committee will be made up of David Jaques, Marcus Dent, Matthew Kita and Antonin Scalia, all of whom are considered financially literate and three of whom are independent. Antonin Scalia, as CEO of the Resulting Issuer, will not be independent. David Jaques will act as Chairman of the audit committee. There will be no other committees of the Board at this time.

As a group and upon Closing of the Transaction, the proposed directors beneficially own, control or direct, directly or indirectly, 620,995,355 Resulting Issuer Shares, representing approximately 71.97% of the Resulting Issuer Shares which are expected to be outstanding upon Closing of the Transaction.

## Management

The following is a brief description of the key management of the Resulting Issuer. Please see “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*” for further details.

### *Antonin Scalia – Proposed position with Resulting Issuer: Chief Executive Officer & Director, Age 29*

Mr. Scalia was appointed Chief Executive Officer of Cathedra and to its board of directors in September 2021. Prior to joining Cathedra, Mr. Scalia held various roles at Galaxy Digital Holdings Ltd. (“Galaxy Digital”), a diversified financial services firm dedicated to the digital assets sector, in the investment banking and principal investments divisions. He was also a founding member of Galaxy Digital’s bitcoin mining division, building its proprietary mining and mining equipment finance businesses. Mr. Scalia began his career in JPMorgan Chase & Co.’s technology investment banking group in New York and holds an undergraduate degree in Finance from the College of William & Mary. Mr. Scalia will devote his full time to perform the work required in connection with his role with the Resulting Issuer. Mr. Scalia is expected to be an employee of the Resulting Issuer.



*Thomas Armstrong – Proposed position with Resulting Issuer: President & Director, Age 29*

Mr. Armstrong was appointed President and Chief Operating Officer of Cathedra and to its board of directors in September 2021. Prior to joining Cathedra, Mr. Armstrong held various roles at Galaxy Digital, a diversified financial services firm dedicated to the digital assets sector, in the investment banking and principal investments divisions. He was also a founding member of Galaxy Digital's bitcoin mining division, building its proprietary mining and mining equipment finance businesses. Mr. Armstrong began his career in the investment banking division of Barclays plc and holds undergraduate degrees in Economics and Philosophy from the University of Chicago. Mr. Armstrong will devote his full time to perform the work required in connection with his role with the Resulting Issuer. Mr. Armstrong is expected to be an employee of the Resulting Issuer.

*Inar Kamaletdinov – Proposed position with Resulting Issuer: Chief Financial Officer and Corporate Secretary Age 33*

Mr. Kamaletdinov is the Founding Partner of Imperium Consulting LLP, a boutique CPA firm providing accounting and business advisory services. Prior to founding Imperium, he obtained his professional designation with Ernst & Young (EY). Mr. Kamaletdinov also brings prior experience serving as CFO for a publicly listed junior resource company and a privately held cryptocurrency investment company. Mr. Kamaletdinov will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer. Mr. Kamaletdinov is expected to be an independent contractor of the Resulting Issuer.

*Thomas Masiero – Proposed position with Resulting Issuer: Director, Age 47*

Mr. Masiero co-founded Kungsleden Inc.'s predecessor entities in 2022 and has been responsible for growing Kungsleden's power capacity under management to an expected 90 megawatts as Chief Executive Officer. Prior to Kungsleden, Mr. Masiero worked as Cathedra's Head of Business Development in 2022, deploying the Company's fleet of over 4,000 latest generation Bitmain mining machines. Earlier in his career, Mr. Masiero co-founded and served as Chief Operating Officer for Great American Mining, one of the first companies to mine bitcoin off-grid using flare gas in the oilfield, which was acquired by Crusoe Energy Systems in 2022. Mr. Masiero brings decades of experience across internet and digital media, entrepreneurship, and bitcoin mining. Mr. Masiero will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer.

*Jialin (Gavin) Qu – Proposed position with Resulting Issuer: Chairman of the Board, Age 27*

Mr. Qu was an investor in and co-founder of Kungsleden Inc.'s predecessor entities in 2022. Prior to Kungsleden, he was an investor in and operator of over 200 megawatts of bitcoin mining capacity across dozens of sites in the United States in roles at various companies. Mr. Qu began his career in Goldman Sachs' sales and trading division in Hong Kong and holds an undergraduate degree in Economics from the University of California, Berkeley. Mr. Qu will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer.

*Matthew Kita – Proposed position with Resulting Issuer: Director, Age 40*

Mr. Kita is an experienced corporate attorney having spent time in both private practice and in-house, most recently as Chief Legal Officer of Axiom, a bitcoin focused finance company. Prior to joining Axiom, Mr. Kita served as general counsel of Cathedra as well as held various positions within the legal departments of BitGo and FIS. Prior to working in-house, Mr. Kita practiced at the law firms Reed Smith and Stevens & Lee. Mr. Kita holds both an undergraduate degree in Economics and a law degree from The Pennsylvania State University and a LLM in taxation from Temple University. Mr. Kita will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer.

*Marcus Dent – Proposed position with Resulting Issuer: Director*

Mr. Dent is the founder of TFTC.io, a media company focused on Bitcoin and freedom in the digital age. He is also a Venture Partner at Ten31, a bitcoin-focused venture capital firm. Previously, Mr. Dent served as Director of Business Development at Great American Mining. He holds an undergraduate degree in Economics from DePaul University. Mr. Dent will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer.

*David Jaques – Proposed position with Resulting Issuer: Director*

Mr. Jaques has held senior financial positions in banking, corporate finance and venture capital. In his early career, he held various positions with Barclays Bank in London and provided advisory services in currency and interest rate risk management to the bank's corporate clients. He held a similar role at Barclays Bank in New York from 1988 to 1993. He was Senior Vice President and Treasurer of Silicon Valley Bank between 1994 and 1999; founding CFO for PayPal from 1999 to 2001 and CFO of BlueRun Ventures from 2001 to 2008. Since 2008 he has provided CFO consulting services through Greenough Consulting Group and has held board positions at Katapult Technology Corp. (TSXV: FUND), UBL Interactive, Inc., Mobivity Holdings, Inc., Bluedot Innovation, Inc., Digitz Solutions, Inc. and Wedo Ventures Limited. He holds a Higher National Diploma in Business Administration from Polytechnic of the South Bank, London and is a UK Chartered Certified Accountant (inactive). Mr. Jaques will devote the time necessary to perform the work required in connection with his role with the Resulting Issuer

### **Promoter Consideration**

Other than set out below, the Resulting Issuer does not expect to have any promoters nor has Cathedra or Kungsleden had a promoter within the two years immediately preceding the date of this Circular.

Togetsu Trust and Thy Kingdom Trust were promoters of Kungsleden and will be considered promoters of the Resulting Issuer pursuant to the Securities Act (British Columbia). Jialin (Gavin) Qu is the trustee for Togetsu Trust and Thomas Masiero and Adam Brink are trustees of Thy Kingdom Trust. Togetsu Trust is expected to receive 3,134,532 Exchanged Shares in connection with the Transaction and Thy Kingdom Trust is expected to receive 2,993,829 Exchanged Shares in connection with the Transaction.

See "*Information Concerning the Resulting Issuer – Principal Security Holders*" for information on Togetsu Trust and Thy Kingdom Trust.

### **Corporate Cease Trade Orders or Bankruptcies**

Within ten years before the date of this Circular, to the knowledge of Cathedra, Kungsleden or the Resulting Issuer, no proposed director, officer or promoter of the Resulting Issuer or any shareholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has been a director, officer or promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To the knowledge of Cathedra, Kungsleden or the Resulting Issuer, no proposed director, officer, promoter or

shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

### **Personal Bankruptcies**

To the knowledge of Cathedra, Kungsleden or the Resulting Issuer, there has been no current or proposed director, officer, promoter, or any shareholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such person, that has, within the ten years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### **Conflicts of Interest**

Proposed directors and officers of the Resulting Issuer which may, in the future, serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations, but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under British Columbia corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. All conflicts of interest will be resolved in accordance with the BCBCA. Any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

Other than as disclosed herein, there are no known existing or potential conflicts of interest between the Resulting Issuer and its proposed promoters, directors and officers or other proposed members of management of the Resulting Issuer as a result of their outside business interests, except that certain of the directors, officers and Promoters may now or in the future serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

For information concerning the director and officer positions held by the proposed directors of the Resulting Issuer, please see "*Other Reporting Issuer Experience*" directly below.

### **Other Reporting Issuer Experience**

Other than set out below, no proposed director, officer or promoter of the Resulting Issuer are, or has been within the last five years, directors, officers or promoters of other reporting issuers, other than Cathedra, of which current management and directors of Cathedra, being Antonin Scalia, Thomas Armstrong, Marcus Dent,

David Jaques and Inar Kamaletdinov all are proposed management or directors of the Resulting Issuer.

Name of Director, Officer or Promoter	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	Period
Inar Kamaletdinov	Carlyle Commodities Corp.	CSE	CFO	August, 2021 – December, 2023
	NFT Technologies Inc.	NEO	CFO	January, 2022 – September, 2022

### Executive Compensation

For the purposes of this section Named Executive Officers (“NEO”) are the proposed Chief Executive Officer and Chief Financial Officer and each of the three most highly compensated executive officers who are proposed to serve as executive officers of the Resulting Issuer for the 12-month period following the completion of the Transaction. Based on the above criteria, the only NEOs for the Resulting Issuer for the 12-month period after giving effect to the Transaction are expected to be Antonin Scalia, Chief Executive Officer, Thomas Armstrong, President and Chief Operating Officer and Inar Kamaletdinov, Chief Financial Officer and Corporate Secretary.

Pursuant to applicable securities laws and Exchange policies, the Resulting Issuer must disclose the compensation expected to be paid to its NEOs. The following table sets forth the proposed compensation for the Resulting Issuer's NEOs for the 12-month period following completion of the Transaction:

Table of compensation excluding compensation securities							
Name and Principal Position	Year <sup>(1)</sup>	Salary, consulting fee, retainer or commission (\$) <sup>(1)</sup>	Bonus (\$) <sup>(1)</sup>	Committee or meeting fees (\$)	Value of perquisites (\$)	All other compensation (\$)	Total compensation (\$) <sup>(1)</sup>
<b>Antonin Scalia</b> Director and CEO	2024	\$279,798	\$135,692	–	–	–	\$415,490
<b>Thomas Armstrong</b> Chairman, President and COO	2024	\$279,798	\$135,692	–	–	–	\$415,490
<b>Inar Kamaletdinov</b> CFO and Corporate Secretary	2024	\$162,831	–	–	–	–	\$162,831
<b>David Jaques</b> Director	2024	\$42,336	\$33,923	–	–	–	\$76,259

Table of compensation excluding compensation securities							
Name and Principal Position	Year <sup>(1)</sup>	Salary, consulting fee, retainer or commission (\$) <sup>(1)</sup>	Bonus (\$) <sup>(1)</sup>	Committee or meeting fees (\$)	Value of perquisites (\$)	All other compensation (\$)	Total compensation (\$) <sup>(1)</sup>
Marcus Dent Director	2024	\$42,336	\$33,923	–	–	–	\$76,259
Thomas Masiero Director	2024	\$449,413	–	–	–	–	\$449,413
Jialin (Gavin) Qu Director (Chairman)	2024	\$449,413	–	–	–	–	\$449,413
Matthew Kita Director	2024	\$42,336	–	–	–	–	\$42,336

Notes:

(1) Proposed compensation for the year ended December 31, 2024.

The expected compensation described in the foregoing table is being provided for illustrative purposes only and is presented on the basis of the best estimates of the Resulting Issuer. The Company may make grants of options and RSUs pursuant to the LTIP to its NEOs and directors as it deems appropriate in the future. See *“Information Concerning the Resulting Issuer – Options to Purchase Securities”* for information on grants of security-based compensation to the Resulting Issuer’s proposed directors and officers as at the Closing of the Transaction.

### ***Compensation Discussion and Analysis***

The compensation philosophy of the Resulting Issuer will be commensurate with that of Cathedra. See *“Information Concerning the Company – Executive Compensation”*. The discussion in the foregoing referenced section of this Circular is applicable to the Resulting Issuer.

In addition, the Board of the Resulting Issuer will develop the appropriate compensation policies for both the officers and the directors of the Resulting Issuer. To determine appropriate compensation levels, the Board of the Resulting Issuer will review compensation paid for directors and officers of companies of similar size and stage of development in the Mining and data center industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Resulting Issuer.

When determining compensation policies and individual compensation levels for the Resulting Issuer’s executive officers a variety of factors will be considered, including: the overall financial and operating performance of the Resulting Issuer, each executive officer’s individual performance and contribution towards meeting corporate objectives, each executive officer’s level of responsibility and length of service and industry comparables.

The Resulting Issuer's compensation philosophy for its executive officers will follow three underlying principles: to provide compensation packages that encourage and motivate performance; to be competitive with other companies in the industry in which it operates, so as to attract and retain talented executives; and to align the interests of its executive officers with the long-term interests of the Resulting Issuer and its shareholders through stock related programs.

Stock option and RSU grants will be used to align executive interests with those of shareholders and will be based on the executive's performance, level of responsibility, as well as the number and exercise price of options previously issued to the executive and their overall aggregate total compensation package.

In the 12-month period after giving effect to the Transaction, the Resulting Issuer anticipates compensating the directors of the Resulting Issuer on the same terms as the directors of the Company are currently compensated. See *"Information Concerning the Company – Compensation of Directors"*.

#### Stock Options and Other Compensation Securities

The Resulting Issuer will have a "rolling" LTIP. Pursuant to the LTIP, the Resulting Issuer will be able to grant options up to a maximum of 10% of the Resulting Issuer's issued and outstanding share capital at the time of grant. For further information regarding the terms of the LTIP, refer to the heading *"General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan"* above. See also *"Information Concerning the Resulting Issuer – Options to Purchase Securities"* below for options and RSUs anticipated to be outstanding and proposed option grants at the time of completion of the Transaction.

#### **Employment, Consulting and Management Agreements**

Except for as noted below, the Resulting Issuer expects to maintain agreements with its NEOs substantially on the same terms as set out in their current employment arrangements with the Company, including without limitation any terms providing for termination or change of control payments.

The base salary for Antonin Scalia, the proposed Chief Executive Officer of the Resulting Issuer, is expected to increase from US\$125,000 per year to US\$175,000 per year upon Closing of the Transaction. His standard director's fees of US\$2,600 per month will remain unchanged. Additionally, upon closing of the Transaction, Mr. Scalia is expected to receive a one-time bonus payment consisting of US\$100,000 of cash and the equivalent of US\$100,000 in RSUs.

The base salary of Thomas Armstrong, the proposed President and Chief Operating Officer of the Resulting Issuer, is expected to increase from US\$125,000 per year to US\$175,000 per year upon Closing of the Transaction. His standard director's fees of US\$2,600 per month will remain unchanged. Additionally, upon closing of the Transaction, Mr. Armstrong is expected to receive a one-time bonus payment consisting of US\$100,000 of cash and the equivalent of US\$100,000 in RSUs.

Inar Kamaletdinov, was appointed Chief Financial Officer of the Company effective April 1, 2024 and is the proposed Chief Financial Officer and Corporate Secretary of the Resulting Issuer. Mr. Kamaletdinov will provide fractional CFO services through his accounting advisor firm, Imperium Consulting LLP, at a rate of US\$10,000 per month.

See *"Information Concerning the Company – Executive Compensation"*; *"Information Concerning the Company – Management Contracts"*; *"Information Concerning the Resulting Issuer – Executive Compensation"* *"Information Concerning the Resulting Issuer – Options to Purchase Securities"*.

## Pension Plan Benefits

The Resulting Issuer does not anticipate having a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

## Compensation of Directors

In the 12-month period after giving effect to the Transaction, the Resulting Issuer anticipates compensating the directors of the Resulting Issuer on the same terms as the directors of the Company are currently compensated. See *“Information Concerning the Company – Compensation of Directors”*.

Directors will be eligible to receive option and RSU grants under the LTIP of the Resulting Issuer. See also *“Information Concerning the Company – Compensation Securities Table”* below for options and RSUs held by directors and officers at the time of completion of the Transaction.

## Corporate Governance

### Nomination of Directors

The Board of the Resulting Issuer is expected to consider its size each year when it considers the number of directors to nominate for election at the annual meeting of shareholders, taking into account the size of the Resulting Issuer, its asset base and the number of members required to carry out the Board’s duties effectively and to maintain a diversity of views and experience.

The Resulting Issuer Board is expected to have a Corporate Governance Committee, which, among other things, will assist the Board in identifying qualified individuals for nomination to the Board of the Resulting Issuer.

### Board Committees

In connection with the closing of the Transaction, the Resulting Issuer expects to establish the Corporate Governance Committee which is expected to consist of the following members: Marcus Dent (Chair), Matthew Kita and Thomas Armstrong. See *CORPORATE GOVERNANCE—Board of Directors* above for the independence of these members.

The primary function of the Corporate Governance Committee is to provide assistance to the Board of the Resulting Issuer in fulfilling its responsibility to the shareholders, potential shareholders and the investment community by doing the following:

1. developing and recommending to the Board corporate governance principles and policies applicable to the Resulting Issuer;
2. identifying and recommending qualified individuals for nomination to the Board of Directors; and
3. providing such assistance as the Board may require.

The Board of the Resulting Issuer is not expected to have any other committees other than the Audit Committee and the Corporate Governance Committee.

### Indebtedness of Directors and Officers

See *“Information Concerning the Company – Indebtedness of Directors and Officers”* for information on the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the Company or any of its subsidiaries, owing to the Company and outstanding as of the date

hereof.

See “*Information Concerning the Kungsleden – Indebtedness of Directors and Officers*” for information on the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of Kungsleden or any of its subsidiaries, owing to the Kungsleden and outstanding as of the date hereof.

Except as noted above whereby such indebtedness of the Company and Kungsleden will become the indebtedness of the Resulting Issuer, no director or officer of Kungsleden or the Company, no proposed director or officer of the Resulting Issuer, no other individual who at any time during the most recently completed financial year of Kungsleden or the Company was a director or officer of Kungsleden or the Company, and no Associate of any such individual, is indebted to the Company, Kungsleden, its subsidiaries or is indebted to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, Kungsleden, or its subsidiaries.

### Investor Relations Arrangements

At this time, Cathedra nor the Resulting Issuer expects to enter into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for Cathedra or the Resulting Issuer, as applicable, or its securities or to engage in activities for the purpose of stabilizing the market, other than Oak Hill Financial Inc. (“**Oak Hill**”). Cathedra has entered into an advisory services agreement dated May 13, 2024 (the “**Advisory Agreement**”) with Oak Hill to provide business advisory services to Cathedra or the Resulting Issuer, as applicable. The scope of Oak Hill’s services will include the provision of certain investor relations services, acting as marketing representative and provide assistance to the capital markets program of Cathedra or the Resulting Issuer, as applicable. Jonathan Robinson, Partner at Oak Hill, is expected to provide the services contemplated under the Advisory Agreement and such services are expected to commence prior to Closing and for an initial term of three-month, with such term being automatically renewed on a monthly basis unless terminated by either party. To Cathedra’s knowledge, neither Oak Hill nor Mr. Robinson has or is expected to have a direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over any other securities of Cathedra or the Resulting Issuer, nor will Oak and Mr. Robinson have any rights to acquire securities of Cathedra or the Resulting Issuer. Oak Hill is also entitled to a fee of \$8,500 per month for services provided under the Advisory Agreement for the initial three-month term, and will be entitled to a fee of \$12,000 per month for services provided under the Advisory Agreement for each month after the initial three-month term. The Advisory Agreement may be terminated by either party upon 5 days' written notice.

### Options to Purchase Securities

The Resulting Issuer intends to retain the Company’s 10% LTIP following the Closing Date, subject to the amendments proposed under the heading “*General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan*”. See Schedule “J” for the complete text of the proposed amended LTIP.

The table below indicates the groups expected to hold options to purchase Company Shares and RSUs upon completion of the Transaction.

Group (Number of Persons in Group) (current and former)	Number of Resulting Issuer Shares Under Options Granted	Number of Resulting Issuer Shares Under RSUs Granted	Exercise Price	Expiration Date	Total Market Value at Date of Grant
	150,000	–	\$0.60	19-Feb-28	\$90,000



Directors (4) (who are not officers) <sup>(1)</sup>	2,000,000	–	\$0.49	1-Sep-26	\$980,000
	–	339,231	–	–	\$33,923
	88,841	2,325,950	\$0.41	10-Jan-27	\$464,256
	–	2,035,386	–	–	\$203,539
Officers (3) (including directors who are also officers) <sup>(2)</sup>	325,000	1,356,924	\$0.52	24-Sep-26	\$304,692
	325,000	1,356,924	\$0.52	24-Sep-26	\$304,692
Employees of Resulting Issuer (excluding any officers that are employees)	88,841	1,195,754	\$0.41	7-Jan-27	\$316,361
	88,841	835,910	\$0.43	21-Dec-26	\$173,750
Consultants of Resulting Issuer	10,000	–	\$0.13	25-Oct-27	\$1,300
	60,000	–	\$0.50	19-Feb-28	\$30,000
	–	314,897	–	–	\$192,087
Past Directors and Officers of the Company (1)	88,841	97,449	\$0.35	18-May-27	\$65,202
	250,000	–	\$0.49	27-Aug-26	\$121,250
	100,000	–	\$0.51	3-May-24	\$51,000
	30,000	–	\$0.50	19-Feb-28	\$15,000
<b>Total</b>	<b>3,605,364</b>	<b>9,858,425</b>			<b>\$3,347,053</b>

## Notes:

- (1) Includes Jialin (Gavin) Qu, Thomas Masiero, Matthew Kita, Marcus Dent and David Jaques. Jialin (Gavin) Qu and Thomas Masiero were executive officers of Kungsliden. See the following chart for options and RSUs such persons are expected to hold upon closing of the Transaction.
- (2) Includes Antonin Scalia, Thomas Armstrong and Inar Kamaletdinov

The above options and RSUs are expected to be outstanding upon the completion of the Transaction and includes an aggregate of 8,141,544 RSUs which are expected to be granted to directors, officers and employees of the Resulting Issuer in connection with Closing. In addition, the above chart includes options and RSUs to acquire the Resulting Issuer Shares to be held by the directors and officers of the Resulting Issuer as follows:

Name	Resulting Shares Under Options Granted (#) <sup>(1)</sup>	Number of Resulting Issuer Shares Under RSUs Granted <sup>(1)</sup>	Exercise Price of Options <sup>(1)</sup>	Expiration Date of Options
<b>Antonin Scalia</b> Director and CEO	325,000	1,356,924 <sup>(2)</sup>	\$0.52	September 24, 2026
<b>Thomas Armstrong</b> President and COO	325,000	1,356,924 <sup>(3)</sup>	\$0.52	September 24, 2026
<b>Inar Kamaletdinov</b> CFO and Corporate Secretary	–	–	–	–
<b>David Jaques</b> Director	150,000	–	\$0.60	February 19, 2028
<b>Marcus Dent</b> Director	2,000,000	–	\$0.49	September 1, 2026
<b>Thomas Masiero</b> Director	88,841	2,325,950 <sup>(4)</sup>	\$0.41	January 10, 2027
<b>Jialin (Gavin) Qu</b> Director (Chairman)	–	2,035,386 <sup>(5)</sup>	–	–
<b>Matthew Kita</b>	–	339,231 <sup>(6)</sup>	–	–

Director				
Total	<b>2,888,841</b>	<b>7,292,636</b>		

**Notes:**

- (1) On a pre-Consolidation basis.
- (2) Includes 1,356,924 RSUs which are expected to be granted to Mr. Scalia upon Closing.
- (3) Includes 1,356,924 RSUs which are expected to be granted to Mr. Armstrong upon Closing.
- (4) Includes 1,696,155 RSUs which are expected to be granted to Mr. Masiero upon Closing.
- (5) Includes 2,035,386 RSUs which are expected to be granted to Mr. Qu upon Closing.
- (6) Includes 339,231 RSUs which are expected to be granted to Mr. Kita upon Closing.

Upon Closing of the Transaction, the following grants of options and RSUs under the LTIP are expected to be made (which is included in the totals in the foregoing chart):

Name	Number of Options to be Granted	Number of RSUs to be Granted	Vesting Schedule of RSUs
<b>Antonin Scalia</b> Director and CEO	Nil	1,356,924	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Thomas Armstrong</b> President and COO	Nil	1,356,924	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Inar Kamaletdinov</b> CFO and Corporate Secretary	Nil	Nil	N/A
<b>David Jaques</b> Director	Nil	Nil	N/A
<b>Marcus Dent</b> Director	Nil	Nil	N/A
<b>Thomas Masiero</b> Director	Nil	1,696,155	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Jialin (Gavin) Qu</b> Director (Chairman)	Nil	2,035,386	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Matthew Kita</b> Director	Nil	339,231	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Issac Fithian</b> Employee	Nil	678,462	1/3 on the one year anniversary of the grant; 1/3

			on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
<b>Rete Browning</b> Employee	Nil	678,462	1/3 on the one year anniversary of the grant; 1/3 on the two year anniversary of the grant; and 1/3 on the three year anniversary of the grant.
Total	<b>Nil</b>	<b>8,141,544</b>	

## Long Term Incentive Plan

The Resulting Issuer intends to continue to use the LTIP as its equity incentive plan, subject to the amendments described under the heading “*General Proxy Information – Particular of Matters to be Acted Upon – 7. Approval of Amended Long-Term Incentive Plan*”.

## Escrowed Securities

Pursuant to the Escrow Policy, securities of the Resulting Issuer held by directors, officers and promoters of the Resulting Issuer will be subject to escrow as required by the Exchange.

The following table lists, to the knowledge of the Company and Kungsleden as of the date of this Circular, the holders of securities of the Resulting Issuer that are expected to be subject to escrow, the number of securities of the Resulting Issuer that are expected to be subject to escrow, the percentage of the Resulting Issuer that are expected to be subject to escrow securities, and the escrow regime that such securities will be subject to.

Name and Municipality of Residence of Security Holder	Before Giving Effect to the Transaction		After Giving Effect to the Transaction		
	Number of Securities Held in Escrow	% of Class (non-diluted)	Number of Securities to be held in Escrow <sup>(1)</sup>	% of Class (non-diluted) <sup>(2)</sup>	TSXV Escrow Requirements
<b>Antonin Scalia</b> Director and CEO Montana, USA	Nil.	N/A	3,429,664 Subordinate Voting Shares Nil Multiple Voting Shares 325,000 Options 1,356,924 RSUs	1.44% N/A 9.01% 13.76%	Tier 1 Value Escrow N/A Tier 1 Value Escrow Tier 2 Value Escrow
<b>Thomas Armstrong</b> President and COO Virginia, USA	Nil.	N/A	3,146,215 Subordinate Voting Shares Nil Multiple Voting Shares 325,000 Options 1,356,924 RSUs	1.32% N/A 9.01% 13.76%	Tier 1 Value Escrow N/A Tier 1 Value Escrow Tier 2 Value Escrow
<b>Inar Kamaletdinov</b> CFO and Corporate Secretary Vancouver,	Nil.	N/A	Nil Subordinate Voting Shares Nil Multiple Voting Shares Nil Options Nil RSUs	N/A N/A N/A N/A	N/A N/A N/A N/A

<i>British Columbia</i>					
<b>David Jaques</b> Director <i>London, England, UK</i>	Nil.	N/A	1,000,000 Subordinate Voting Shares Nil Multiple Voting Shares 150,000 Options Nil RSUs	0.42% N/A 4.16% N/A	Tier 1 Value Escrow N/A Tier 1 Value Escrow N/A
<b>Marcus Dent</b> Director <i>Texas, USA</i>	Nil.	N/A	390,000 Subordinate Voting Shares Nil Multiple Voting Shares 2,000,000 Options Nil RSUs	0.16% N/A 55.47% N/A	Tier 1 Value Escrow N/A Tier 1 Value Escrow N/A
<b>Thomas Masiero</b> Director <i>Tennessee, USA</i>	Nil.	N/A	163,676 Subordinate Voting Shares 2,993,829 Multiple Voting Shares <sup>(3)</sup> 88,841 Options 2,325,950 RSUs	0.07% 47.87% 2.46% 23.59%	Tier 2 Value Escrow Tier 2 Value Escrow Tier 2 Value Escrow Tier 2 Value Escrow
<b>Jialin (Gavin) Qu</b> Director (Chairman) <i>New York, USA</i>	Nil.	N/A	Nil Subordinate Voting Shares 3,134,532 Multiple Voting Shares <sup>(4)</sup> Nil Options 2,035,386 RSUs	N/A 50.13% N/A 20.65%	N/A Tier 2 Value Escrow N/A Tier 2 Value Escrow
<b>Matthew Kita</b> Director <i>Pennsylvania, USA</i>	Nil.	N/A	100,000 Subordinate Voting Shares Nil Multiple Voting Shares Nil Options 339,231 RSUs	0.04% N/A N/A 3.44%	Tier 2 Value Escrow N/A N/A Tier 2 Value Escrow
<b>Total</b>	Nil.	N/A	8,229,555 Subordinate Voting Shares <sup>(5)</sup> 6,128,361 Multiple Voting Shares <sup>(6)</sup> 2,888,841 Options <sup>(7)</sup> 7,414,415 RSUs <sup>(8)</sup>	3.46% 98.00% 80.13% 75.21%	

**Notes:**

- (1) Prior to giving effect to the Consolidation.
- (2) Percentage calculated on a non-diluted basis.
- (3) Mr. Masiero will hold all such Multiple Voting Shares through Thy Kingdom Trust, a trust of which he is a trustee.
- (4) Mr. Qu will hold all such Multiple Voting Shares through Togetsu Trust, a trust of which he is a trustee.
- (5) 7,965,879 Subordinate Voting Shares will be subject to Tier 1 Value Escrow and 263,676 Subordinate Voting Shares will be subject to Tier 2 Value Escrow.
- (6) All such Multiple Voting Shares will be subject to Tier 2 Value Escrow.
- (7) 2,800,000 Options will be subject to Tier 1 Value Escrow and 88,841 Options will be subject to Tier 2 Value Escrow.
- (8) All such RSUs will be subject to Tier 2 Value Escrow.

Securities of the Resulting Issuer that are noted in the above chart to the subject to Tier 2 Value Escrow, will be subject to the Tier 2 Escrow Agreement and accordingly, will be subject to a 36-month escrow period. Ten (10%) of such securities will be released at the time of the Exchange Bulletin, with a further fifteen (15%) to be released every six months thereafter until the date that is 36 months from the Exchange Bulletin, at which time all such escrowed securities will be released from escrow.

Securities of the Resulting Issuer that are noted in the above chart to the subject to Tier 1 Value Escrow, will be subject to the Tier 1 Escrow Agreement and accordingly, will be subject to an 18-month escrow period.

Twenty-five percent (25%) of such securities will be released at the time of the Exchange Bulletin, with a further twenty-five percent (25%) released 6 months from the Exchange Bulletin, twenty-five percent (25%) released 12 months from the Exchange Bulletin and the remaining twenty-five percent (25%) released 18 months from the Exchange Bulletin.

### Seed Share Resale Restriction Escrow

To the knowledge of the Resulting Issuer, based on the Exchange's analysis, certain "seed share resale restrictions" will be applicable to the Multiple Voting Shares held by non "principals" (as defined in the policies of the Exchange) of the Resulting Issuer. In addition to the securities subject to the Tier 1 Escrow Agreement and Tier 2 Escrow Agreement, as detailed under the heading "*Information Concerning the Resulting Issuer – Escrowed Securities*", an additional aggregate of 125,068 Multiple Voting Shares proposed to be issued to certain of the Vendors will be also subject to a Tier 2 value security escrow agreement. Such escrowed securities, as detailed in the table below will be subject to a 36-month escrow period. Ten (10%) of such securities will be released at the time of the Exchange Bulletin, with a further fifteen (15%) to be released every six months thereafter until the date that is 36 months from the Exchange Bulletin. No Resulting Issuer Shares of the current Cathedra Shareholders are subject to seed share resale restrictions.

The following table sets out, on a non-diluted basis, as of the date of this Circular and to the knowledge of the Resulting Issuer, the details of the seed share resale restrictions after giving effect to the Transaction:

Name and Municipality of Residence of Security Holder	Before Giving Effect to the Transaction		After Giving Effect to the Transaction	
	Number of Securities Held in Escrow	% of Class (non-diluted)	Number of Securities to be held in Escrow <sup>(1)</sup>	% of Class (non-diluted) <sup>(2)</sup>
4 <sup>th</sup> Point, LLC <sup>(3)</sup> Indiana, USA	Nil.	N/A	62,534 Multiple Voting Shares	1.00%
Bit Garden Inc. <sup>(4)</sup> Kentucky, USA	Nil.	N/A	62,534 Multiple Voting Shares	1.00%

Notes:

- (1) The 163,404 Multiple Voting Shares issued to Vendors pursuant to the Transaction who are non-principals are subject to the Tier 2 Value Security Escrow. As such, these escrowed Resulting Issuer Shares will be subject to an 36 month escrow period, with ten percent (10%) to be released at the time of the Exchange Bulletin, and a further fifteen percent (15%) being released every 6 months following the Exchange Bulletin
- (2) Percentage calculated on a non-diluted basis.
- (3) Jonathan Kirkwood and Grant Gilliam are the controlling shareholders.
- (4) Fenshou Chen is the controlling shareholder.

### Auditor, Transfer Agent and Registrar

At the Closing, the auditor of the Resulting Issuer is expected to be SRCO Professional Corporation, Park Place Corporate Centre, 15 Wertheim Court, Suite 409, Richmond Hill, ON L4B 3H7. The registrar and transfer agent of the Resulting Issuer is expected to be Computershare Investor Services Inc., 510 Burrard St. 3rd Floor, Vancouver, British Columbia, V6C 3B9.

## GENERAL MATTERS

### Sponsorship

The Company has received a waiver from the Exchange from the sponsorship requirement.

**Experts**

Kingston Ross Pasnak LLP, Suite 1500, 9888 Jasper Av., Edmonton, Alberta, T5J 5C6, prepared the auditor's report for the audited annual financial statements of the Company for the fiscal years ended December 31, 2023 and 2022, which are attached as Schedule "A" hereto. Kingston Ross Pasnak LLP has advised the Company that, as of the date of this Circular, it is independent of the Company and Kungsleden in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Hudgens CPA, LLC, 1220 Blalock Road, STE 300, Houston, TX 77055 prepared the auditor's report for the audited annual financial statements of Kungsleden for the fiscal years ended December 31, 2023 and the period from May 11, 2022 (inception) to December 31, 2022, which is attached as Schedule "E" hereto. Hudgens CPA, LLC has advised Kungsleden that, as of the date of this Circular, it is independent of the Company and Kungsleden in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Evans was retained by Cathedra to provide the Valuation in respect of the Transaction. The valuator that prepared the Valuation was Jennifer Lucas, MBA, CBV, ASA. Evans advised the Company that, as of the date of this Circular, it is independent of the Company and Kungsleden. The Valuation is available for inspection at the Company's head office at 320-638 Broughton Street, Vancouver, British Columbia, V6G 3K3.

To the knowledge of the Company and Kungsleden, none of the experts above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any securities of the Company or Kungsleden, has received or will receive any direct or indirect interests in the property of the Company, Kungsleden or the Resulting Issuer, or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or any Associate or Affiliate thereof.

**Other Material Facts**

To the knowledge of management of the Company and Kungsleden, there are no other material facts relating to the Company, Kungsleden, the Resulting Issuer or the Transaction that are not otherwise disclosed in this Circular and are necessary in order for the Circular to contain full, true and plain disclosure of all material facts relating to the Company, Kungsleden and the Resulting Issuer, assuming completion of the Transaction.

**Board Approval**

The board of directors of each of the Company and Kungsleden has approved this Circular. Where information contained in this Circular rests particularly within the knowledge of a person or company other than the Company or Kungsleden, the Company and Kungsleden, respectively, have relied upon information furnished by such person or company.

\* \* \* \* \*

**SCHEDULE "A"**

**FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022  
(AUDITED)**

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# Cathedra

## **Cathedra Bitcoin Inc.**

### **Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(In Canadian Dollars, unless otherwise noted)







KINGSTON  
ROSS  
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

March 31, 2024  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

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To the Shareholders of Cathedra Bitcoin Inc.

### **Opinion**

We have audited the consolidated financial statements of Cathedra Bitcoin Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2023 and 2022, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed these matters is provided in that context.

#### ***Revenue from digital currencies mined and held***

We refer to the financial statement summary of material accounting policy information on digital currencies mined and held and related disclosure in Note 5.

For the year ended December 31, 2023, revenue generated from digital currencies mining amounted to \$10,924,611 and the Company held digital currencies of \$1,840,251 as at December 31, 2023. The Company recognizes revenue from the provision of transaction verification services within digital currency blockchains. As consideration for these services, the Company receives digital currency from each specific blockchain in which it participates. Revenue is measured based on the fair value of the coins received.

(continues)

## Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

Revenue from digital currencies mined and held is significant to our audit because mining of digital currencies is an emerging industry with unique technological aspects that raise a number of auditing challenges. Given the nature of this revenue stream and related holdings, significant audit efforts are required.

To address the risk for material misstatement on revenue from digital assets mined, our audit procedures included, amongst other procedures:

- Obtained assistance from professionals with specialized skills in distributed ledger technology, digital currencies and cryptography.
- Assessed the miners for their performance.
- Conducted substantive analytical procedures with a high degree of precision, which include tests of the accuracy, valuation and completeness of the underlying data.
- Traced digital currencies received and recognized as revenue and held directly to the blockchain.
- Assessed the recognition and valuation processes and practices.
- Assessed the Service Organization Controls Report (the "SOC Report") of the third-party custodian and mining pools attesting to the appropriateness and effectiveness of the internal control systems established by the parties and to assess the design and operating effectiveness of the Company's complementary user entity controls.
- Tested the value of digital currencies received and recognized as revenue and held using the daily quoted price from a reputable source.

We assessed the adequacy of the Company's disclosures related to revenue recognition and digital currencies.

### ***Investments***

We refer to the financial statement summary of material accounting policy information on investments and related disclosure in Note 4.

At December 31, 2023, the reported value of investments amounted to \$1,655,134.

The investment acquisition is significant to our audit because of the significant estimates and assumptions management makes with regard to the fair values of assets and liabilities transferred to acquire the investment interest and the derecognition of investment in associate due to the loss of significant influence. This matter required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimates, including the need to involve our valuation experts.

To address the risk for material misstatement on the investment acquisition, our audit procedures included, amongst other procedures:

- Evaluated, with the assistance of our valuation experts, the reasonableness of management's estimates of the fair value of the investment.
- Tested the mathematical accuracy of management's calculations.
- Assessed the consistency of the assumptions used with other accounting estimates.

We assessed the adequacy of the Company's disclosures related the investment.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

*(continues)*

## Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*(continues)*

Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.

*Kingston Ross Pasmak LLP*  
**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants



# Cathedra Bitcoin Inc.

## Consolidated Statements of Financial Position

As at December 31

(In Canadian Dollars, unless otherwise noted)

	December 31, 2023	December 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 19)	\$ 726,973	\$ 3,224,504
Digital currencies (Note 5)	1,840,251	39,499
Receivables (Note 15)	87,548	157,854
Accrued receivable (Note 6)	-	1,240,733
Prepaid expenses	351,609	425,785
Deposits (Note 7)	972,943	3,381,471
	<b>3,979,324</b>	<b>8,469,846</b>
<b>Non-current assets</b>		
Deposits (Note 7)	752,390	215,552
Receivables (Note 15)	44,381	38,035
Property and equipment (Note 8)	10,698,471	13,713,264
Right-of-use asset (Note 9)	1,728,176	-
Investment in associates (Note 3)	-	3,014,128
Investments (Note 4)	1,655,134	312,925
<b>Total assets</b>	<b>\$ 18,857,876</b>	<b>\$ 25,763,750</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 2,177,104	\$ 2,314,578
Decommissioning liability (Note 11)	74,555	-
Current portion of lease liability (Note 9)	1,554,238	149,174
	<b>3,805,897</b>	<b>2,463,752</b>
<b>Non-current liabilities</b>		
Lease liability (Note 9)	629,369	328,934
Convertible loan (Note 12)	5,167,957	18,196,163
<b>Total liabilities</b>	<b>9,603,223</b>	<b>20,988,849</b>
<b>Equity</b>		
Share capital (Note 13)	49,589,582	37,455,772
Reserves (Note 14)	15,797,177	19,064,553
Deficit	(56,132,106)	(51,745,424)
<b>Total equity</b>	<b>9,254,653</b>	<b>4,774,901</b>
<b>Total liabilities and equity</b>	<b>\$ 18,857,876</b>	<b>\$ 25,763,750</b>

Nature of operations (Note 1)

Subsequent events (Note 22)

Approved by the Board of Directors and authorized for issue on March 28, 2024:

“Antonin Scalia” Director

“David Jaques” Director

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



# Cathedra Bitcoin Inc.

## Consolidated Statements of Loss and Comprehensive Loss

(In Canadian Dollars, unless otherwise noted)

	<i>Year ended</i> <i>December 31, 2023</i>	<i>Year ended</i> <i>December 31, 2022</i>
<b>Revenue</b> (Note 5)	<b>\$ 10,924,611</b>	<b>\$ 8,809,104</b>
<b>Cost of revenue</b>		
Operating costs	(6,437,513)	(6,389,481)
Depreciation (Notes 8 and 9)	(6,513,713)	(7,636,001)
Gross profit (loss)	(2,026,615)	(5,216,378)
Gain (loss) on sale of digital currencies	72,756	(5,006,134)
<b>Net loss before operating expenses</b>	<b>(1,953,859)</b>	<b>(10,222,512)</b>
<b>Operating expenses</b>		
Director fees (Note 15)	118,920	203,097
Decommissioning expense (Note 11)	75,711	-
Depreciation (Note 8 and 9)	10,880	73,885
Interest expense	2,930,701	3,767,144
Management and consulting fees (Note 15)	157,379	153,350
Office and administration	493,287	748,259
Professional fees	419,102	591,102
Salaries and wages (Note 15)	713,938	1,262,031
Share-based compensation (Note 14 and 15)	1,606,403	5,766,906
Transaction costs	-	276,737
Travel	60,580	72,673
	<b>(6,586,901)</b>	<b>(12,915,184)</b>
<b>Operating loss</b>	<b>(8,540,760)</b>	<b>(23,137,696)</b>
Foreign exchange losses	(1,128,898)	3,914,326
Gain on purchase of equipment (Note 8)	-	102,917
Gain on share exchange (Note 3)	-	784,233
Gain on settlement of debt (Note 12)	5,482,266	(39,136)
Interest income	116,926	26,412
Write down of investment (Note 4)	(1,744,128)	-
Unrealized gain on investment (Note 4)	72,210	-
Gain on sale of coupons and credits (Note 6)	264,362	-
Loss on sale of equipment	-	(1,096,968)
Write down of mining equipment (Note 8)	-	(26,660,814)
	<b>3,062,738</b>	<b>(22,969,030)</b>
Income (loss) from continuing operations before income taxes	(5,478,022)	(46,106,726)
Income tax expense		
Current income tax recovery (expense) (Note 16)	(3,147)	1,316,493
Deferred income tax recovery (expense) (Note 16)	-	(198,586)
	<b>(3,147)</b>	<b>1,117,907</b>
Income (loss) from continuing operations	(5,481,169)	(44,988,819)
Loss from discontinued operations	-	(42,247)
<b>Net loss</b>	<b>(5,481,169)</b>	<b>(45,031,066)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Translation adjustment	909,355	(709,302)
Revaluation gain on digital currencies	140,686	724,553
	<b>1,050,041</b>	<b>15,251</b>
<b>Net comprehensive loss</b>	<b>\$ (4,431,128)</b>	<b>\$ (45,015,815)</b>
<b>Basic earnings (loss) per share</b>	<b>\$ (0.04)</b>	<b>\$ (0.43)</b>
Weighted average number of common shares outstanding - basic	137,023,489	105,035,160
<b>Diluted earnings (loss) per share</b>	<b>\$ (0.04)</b>	<b>\$ (0.34)</b>
Weighted average number of common shares outstanding - diluted	137,023,489	133,831,176

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



**Cathetra Bitcoin Inc.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31**

(In Canadian Dollars, unless otherwise noted)

	Number of shares	Capital amount	Revaluation surplus	Reserve - Cumulative translation adjustment	Reserve - Equity reserved	Accumulated deficit	Total
Balance, as at 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	5,748,749	-	-	3,581,251	-	9,330,000
Exercise of stock options	1,900,000	433,694	-	-	(161,194)	-	272,500
Shares issued for restricted share units	3,492,347	1,301,996	-	-	(1,301,996)	-	-
Share issuance costs	-	(54,570)	-	-	-	-	(54,570)
Share based compensation	-	-	-	-	5,766,906	-	5,766,906
Repayment of convertible debt	-	-	-	-	(566,276)	-	(566,276)
Revaluation gain on digital currencies	-	-	724,553	-	-	-	724,553
Translation adjustment	-	-	-	(709,302)	-	-	(709,302)
Net loss for the year	-	-	-	-	-	(45,031,066)	(45,031,066)
<b>Balance, as at December 31, 2022</b>	<b>118,531,698</b>	<b>\$ 37,455,772</b>	<b>\$ 1,853,101</b>	<b>\$ 208,634</b>	<b>\$ 17,002,818</b>	<b>\$ (51,745,424)</b>	<b>\$ 4,774,901</b>
Balance, December 31, 2022	118,531,698	\$ 37,455,772	\$ 1,853,101	\$ 208,634	\$ 17,002,818	\$ (51,745,424)	\$ 4,774,901
Shares issued for debt settlement (Note 12,13)	114,957,745	11,866,145	-	-	-	-	11,866,145
Shares issued for restricted share units (Note 14)	2,539,591	267,665	-	-	(267,665)	-	-
Share based compensation (Note 14)	-	-	-	-	1,606,403	-	1,606,403
Modification of convertible debt (Note 12,13)	-	-	-	-	(5,656,155)	1,094,487	(4,561,668)
Revaluation gain on digital currencies	-	-	140,686	-	-	-	140,686
Translation adjustment	-	-	-	909,355	-	-	909,355
Net loss for the year	-	-	-	-	-	(5,481,169)	(5,481,169)
<b>Balance, as at December 31, 2023</b>	<b>236,029,034</b>	<b>\$ 49,589,582</b>	<b>\$ 1,993,787</b>	<b>\$ 1,117,989</b>	<b>\$ 12,685,401</b>	<b>\$ (56,132,106)</b>	<b>\$ 9,254,653</b>

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



**Cathedra Bitcoin Inc.**  
**Consolidated Statements of Cash Flows**  
(In Canadian Dollars, unless otherwise noted)

	Year ended December 31, 2023	Year ended December 31, 2022
<b>Operating activities</b>		
Net loss	\$ (5,481,169)	\$ (45,031,066)
Depreciation	6,524,593	7,709,886
Share-based compensation	1,606,402	5,766,906
Loss (gain) on debt settlement	-	39,136
Write down of mining equipment	-	26,660,814
Interest accretion	2,537,382	3,767,143
Interest income	(116,926)	(1,304)
Loss (gain) on sale of digital currencies	(72,756)	5,006,134
Loss on sale of equipment	-	1,096,968
Write down of investments	1,776,821	-
Unrealized gain on investments	(104,903)	-
Gain on acquisition of equipment	-	(102,917)
Gain on share exchange agreement	-	(784,233)
Gain on settlement of debt	(5,482,266)	-
Bitcoin paid for services	737,549	1,415,832
Foreign exchange	1,115,642	(2,576,766)
Current income tax recovery	-	(1,316,493)
Decommissioning expense	75,711	-
Deferred income tax expense	-	198,586
Change in non-cash working capital components		
Deposits	(837,091)	12,017,034
Receivables	(3,577)	(107,158)
Accrued receivable	1,309,374	(1,240,733)
Prepaid expenses	74,005	(392,602)
Accounts payables and accrued liabilities	(62,920)	(169,833)
Interest payable	-	(148,151)
Digital currencies	(10,838,584)	(8,291,420)
Cash flows provided by (used in) operating activities	(7,242,713)	3,515,763
Interest paid	(890,912)	(1,058,385)
Interest received	-	7,359
Net cash flows provided by (used in) continuing operating activities	(8,133,625)	2,464,737
Net cash flows provided by (used in) operating activities - discontinued operations	-	84,754
<b>Net cash flows provided by (used in) operating activities</b>	<b>(8,133,625)</b>	<b>2,549,491</b>
<b>Investing activities</b>		
Purchase of property and equipment (Note 9)	(52,668)	(25,325,507)
Proceeds on sale of bitcoin (Note 5)	8,754,231	12,550,806
Net cash flows used in continuing investing activities	8,701,563	(12,774,701)
Net cash flows used in investing activities - discontinued operations	-	(463,567)
<b>Cash provided by (used in) investing activities</b>	<b>8,701,563</b>	<b>(13,238,268)</b>
<b>Financing activities</b>		
Proceeds on issuance of units (Note 13)	-	9,330,000
Proceeds from exercise of stock options (Note 13)	-	272,500
Repayment of loan payable	-	(15,530,033)
Repayment of convertible loan (Note 12)	(2,085,290)	(2,604,320)
Proceeds from loan payable, net of transaction costs	-	14,949,538
Share issuance costs (Note 13)	-	(54,570)
Payment on lease obligations (Note 9)	(1,365,885)	(174,968)
<b>Cash provided by (used in) financing activities</b>	<b>(3,451,175)</b>	<b>6,188,147</b>
<b>Change in cash during the year</b>	<b>(2,883,236)</b>	<b>(4,500,630)</b>
Effect of exchange rate changes on cash	385,705	(1,718,484)
<b>Cash, beginning of year</b>	<b>3,224,504</b>	<b>9,443,618</b>
<b>Cash, end of year</b>	<b>\$ 726,973</b>	<b>\$ 3,224,504</b>

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



# Cathedra Bitcoin Inc.

**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
(In Canadian Dollars, unless otherwise noted)



## 1. Nature of Operations

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

Cathedra is a Bitcoin company that believes sound money and abundant energy are the keys to human flourishing. As at December 31, 2023, the Company has diversified bitcoin mining operations across three states and five locations in the United States. The Company is focused on managing and expanding its portfolio of hash rate through a diversified approach to site selection and operations, utilizing multiple energy sources across various jurisdictions.

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

## 2. Material Accounting Policy Information

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Reporting Interpretation Committee (“IFRIC”) for all periods presented.

The consolidated financial statements were approved by the Board of Directors of the Company on March 28, 2024.

### Basis of Presentation

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

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

### Basis of Consolidation

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

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

As of December 31, 2023, 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 subsidiary as of December 31, 2023 and 2022:

- Cathedra Lease Co LLC ("Lease Co") incorporated in New Hampshire, USA.

During the year ended December 31, 2023, the Company dissolved the following wholly-owned subsidiaries: Hash Stream Inc., Standard Resources LLC, Chronos SPV LLC, Entelechy Bitcoin SPV LLC and Portage Resource Holdings LLC. The assets and liabilities of the companies dissolved were assumed by Fortress US.

As of December 31, 2022, the Company had the following wholly-owned subsidiaries:

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

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

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

Fortress US has the following wholly-owned subsidiaries:

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

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

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

### Functional and Presentation Currency

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

The functional currency of Cathedra and Fortress Blockchain Holdings Corp. is the Canadian dollar while the functional currency of Fortress US and Lease Co is the US dollar.

### 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 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").

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

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

Significant Judgments (cont'd)

*Revenue recognition (cont'd)*

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.

#### *Going Concern*

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

#### *Significant Influence and Control*

The Company lost its significant influence in Silvermoon Inc. ("Silvermoon") as the Company does not have any board representation, does not participate in policy-making processes and there were no material transactions between the companies. Consequently, the Company has ceased equity accounting for its investment in Silvermoon and now accounts for the Silvermoon common shares as investments.

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.

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

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

#### Significant Estimates (cont'd)

##### *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 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.

##### *Uncertainty of the income/loss recorded in the investment*

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

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

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

#### Significant Estimates (cont'd)

##### *Decommissioning liability*

A legal or constructive obligation to incur restoration costs may arise when mining equipment are deployed at hosting facilities. Such cost arising from the restoration of the hosting site to its original condition, discounted to their net present value, are provided for and charged to the statement of loss and comprehensive loss, as soon as the obligation to incur such costs arises. Discounting has not been performed on the obligations as at December 31, 2023 as the effect of the time value of money was not material.

Areas of significant estimates and judgments also include:

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

#### **Cash and cash equivalents**

Cash and cash equivalents include cash, and short-term money market instruments that are readily convertible to cash.

#### **Revenue recognition**

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

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

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

##### *Mining and CathedraOS revenue*

The Company recognizes revenue from the provision of transaction verification services within digital currency blockchains, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific blockchain in which it participates (“coins”). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of mining, based on the daily average from Coin Metrics for Bitcoin. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

# Cathedra Bitcoin Inc.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(In Canadian Dollars, unless otherwise noted)



## 2. Material Accounting Policy Information (cont'd)

### Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Equipment under production and miners not available for use will be amortized once they are completed and are ready for use.

Miners	straight-line basis over a 3-year life
Facility Asset	straight-line basis over a 5-year life
Equipment	straight-line basis over a 5-year life
Office equipment	straight-line basis over a 3-year life
Washington Mine (right of use asset)	straight-line basis over a 5-year life

### Intangible assets

Definite life intangible assets are measured at cost less accumulated depreciation and any net accumulated impairment losses. Depreciation is recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the estimated useful lives over 5 years.

Indefinite life intangibles are tested for impairment annually and required when circumstances indicate that the net carrying value may not be recoverable. The Company does not recognize any indefinite life intangibles other than its digital currencies which is discussed below.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

### Non-monetary transactions

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

### Reserves

Equity reserves include amounts related to share issuance costs, share based compensation, foreign exchange translation adjustments and revaluation of digital currencies.

# Cathedra Bitcoin Inc.

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## 2. Material Accounting Policy Information (cont'd)

### Unit Placements

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

### Share-Based Compensation

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

### Impairment of Non-financial Assets

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

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



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## 2. Material Accounting Policy Information (cont'd)

### Convertible Loan

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

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

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

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

### Earnings (Loss) per Share

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

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## 2. Material Accounting Policy Information (cont'd)

### Earnings (Loss) per Share (cont'd)

Common shares that could potentially dilute basic net loss and net loss per common share in the future that could be issued from the exercise of share options and warrants were not included in the computation of the diluted loss per common share for the years ended December 31, 2023 and 2022 because to do so would be anti-dilutive.

### Financial Instruments

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

#### *Financial assets*

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

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

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

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents and Investments are measured at FVTPL. Receivables and accrued receivable are measured at amortized cost.

#### *Impairment of financial assets*

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

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

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## 2. Material Accounting Policy Information (cont'd)

### *Impairment of financial assets (cont'd)*

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### *Financial liabilities*

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

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

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

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

### **Investment in Associates**

Associates are entities over which the Company exercises significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Investment in associates are accounted for using the equity method and are initially recognized at cost, adjusted to recognize the Company's share of earnings or losses, reduced by dividends received excluding financial assets that are not in-substance common shares and inclusive of transaction costs. When the Company holds marketable securities or derivative financial assets and subsequently obtains significant influence in that investee, the fair value of the financial instruments is reclassified to investments in associates at the deemed cost with cumulative unrealized fair value gains or losses in other comprehensive loss, if any, transferred to deficit. The consolidated financial statements include the Company's share of the investee's income, expense and equity movements. Where the Company transacts with its associates, unrealized profits or losses are eliminated to the extent of the Company's interest in the associate.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events have an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- significant financial difficulty of the associated companies;
- becoming probable that the associated companies will enter bankruptcy or other financial reorganization; and
- national or local economic conditions that correlate with defaults of the associated companies.

# Cathedra Bitcoin Inc.

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## 2. Material Accounting Policy Information (cont'd)

### Investment in Associates (cont'd)

If the Company loses significant influence, the retained interest in the investment is measured at fair value. The resulting gain or loss is through the statement of loss and comprehensive loss which is determined based on the difference between book value of the equity investment and fair value on the conversion date.

### Financial Assets at Fair Value Through Profit or Loss

All financial assets not classified as amortized cost, or designated as FVOCI, are measured at FVTPL.

Financial assets are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. Financial assets classified as FVTPL are measured at fair value, with changes in fair value recorded in Net income in the period they arise. .

### Leases

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

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

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

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

The lease liability is subsequently measured by:

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

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

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## 2. Material Accounting Policy Information (cont'd)

### Leases (cont'd)

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

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

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

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

### Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense represents the amount of income taxes payable, in respect of the taxable profit for the period, based on tax law that is enacted or substantially enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable, or paid but recoverable in respect of all periods to date.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when those temporary differences are expected to be recovered or settled and in the manner in which those temporary differences are expected to be recovered or settled through sale or continued use. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place.

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## 2. Material Accounting Policy Information (cont'd)

### Income Taxes (cont'd)

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

### Digital Currencies

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

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

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

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## 2. Material Accounting Policy Information (cont'd)

### Business Combination

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

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

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

### New and Future Accounting Pronouncements

#### *Newly adopted accounting standards*

##### Amendments to IAS 12

On January 1, 2023, the Company adopted the amendments to IAS 12 "comprehensive balance sheet method" of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. There was not a material impact to the Company's financial statements.

##### Amendments to IAS 8 – definition of accounting estimates

On January 1, 2023, the Company adopted the amendments to IAS 8 – accounting policies, changes in accounting estimates and errors. The amendments to IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. There was not a material impact to the Company's financial statements.

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## 2. Material Accounting Policy Information (cont'd)

### New and Future Accounting Pronouncements (cont'd)

*Future accounting pronouncements not yet effective and that have not been adopted early*

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

#### Amendments to IAS 1 – classification of liabilities as current or non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. No significant impact to the Company's consolidated financial statements is expected.

#### IFRS S1 General requirements for disclosure of sustainability-related financial information and IFRS S2 Climate-related disclosures

On June 26, 2023, the International Sustainability Standards Board ("ISSB") issued its first two standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ("IFRS S1") and IFRS S2 Climate-related Disclosures ("IFRS S2"). IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements. IFRS S2 sets out disclosure requirements that are specific to climate-related matters. These standards were developed in response to requests from primary users of general-purpose financial reporting for more consistent, complete, comparable and verifiable sustainability-related financial information to enable them to assess an entity's enterprise value. The standards will require disclosure of information about an entity's impacts and dependencies on people, the planet and the economy to meet the needs of primary users of general-purpose financial information.

## 3. Investment in Associates

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



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### 3. Investment in Associates (cont'd)

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

As at December 31, 2022, the Company had a 23% equity interest in Silvermoon. The Company accounted for its investment in Silvermoon on an equity basis.

As at December 31, 2023, the Company's equity interest in Silvermoon has decreased to 21.6% of the issued and outstanding common shares of Silvermoon due to the issuance of additional shares by Silvermoon. On May 1, 2023, management is of the position that the Company no longer has significant influence over Silvermoon. While significant influence is presumed to exist for investments of 20% or more of the investee's outstanding voting stock, there were several predominant contrary evidence including no board representation in Silvermoon and no access to Silvermoon's financial records as Silvermoon is a private company. Consequently, the Company has ceased equity accounting for its investment in Silvermoon and now accounts for the Silvermoon common shares as investments (Note 4). At the time significant influence was lost, the fair value of the investment approximates its book value. As such, no gain or loss was recognized in the statement of loss and comprehensive loss.

Upon the reclassification from equity investment to investments, the investment in the private company is classified as FVTPL and is recorded at fair value using unobservable inputs and are therefore classified as level 3 within the fair value hierarchy. For the year ended December 31, 2023, the fair value of the investment was \$1,270,000 resulting in an unrealized loss of \$1,744,128. See Note 4 below.

### 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.

Initial valuation is based on the acquisition cost. Subsequent valuations reflect asset appraisals, as well as market transaction data, such as financing rounds. The Company's holdings in private companies are generally valued utilizing net asset values.

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## 4. Investments (cont'd)

	December 31, 2023	December 31, 2022
Low Time Preference Fund II, LLC (cost base \$312,925)	\$ 312,925	\$ 312,925
Unrealized gain	72,209	-
Fair value of Low Time Preference Fund II, LLC	385,134	312,925
Silvermoon Inc. (cost base \$3,014,128)	3,014,128	-
Unrealized loss	(1,744,128)	-
Fair value of Silvermoon Inc.	1,270,000	-
Total	\$ 1,655,134	\$ 312,925

## 5. Digital Currencies and Revenue

For the year ended December 31, 2023, the Company recorded revenue of \$10,924,611 (December 31, 2022 - \$8,809,104).

### 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.

	Units	Amount
Bitcoin balance as at December 31, 2021	169.25	\$ 9,924,292
Revenue from bitcoin mined	246.85	8,809,104
Bitcoin received as part of asset purchase	5.41	304,385
Transaction fees	(2.14)	(102,472)
Bitcoin paid for fees and services	(36.26)	(1,415,832)
Bitcoin sold	(381.35)	(14,270,677)
Revaluation and loss from sale of bitcoin	-	(3,209,301)
Bitcoin balance as at December 31, 2022	1.76	39,499
Revenue from bitcoin mined	279.21	10,924,611
Bitcoin paid for fees and services	(21.28)	(883,085)
Bitcoin received from sale of coupons and credits (Note 6)	4.80	185,313
Bitcoin sold	(231.58)	(8,239,476)
Gain on sale of bitcoin	-	72,756
Revaluation surplus	-	140,686
Translation adjustment	-	(26,831)
Bitcoin balance as at December 31, 2023	32.91	\$ 1,840,251

### Kentucky and Tennessee Facilities

On May 23, 2022, the Company entered into a hosting agreement (the "May Hosting Agreement") under which the Company has deployed certain bitcoin mining machines at various data centers in Kentucky and Tennessee that are owned and managed by a third-party operator (together, the "Kentucky and Tennessee Facilities"). Under the May Hosting Agreement, which lasts for an initial term of 12 months, the Company pays a fixed rate of five and one-half cents (US\$0.055) per kilowatt hour, plus ten percent (10%) of gross bitcoin revenue produced by the hosted machines. On June 20, 2023, the Company renewed its hosting

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## 5. Digital Currencies and Revenue (cont'd)

agreement for another 12-month term beginning on July 1, 2023 ("Renewed Agreement"). Under the terms of the Renewed Agreement, the Company will pay a fixed rate of US\$72.50 per megawatt hour for electricity and hosting services of 1,129 Bitmain Antminer S19 J Pro machines. The Company reserves the option to underclock its machines at its discretion, reducing its power consumption and increasing margins.

On September 28, 2022, the Company entered into a hosting agreement (the "September Hosting Agreement") under which it has deployed 372 miners from its May batch of Bitmain Antminer S19J Pro machines at a third-party data center in Tennessee. Under the terms of the September Hosting Agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of seven cents (US\$0.07) per kilowatt hour, plus five percent (5%) of gross bitcoin revenue produced by the hosted machines. On December 8, 2022, the September Hosting Agreement was amended to allow the Company to reduce the power draw to improve machine efficiency for the 372 miners deployed ("Underclock"). The revenue share was increased from 5% to 15%. The result from Underclocking of the miners is the optimization and increase in margin from the operation. In October 2023, the Company has extended the term of the agreement until December 31, 2023, and thereafter on a month-to-month basis. Additionally, effective January 1, 2024, the hosting rate for these machines will change to a fixed rate of US\$70.00 per megawatt hour plus five percent (5%) of gross bitcoin revenue produced by the machines. No other material terms of the original hosting agreement were modified.

On January 23, 2023, the Company entered into a hosting agreement under which it will deploy 150 Bitmain Antminer S19 XP machines, at a third-party data center in Tennessee. Under the terms of the hosting agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of US\$0.07 per kilowatt hour, plus 10% of gross bitcoin revenue produced by the hosted machines. In November 2023, the Company has extended the term of the agreement until April 30, 2024.

On February 3, 2023, the Company entered into a hosting agreement under which it will deploy the last of its new machines at a third-party data center in Kentucky. Under the terms of the hosting agreement, which lasts for an initial term of 12 months, the Company will pay a fixed rate of US\$0.07 per kilowatt hour, plus 10% of gross bitcoin revenue produced by the hosted machines. In October 2023, the Company consolidated the machines it had hosted at a third-party data center in Kentucky at an existing hosting partner's data center in Tennessee. Under the consolidation, the Company relocated some of its Bitmain Antminer S19J Pro and Bitmain Antminer S19 XP machines from the Kentucky data center to the Tennessee data center. The Company modified the term of the agreements, which were due to expire in the first and second fiscal quarters 2024, for 595 S19J Pro machines such that beginning on January 1, 2024, the term will renew automatically on a month-to-month basis, unless either the data center operator or the Company provides notice of its intent to terminate the agreement after following month. Additionally, effective January 1, 2024, the hosting rate for these machines will change to a fixed rate of US\$70.00 per megawatt hour plus five percent (5%) of gross bitcoin revenue produced by the machines. No other material terms of the original hosting agreements were modified.

# Cathedra Bitcoin Inc.

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## 5. Digital Currencies and Revenue (cont'd)

### Country Kennels - New Washington Facility

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

### North Dakota Facilities

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

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

### Texas 360 Mining (Off-grid)

On May 31, 2023, the Company entered into a strategic partnership with 360 Mining, Inc. ("360 Mining") with a 12 months initial term. The Company will deploy mobile data centers and bitcoin mining machines at 360 Mining's off-grid location in Texas, with 360 Mining providing natural gas and power generation infrastructure to supply continuous electricity to the Company's bitcoin mining infrastructure. The Company will pay 360 Mining an effective rate of US\$55.00 per megawatt hour for power consumed, plus 10% of gross bitcoin mined at the site. The parties also reserve the option to abstain from mining bitcoin to sell the natural gas to market in the event it is economically advantageous to do so. The partnership gives Cathedra the rights to 2.0 megawatts of power capacity, with an initial deployment of 0.3 megawatts.

# Cathedra Bitcoin Inc.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (In Canadian Dollars, unless otherwise noted)



### 6. Accrued Receivable

The Company received credits and coupons in connection with its Bitmain Antminers purchases during the year ended December 31, 2021 (see Note 8). In December 2022, the Company entered into a series of agreements with various parties to sell certain credits and coupons which it had received from Bitmain for cash. Under these credits and coupons sales, the Company has recorded an accrued receivable of \$1,240,733 which has been subsequently collected and deposited into the Company's bank account and bitcoin. The Company has also sold additional credits and coupons received during the year for total proceeds of \$264,362.

As these credits and coupons relate to the Bitmain Antminer purchases, the Company recognizes the sale of these credits and coupons as a reduction to the cost of mining equipment purchased from Bitmain. The Company does not recognize any credits and coupons in its statement of financial position unless the Company can reasonably assure that these credits and coupons can be sold and that cash will be collected.

### 7. Deposits

As of December 31, 2023, the Company has a total deposit balance consisting of current and long term portions of \$1,725,333 (December 31, 2022 – \$3,597,023).

	December 31, 2023	December 31, 2022
	Total (\$)	Total (\$)
Utility deposit	220,440	105,643
Rent and damage deposit, Washington Mine	531,950	105,914
Warehouse, New Hampshire	3,902	3,995
Kentucky and Tennessee mine	518,094	530,551
Tennessee mine	386,039	167,465
360 Mining	64,908	-
Mining equipment	-	2,683,455
	1,725,333	3,597,023

	Total (\$)
Balance at December 31, 2021	18,948,825
Additions	11,464,237
Transfer to property and equipment	(22,937,060)
Impairment	(3,878,979)
Balance at December 31, 2022	3,597,023
Additions	844,405
Transfer to property and equipment (Note 8)	(2,683,455)
Translation adjustment	32,640
<b>Balance at December 31, 2023</b>	<b>1,725,333</b>



**Cathetra Bitcoin Inc.**  
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**8. Property and Equipment**

	Land (\$)	Livestock Equipment (\$)	Facility Asset (\$)	Mining Equipment (\$)	Mining Equipment (not-available for use) (\$)	Equipment under production (\$)	Office Equipment (\$)	Total (\$)
<b>Cost</b>								
Balance, December 31, 2021	1,719,900	199,069	5,100,415	13,693,503	929,414	178,896	8,176	21,829,373
Additions	-	6,000	280,262	17,938,683	4,820,507	2,280,055	-	25,325,507
Disposition from share exchange agreement	(1,590,897)	(190,137)	-	-	-	-	-	(1,781,034)
Disposal	-	-	(531,428)	-	-	-	-	(531,428)
Translation adjustment	(129,003)	(14,932)	(185,497)	2,409,218	47,128	120,027	-	2,246,941
<b>Balance, December 31, 2022</b>	-	-	<b>4,663,752</b>	<b>34,041,404</b>	<b>5,797,049</b>	<b>2,578,978</b>	<b>8,176</b>	<b>47,089,359</b>
Additions	-	-	378,515	8,583,585	(5,889,053)	(339,410)	-	2,733,637
Translation adjustment	-	-	(111,160)	(994,175)	92,004	(60,442)	-	(1,073,773)
<b>Balance, December 31, 2023</b>	-	-	<b>4,931,107</b>	<b>41,630,814</b>	-	<b>2,179,126</b>	<b>8,176</b>	<b>48,749,223</b>
<b>Accumulated depreciation</b>								
Balance, December 31, 2021	-	15,851	839,285	2,252,201	-	-	6,503	3,113,840
Additions	-	9,629	914,362	6,651,573	-	-	608	7,576,172
Disposition from share exchange agreement	-	(23,436)	-	-	-	-	-	(23,436)
Disposal	-	-	(133,595)	-	-	-	-	(133,595)
Write-down of mining equipment	-	-	1,108,235	17,987,786	3,244,639	-	-	22,340,660
Translation adjustment	-	(2,044)	94,203	410,295	-	-	-	502,454
<b>Balance, December 31, 2022</b>	-	-	<b>2,822,490</b>	<b>27,301,855</b>	<b>3,244,639</b>	-	<b>7,111</b>	<b>33,376,095</b>
Additions	-	-	621,521	8,185,791	(3,244,639)	-	608	5,563,281
Translation adjustment	-	-	(78,704)	(809,920)	-	-	-	(888,624)
<b>Balance, December 31, 2023</b>	-	-	<b>3,365,307</b>	<b>34,677,726</b>	-	-	<b>7,719</b>	<b>38,050,752</b>
<b>Carrying amount</b>								
Balance, December 31, 2022	-	-	1,841,262	6,739,549	2,552,410	2,578,978	1,065	13,713,264
<b>Balance, December 31, 2023</b>	-	-	<b>1,565,800</b>	<b>6,953,088</b>	-	<b>2,179,126</b>	<b>457</b>	<b>10,698,471</b>

Depreciation expense of \$6,524,593 of which \$5,563,281 (2022 - \$7,576,172) is from property and equipment, \$961,312 (2022 - \$143,343) is from right of use assets (Note 10) and \$nil (2022 - \$9,629) is recognized in discontinued operations.



**8. Property and Equipment (cont'd)**

During the year ended December 31, 2023, management made an assessment for any indicators of impairment both external and internal indicators. Management evaluated external indicators including the increase in bitcoin price from \$22,414 at December 31, 2022 to \$55,918 at December 31, 2023 and the Company's market capitalization. Management has also evaluated internal indicators including the Company's ability to underclock its mining equipment to improve its mining margin and any technological changes to evaluate evidence of obsolescence. Based on the assessment of internal and external indicators of impairment, management did not note any indicators of impairment regarding its CGUs.

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

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

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

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## 8. Property and Equipment (cont'd)

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

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

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

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

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

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

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

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

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



# Cathedra Bitcoin Inc.

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## 9. 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.

On January 29, 2023, the Company entered into an agreement to lease a 2.5-megawatt bitcoin mining facility in Washington State. Under the lease agreement, which lasts for an initial term of 24 months, the Company will make lease payments of US\$108,000 (approximately \$145,000) per month, a rate equivalent to US\$0.06 per kilowatt hour, including all electricity costs, which was reduced to US\$103,680 as the site's capacity was under 2.5 megawatt upon deployment. The Company also received a right of first opportunity ("ROFO") to purchase the 2.5-megawatt facility and several adjacent facilities on the same premises, which together total 10 megawatts of bitcoin mining capacity. The ROFO expires upon termination or expiration of the lease agreement. The lease commenced in April 2023.

Right-of-use asset	Washington Facility		Country Kennels		Total
<b>Cost</b>					
Balance, December 31, 2021	\$	697,971	\$	-	\$ 697,971
Translation adjustment		47,677		-	47,677
Balance, December 31, 2022		745,648		-	745,648
Additions		-		2,724,228	2,724,228
Translation adjustment		(17,507)		(53,314)	(70,821)
Balance, December 31, 2023	\$	728,141	\$	2,670,914	\$ 3,399,055
<b>Depreciation</b>					
Balance, December 31, 2021	\$	145,410	\$	-	\$ 145,410
Additions		143,343		-	143,343
Impairment		441,175		-	441,175
Translation adjustment		15,720		-	15,720
Balance, December 31, 2022		745,648		-	745,648
Additions		-		961,312	961,312
Translation adjustment		(17,508)		(18,573)	(36,081)
Balance, December 31, 2023	\$	728,140	\$	942,739	\$ 1,670,879
<b>Net book value</b>					
Balance, December 31, 2022	\$	-	\$	-	\$ -
Balance, December 31, 2023	\$	1	\$	1,728,175	\$ 1,728,176

Depreciation expense of \$961,312 (2022 - \$143,343) is included in cost of revenue. The right of use asset is part of the Washington CGU, as a result, the Company has written off \$441,175 during the year ended December 31, 2022.

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

# Cathedra Bitcoin Inc.

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

Lease liability	Washington Facility	Country Kennels	Total
Balance, December 31, 2022	\$ 478,108	\$ -	\$ 478,108
Additions	-	2,724,228	2,724,228
Interest expense on lease liability	32,731	359,886	392,617
Payments on lease liability	(181,373)	(1,184,512)	(1,365,885)
Translation adjustment	(8,255)	(37,206)	(45,461)
Balance, December 31, 2023	321,211	1,862,396	2,183,607
Less: Current portion	157,762	1,396,476	1,554,238
Balance, December 31, 2023	\$ 163,449	\$ 465,920	\$ 629,369

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

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

Maturity analysis	Washington Facility	Country Kennels	Total
Less than one year	\$ 177,757	\$ 1,645,526	\$ 1,823,283
One to three years	170,351	483,901	654,252
Three to five years	-	-	-
Total undiscounted lease liabilities	348,108	2,129,427	2,477,535
Amount representing implicit interest	(26,897)	(267,031)	(293,928)
Lease liability	\$ 321,211	\$ 1,862,396	\$ 2,183,607

## 10. Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022
Accounts payable	\$ 323,026	\$ 528,899
Accrued liabilities	1,866,927	1,775,013
Due to related parties (Note 15)	12,849	10,666
	\$ 2,177,104	\$ 2,314,578

## 11. Decommissioning liability

The decommissioning liability relates to the expected present value of costs of restoring the Company's lease in Washington as well as its hosting facilities to their original state. The provision for decommissioning is estimated based on the current market costs. Actual decommissioning costs will ultimately depend upon future market prices for decommissioning work required, which will reflect market conditions at the relevant time.

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## 12. Convertible loan

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

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

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

On April 6, 2023, the Company entered into a debt settlement agreement and settled \$2,500,000 of the outstanding principal by issuing 18,518,518 common shares of the Company, realizing a gain on settlement of debt of \$277,778.

On November 20, 2023, the Company entered into a debt settlement agreement and paid \$2,000,000 to retire \$3,333,333 of the outstanding principal, realizing a gain on settlement of debt of \$1,333,334. Additionally, the Company settled \$10,743,329 of the outstanding principal by issuing 96,439,227 common shares of the Company, realizing a gain on settlement of debt of \$3,871,154. In connection with the transaction, the debenture holders have also agreed to extend the maturity date of any remaining debentures following the repayment and settlement by one year, to November 11, 2025.

### Liability Component

	Total
Balance, December 31, 2021	\$ 18,349,701
Interest expense	(830,298)
Accretion expense	2,714,805
Repayment of loan	(2,038,044)
Balance, December 31, 2022	\$ 18,196,163
Interest expense	(693,555)
Accretion expense	2,537,382
Repayment of loan	(12,100,286)
Modification	(2,771,747)
Balance, December 31, 2023	\$ 5,167,957

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## 12. Convertible loan (cont'd)

### Equity Component

	Total
Balance, December 31, 2021	\$ 6,799,640
Repayment of loan	(566,276)
Balance, December 31, 2022	\$ 6,233,364
Repayment of loan	(4,561,667)
Modification	(1,094,487)
Balance, December 31, 2023	\$ 577,210

### Realized Gain on Settlement of Debt

<u>Date of Settlement</u>	<u>Amount Settled</u> <u>(\$)</u>	<u>Gain on Settlement</u> <u>(\$)</u>
April 6, 2023	2,500,000	277,778
November 20, 2023	3,333,333	1,333,334
November 20, 2023	10,743,329	3,871,154
		<u>5,482,266</u>

## 13. Share Capital

### a. Authorized

Unlimited number of common shares without par value

### b. Issued and outstanding

On April 6, 2023, the Company issued 18,518,518 common shares of the Company to settle \$2,500,000 of the convertible loan (Note 12).

On December 13, 2023, the Company issued 114,957,745 common shares of the Company to settle \$12,143,923 of the convertible loan (Note 11).

During the year ended December 31, 2023, the Company issued nil (December 31, 2022 – 1,900,000) common shares for stock options exercised for total proceeds of \$nil (December 31, 2022 - \$272,500).

During the year ended December 31, 2023, the Company issued 2,539,591 (December 31, 2022 – 3,492,347) common shares for RSUs exercised.

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

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## 13. Share Capital (cont'd)

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

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

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

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

## 14. Reserves

### a. Restricted share units

The Company has established a long-term equity incentive plan (the "LTIP"), which was approved by the Company's shareholders at its annual and special meeting of shareholders on September 6, 2022. The LTIP includes a 10% "rolling" option plan permitting a maximum of 10% of the issue and outstanding common shares of the Company as of the date of any option grant to be reserved for option grants, and a fixed plan permitting up to 11,500,000 common shares of the Company to be reserved for reserved for grant of restricted share units ("RSU"). For the year ended December 31, 2023, the Company recognized share-based compensation expense of \$1,461,237 (December 31, 2022 - \$5,044,907).

# Cathedra Bitcoin Inc.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (In Canadian Dollars, unless otherwise noted)



### a. Restricted share units (cont'd)

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

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

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

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



**14. Reserves (cont'd)**

b. Restricted share units (cont'd)

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

	Outstanding
Balance, December 31, 2021	7,587,244
Cancelled	(1,461,732)
Granted	3,248,976
Exercised	(3,492,347)
Balance, December 31, 2022	5,882,141
Granted	1,560,000
Forfeited	(390,000)
Exercised	(2,539,591)
Balance, December 31, 2023	4,512,550

c. Stock options

During the year ended December 31, 2023, the Company did not grant any stock options.

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

- granted 88,841 stock options exercisable at \$0.41 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for year ended December 31, 2023, was \$8,394 (December 31, 2022 - \$24,175).
- granted 88,841 stock options exercisable at \$0.41 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.37 and the share-based compensation expense recognized for year ended December 31, 2023, was \$8,145 (December 31, 2022 - \$23,216).
- granted 150,000 stock options exercisable at \$0.41 expiring five years from the date of the grant to a consultant of the Company. 20% of 150,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.34. The consultant has been terminated. The vested stock options were forfeited and the unvested stock options were cancelled resulting in a reversal of share-based compensation expense recognized for the year ended December 31, 2023, of \$14,511 (December 31, 2022 - \$20,526).



#### 14. Reserves (cont'd)

##### b. Stock options (cont'd)

- extended the expiry date of 1,000,000 stock options that were granted to a director of the Company from February 6, 2022, to April 6, 2022.
- 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 the year ended December 31, 2023, was \$14,903 (December 31, 2022 - \$26,049).
- 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 750,000 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 the year ended December 31, 2023, was \$90,606 (December 31, 2022 - \$194,369).
- 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 the year ended December 31, 2023, was \$9,524 (December 31, 2022 - \$13,262).
- granted 375,000 stock options exercisable at \$0.13 expiring five years from the date of the grant to a consultant. 20% of 375,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.10 and the share-based compensation expense recognized for the year ended December 31, 2023, was \$16,062 (December 31, 2022 - \$20,312).
- granted 10,000 stock options exercisable at \$0.13 expiring five years from the date of the grant to a consultant. 20% of 10,000 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.10 and the share-based compensation expense recognized for the year ended December 31, 2023, was \$428 (December 31, 2022 - \$542).

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

- granted 250,000 stock options exercisable at \$0.485 expiring five years from the date of the grant to management. 100,000 stock options vest immediately on the date of the grant and 50,000 on each six-month anniversary of the date of grant thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the year ended December 31, 2023, was \$2,278 (December 31, 2022 - \$35,245); and
- granted 88,841 stock options exercisable at \$0.53 expiring five years from the date of the grant to management. 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.44 and the share-based compensation expense recognized for the year ended December 31, 2023, was \$9,336 (December 31, 2022 - \$974).



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## 14. Reserves (cont'd)

### b. Stock options (cont'd)

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

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

The following is a summary of changes in stock options:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2021	6,675,341	0.42
Granted	426,523	0.24
Forfeited	(150,000)	0.60
Cancelled	(396,500)	0.53
Exercised	(1,900,000)	0.14
Balance, December 31, 2022	4,655,364	0.50
Forfeited	(2,263,841)	0.41
Balance, December 31, 2023	2,391,523	0.59

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

Outstanding	Exercisable	Exercise price (\$)	Grant date	Expiry date
90,000	90,000	0.500	February 20, 2018	February 19, 2028
150,000	150,000	0.600	February 20, 2018	February 19, 2028
100,000	100,000	0.510	May 3, 2021	May 3, 2024
250,000	250,000	0.485	August 27, 2021	August 27, 2026
2,000,000	2,000,000	0.490	September 1, 2021	September 1, 2026
650,000	650,000	0.560	September 24, 2021	September 24, 2026
88,841	71,073	0.530	December 21, 2021	December 21, 2026
88,841	53,305	0.410	January 7, 2022	January 7, 2027
88,841	53,305	0.410	January 10, 2022	January 10, 2027
88,841	53,305	0.350	May 18, 2022	May 18, 2027
10,000	8,000	0.130	October 25, 2022	October 25, 2027
3,605,364	3,478,988			

For the year ended December 31, 2023, the Company recognized share-based compensation expense of \$145,166 (2022 - \$721,999). The weighted average remaining life of the stock options is 2.76 years.

# Cathedra Bitcoin Inc.

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## 14. Reserves (cont'd)

### c. Warrants

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

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

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

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

The weighted average remaining life of the warrants is 2.88 years.

## 15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

# Cathedra Bitcoin Inc.

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## 15. Related Party Transactions (cont'd)

### 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 year ended December 31, 2023, and 2022, are as follows:

Year ended December 31, 2023	Salaries	Director/ Consulting Fees	Share-based compensation	Total
Chief Executive Officer	\$ 134,908	\$ 23,309	\$ 450,803	\$ 609,020
Chief Operating Officer and President	146,167	23,309	450,803	609,020
Chief Financial Officer	-	157,379	68,161	225,540
Chief Field Operations and Manufacturing Officer	157,669	-	109,518	267,187
Chief Technology Officer	157,669	-	99,920	257,589
Non-executive directors	-	66,538	24,454	90,992
	<u>\$ 596,413</u>	<u>\$ 270,535</u>	<u>\$ 1,203,659</u>	<u>\$ 2,070,607</u>

Year ended December 31, 2022	Salaries	Director/ Consulting Fees	Share-based compensation	Total
Chief Executive Officer	\$ 147,784	\$ 40,256	\$ 1,925,544	\$ 2,113,584
Chief Operating Officer and President	153,351	40,256	1,925,544	2,119,151
Chief Financial Officer	-	144,077	162,428	306,505
Chief Field Operations and Manufacturing Officer	182,064	-	325,607	507,671
Chief Technology Officer	170,660	-	279,077	449,737
Non-executive directors	-	122,524	337,203	459,727
	<u>\$ 653,859</u>	<u>\$ 347,113</u>	<u>\$ 4,955,403</u>	<u>\$ 5,956,375</u>

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

- \$25,506 (December 31, 2022 - \$10,666) to a company controlled by the CFO of the Company.

At December 31, 2023, the Company has receivables of \$101,518 (December 31, 2022 – \$95,511) of which \$44,381 (December 31, 2022 - \$38,035) is non-current. The outstanding balance is fully repaid subsequent to year end. The interest rate charged to these loans are 110% of the applicable federal rates derived from the Internal Revenue Agency.

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## 16. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
Income (loss) before income taxes	\$	(5,479,934)	\$	(45,031,066)
Statutory tax rate		27.0%		30.7%
Expected income tax expense (recovery) at the statutory tax rate	\$	(1,479,582)	\$	(13,837,134)
Non-deductible items and other				
Permanent difference		21,679		989,860
Utilization of non-capital losses		-		-
Change in deferred tax benefits not recognized		1,461,050		11,530,781
Income tax expense (recovery)	\$	3,147	\$	(1,316,493)

The approximate tax effect of each item that gives rise to the Company's deferred tax assets as at December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
Deferred income tax assets				
Non-capital losses	\$	16,266,525	\$	12,965,000
Property and equipment		-		(19,000)
Other		-		(214,000)
Total		16,266,525		12,732,000
Allowance		(16,266,525)		(12,732,000)
Net deferred income tax assets	\$	-	\$	-

The Company's movement of net deferred tax assets is described below:

	Year ended December 31, 2023		Year ended December 31, 2022	
At January 1	\$	-	\$	185,889
Deferred income tax recovery through statement of profit or loss		-		(198,586)
Translation adjustment		-		12,697
At December 31	\$	-	\$	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

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## 16. Income Taxes (cont'd)

The Company has the following deductible temporary differences that have been recognized.

	December 31, 2023	Expiry date range	December 31, 2022	Expiry date range
<b>Deferred tax assets</b>				
Non-capital losses				
Canada	\$ 9,698,409	2038 to 2043	\$ 4,656,937	2038 to 2042
UK	\$ -	No expiry	\$ -	No expiry
USA	\$ 50,547,978	No expiry	\$ 47,432,600	No expiry

## 17. Financial Instruments and Risk Management

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

### *Credit risk*

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

	December 31, 2023	December 31, 2022
Digital currencies	\$ 1,840,251	\$ 39,499
Deposit	972,943	3,381,471
Receivables	87,548	157,854
Accrued receivable	-	1,240,733
	<b>\$ 2,900,742</b>	<b>\$ 4,819,557</b>

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

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at December 31, 2023, the Company had a working capital surplus of \$173,427 (December 31, 2022 - \$6,006,094), the majority of which is comprised of a cash balance of \$726,973 (December 31, 2022 - \$3,224,504), digital currencies balance of \$1,840,251 (December 31, 2022 - \$39,499), accrued receivable of \$nil (December 31, 2022 - \$1,240,733) and deposits of \$972,943 (December 31, 2022 - \$3,381,471) to settle current liabilities of \$3,672,913 (December 31, 2022 - \$2,463,752).

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## 17. Financial Instruments and Risk Management (cont'd)

### Liquidity risk (cont'd)

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

	Accounts payable and accrued liabilities	Lease liability	Convertible debt	Total
2024	\$ 2,118,675	\$ 1,823,283	\$ -	\$ 3,941,958
2025	-	654,252	5,733,728	6,387,980
2026	-	-	-	-
Total	\$ 2,118,675	\$ 2,477,535	\$ 5,733,728	\$ 10,329,938

### Market risk

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

### Bitcoin

The Company has digital currencies, Bitcoin, on December 31, 2023, 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. The profitability of the Company is related to the current and future market price of bitcoin; in addition, the Company may not be able to liquidate its holdings of bitcoin at its 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 bitcoin held by the Company could decline rapidly. A decline in the market prices of bitcoin could negatively impact the Company's future operations. Historical performance of bitcoin is not indicative of their future performance. The Company recorded a gain on revaluation of digital currencies in the amount of \$142,686 during the year ended December 31, 2023 (December 31, 2022 - \$724,553).

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

### Interest rate risk

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

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## 17. Financial Instruments and Risk Management (cont'd)

### *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 and in digital currencies 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 \$1,039,000 (December 31, 2022 – \$94,943), resulting from the translation of the US dollar denominated financial instruments.

### *Custody risk*

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

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.

On November 7, 2023, the Company completed its transition to a new service provider for bitcoin custody that is licensed, regulated and insured. Prior to the transition, the Company 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. The Company's new custodian maintains SOC 1 Type II and SOC 2 Type II compliance, which the Company reviews periodically to ensure the custodian maintains a secure technology infrastructure and that its systems are designed and operating effectively. The Company expects to realize significant cost savings after completing the transition.

### *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 December 31, 2023, 32.91 bitcoin equivalent to \$1,840,251 are held with the Company's third party custodian (2022 – 1.76 bitcoin equivalent to \$39,449).

# Cathedra Bitcoin Inc.

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## 17. Financial Instruments and Risk Management (cont'd)

### *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.

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

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

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

## 18. 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.



# Cathedra Bitcoin Inc.

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### 19. Non-Cash Transactions

	<i>Year ended December 31, 2023</i>	<i>Year ended December 31, 2022</i>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 199,708	\$ 1,168,454
Guaranteed Investment Certificate	-	2,056,050
Money Market Funds	385,879	-
Cash held with digital currencies custodian	141,386	-
<b>Total Cash and cash equivalents</b>	<b>726,973</b>	<b>3,224,504</b>
<b>Non-cash transactions:</b>		
Transfer of deposits to property and equipment	2,683,456	-
Shares issued for convertible debt settlement	11,866,145	-
Shares issued for RSU	267,665	1,301,996
Shares issued for mining equipment	-	239,816
Right of use assets	2,724,228	-
Warrants issued in connection with private placement	-	4,141,251
Bitcoin mined	10,924,611	8,809,104
Bitcoin paid for services	883,085	1,415,832
Bitcoin received from sale of coupons	\$ 185,313	\$ -

### 20. 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.

<b>December 31, 2023</b>	<b>Canada (\$)</b>	<b>USA (\$)</b>	<b>UK (\$)</b>	<b>Total (\$)</b>
Revenue	-	10,924,611	-	10,924,611
Cost of sales	-	12,951,226	-	12,951,226
Income tax expense (recovery)	-	3,147	-	3,147
Net income/(loss)	(2,364,561)	(3,116,608)	-	(5,481,169)
Non-current assets	1,666,719	13,211,834	-	14,878,553
<b>December 31, 2022</b>	<b>Canada (\$)</b>	<b>USA (\$)</b>	<b>UK (\$)</b>	<b>Total (\$)</b>
Revenue	-	8,809,104	-	8,809,104
Cost of sales	-	14,025,482	-	14,025,482
Income tax expense (recovery)	(1,316,493)	198,586	-	(1,117,907)
Net income/(loss)	(11,678,802)	(33,310,017)	(42,247)	(45,031,066)
Non-current assets	5,939,963	11,353,941	-	17,293,904



## 21. Contingencies

Management believes that adequate provisions have been made where required and the ultimate resolution with respect to any claim will not have a material adverse effect on the financial position or results of operations of the Company.

## 22. Subsequent Events

- On March 6, 2024, the Company entered into a binding share exchange agreement (the “Share Exchange Agreement”) providing for a merger with Kungsleden Inc. (“Kungsleden”), a Delaware corporation.

Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra (the “Transaction”). The Transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 77.5% of the equity of Cathedra as it exists on closing (the “Resulting Issuer”) and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedra and Kungsleden. Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX Venture Exchange (the “TSX-V”).

Closing of the Transaction is expected occur in the second quarter of 2024 and is subject to certain conditions precedent, including, but not limited to: obtaining the required shareholder approvals; Cathedra having obtained the required exemption from, or waiver of, the TSX-V sponsorship requirements; obtaining any applicable regulatory approvals; TSX-V approval and any third-party consents required for the Transaction; and other customary conditions for transactions of this nature.

- The Company announced that, in connection with the closing of the Transaction, it intends to amend the conversion price (the “Repricing”) of 3.5% senior secured convertible debentures of the Corporation due November 11, 2025 (the “Maturity Date”) originally issued to the debenture holder on November 11, 2021 (the “Debentures”), from C\$0.78 to C\$0.15. The aggregate principal amount outstanding of the Debentures as of the date hereof is C\$5,733,728. The Repricing is conditional on Cathedra entering into a definitive agreement with the holders of the Debentures in respect of the Repricing and completion of the Transaction.

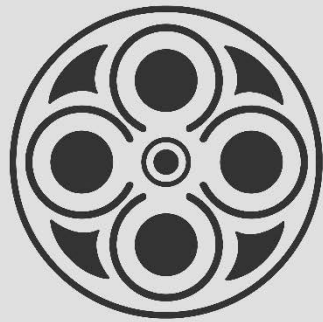
The remaining outstanding principal amount of the Debentures following the Repricing will continue to bear interest at a rate of 3.5% per annum, payable quarterly in arrears on the last day of March, June, September and December of each year until the Maturity Date.

The Repricing is subject to the receipt of regulatory approvals, including the approval of the TSX-V.

## **SCHEDULE "B"**

**MD&A OF THE COMPANY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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Cathedra

Cathedra Bitcoin Inc.

**Management's Discussion and Analysis**

For the year ended December 31, 2023

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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, 2023. 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 unaudited consolidated financial statements ("Financial Statements") for the Company for the quarter ended December 31, 2023, 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.sedar.com](http://www.sedar.com).

This MD&A contains information up to and including March 28, 2024.

### **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**

Cathedral Bitcoin Inc. (TSX-V: CBIT; OTCQB: CBTTF) is a Bitcoin company that believes sound money and abundant energy are the keys to human flourishing. We have diversified bitcoin mining operations which produce approximately 403 petahashes per second ("PH/s") of hash rate across three states and five locations in the United States. We are focused on managing and expanding our portfolio of hash rate through a diversified approach to site selection and operations, utilizing multiple energy sources across various jurisdictions.

We are headquartered in Vancouver, British Columbia, with operations across two locations in Washington, two locations in Tennessee, and one location in Texas. True to our diversified approach, we are the only publicly traded bitcoin miner with operations powered by on- and off-grid energy sources.

In the near term, our primary objectives are to:

- expand our diversified hash rate portfolio in a cost-efficient manner;
- continue building the Company's bitcoin treasury; and
- cultivate relationships with the leading energy companies to leverage synergies between bitcoin mining in the energy sector and source low-cost power for bitcoin mining.

## **Recent Developments**

### *Treasury Management*

Beginning in March 2023, we began retaining a portion of our mined bitcoin on the Company's balance sheet again. As at March 28, 2024, the Company holds 44.76 bitcoin in treasury worth approximately \$4.3 million. Going forward, we intend to liquidate bitcoin to meet monthly cash obligations and hold any remaining bitcoin in treasury indefinitely.

### *Firmware Release*

On October 25, 2023, we launched CathedralOS, an aftermarket software product for bitcoin mining machines. The firmware is available for free download at [www.cathedral.com/firmware](http://www.cathedral.com/firmware) by all bitcoin miners who agree to the terms of our End User Agreement. We receive a share of the hash rate produced by each end user of CathedralOS as a developer fee.

### *Changes to Kentucky and Tennessee Operations*

In October 2023, we consolidated the machines we had hosted at a third-party data center in Kentucky at an existing hosting partner's data center in Tennessee. Under the consolidation, we relocated 595 S19J Pro and 50 S19 XP machines from the Kentucky data center to the Tennessee data center.

In October and November 2023, we made the following amendments to our hosting agreements with a third-party data center operator in Tennessee:

- Extended the term of the agreement for 200 S19 XP machines data center until April 30, 2024. No other material terms of the original hosting agreement were modified.
- Extended the term of the agreement, which expired in October 2023, for 372 S19J Pro machines through December 31, 2023, and thereafter on a month-to-month basis. Additionally, effective January 1, 2024, the hosting rate for these machines changed to a fixed rate of US\$70.00 per megawatt hour plus five percent (5%) of gross bitcoin revenue produced by the machines. No other material terms of the original hosting agreement were modified.
- Modified the term of the agreements, which were due to expire in the first and second fiscal quarters 2024, for 595 S19J Pro machines such that beginning on January 1, 2024, the term renews automatically on a month-to-month basis, unless either the data center operator or the Company provides notice of its intent to terminate the agreement after following month. Additionally, effective January 1, 2024, the hosting rate for these machines changed to a fixed rate of US\$70.00 per megawatt hour plus five percent (5%) of gross bitcoin revenue produced by the machines. No other material terms of the original hosting agreements were modified.

### *Custody Transition*



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*(Expressed in Canadian dollars, unless otherwise indicated)*

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On November 7, 2023, we completed the transition to a new service provider for bitcoin custody that is licensed, regulated and insured. Prior to the transition, 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 new custodian maintains SOC 1 Type II and SOC 2 Type II audits, which we review periodically to ensure the custodian maintains a secure technology infrastructure and that its systems are designed and operating effectively.

*Debt Settlement and Debenture Extension*

On December 15, 2023, we settled a portion of the outstanding principal amount of our convertible debt equal to \$10.7 million into 96,439,227 common shares of the Company. The shares were issued at a deemed price of \$0.1114 per share. The debt was payable to certain debenture holders in respect of 3.5% senior secured convertible debentures of the Company due November 11, 2024, and originally issued to the debenture holders on November 11, 2021.

In connection with the debt settlement, we also repaid \$2.0 million to retire \$3.3 million of the outstanding principal amount of the debentures, leaving an aggregate principal amount outstanding of the debentures equal to \$5.7 million as of March 28, 2024.

Additionally, the maturity date for the remaining principal was extended by an additional 12 months to November 11, 2025. No other changes to the debentures were made. We will continue to pay quarterly interest at 3.5% per annum on the remaining principal balance until the extended maturity date, whereupon the remaining principal is due in full.

All securities issued pursuant to the debt settlement are subject to a four month and one day hold period from the closing date of the debt settlement.

*Further Fleet Optimizations*

On January 3, 2024, we announced further optimizations to approximately 2,000 of our S19J Pro machines hosted in our partners' Tennessee data centers in response to improving mining conditions. These optimizations increased fleetwide hash rate to approximately 403 PH/s—an improvement of approximately 14% versus previously disclosed fleet hash rate of 355 PH/s—and maximized operating profits under prevailing bitcoin mining conditions. We had previously underclocked these machines throughout 2023 to improve their efficiency.

*Business Combination with Kungsleden, Inc.*

On March 6, 2024, we entered into a binding share exchange agreement (the "Share Exchange Agreement") providing for a merger with Kungsleden Inc. ("Kungsleden"), a privately held developer and operator of bitcoin mining data centers.

Pursuant to the Share Exchange Agreement, it is expected that Cathedral will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedral (the "Transaction"). The Transaction will constitute a reverse takeover of Cathedral, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 77.5% of the equity of Cathedral as it exists on closing (the "Resulting Issuer") and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedral and Kungsleden. Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX Venture Exchange (the "TSX-V").

Closing of the Transaction is expected occur in the second quarter of 2024 and is subject to certain conditions precedent, including, but not limited to: obtaining the required shareholder approvals; Cathedral having obtained the required exemption from, or waiver of, the TSX-V sponsorship requirements; obtaining any applicable regulatory approvals; TSX-V approval and any third-party consents required for the Transaction; and other customary conditions for transactions of this nature.

*Convertible Debenture Repricing*

On March 7, 2024, we also announced that, in connection with the closing of the Transaction with Kungsleden, we intend to amend the conversion price of the remaining outstanding 3.5% senior secured convertible

Cathedral Bitcoin Inc.  
**Management's Discussion and Analysis**

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*(Expressed in Canadian dollars, unless otherwise indicated)*

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debentures due November 11, 2025, from \$0.78 to \$0.15. The aggregate principal amount outstanding of the debentures as at March 28, 2024, is \$5.7 million. The repricing is conditional on Cathedral entering into a definitive agreement with the holder of the debentures in respect of the repricing and completion of the Transaction.

The remaining outstanding principal amount of the debentures following the repricing will continue to bear interest at a rate of 3.5% per annum, payable quarterly in arrears on the last day of March, June, September, and December of each year until the maturity date.

The repricing is subject to the receipt of regulatory approvals, including the approval of the TSX-V.

### **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 and the next Halving is expected to occur in April 2024.

#### *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.

#### *Technology*

Cathedral Bitcoin Inc.

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*(Expressed in Canadian dollars, unless otherwise indicated)*

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**

The following table presents information about our bitcoin mining activities, including bitcoin production and sales of bitcoin, during the year ended December 31, 2023:

	<b>Units (BTC)</b>	<b>Amount</b>
Bitcoin balance as at December 31, 2022	1.76	\$ 39,449
Revenue from bitcoin mined	279.21	10,924,611
Bitcoin paid for fees and services	(21.28)	(883,085)
Bitcoin received from sale of coupons and credits <i>(Note 6)</i>	4.80	185,313
Bitcoin sold	(231.58)	(8,239,476)
Gain on sale of bitcoin	-	72,756
Revaluation surplus	-	140,686
Translation adjustment	-	(26,831)
<b>Bitcoin balance as at December 31, 2023</b>	<b>32.91</b>	<b>\$ 1,840,251</b>

Cathedra Bitcoin Inc.  
**Management's Discussion and Analysis**

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(Expressed in Canadian dollars, unless otherwise indicated)

The following tables present information about our bitcoin mining operations as at March 28, 2024, including details pertaining to our various lease and hosting agreements, portfolio of mining machines, and expected profitability:

Site Name	State	Contract Type	Fixed Hosting/			Machine Model
			Power Rate (US\$/MWh)	Revenue Share (%)	Number of Machines	
Tennessee A	TN	Hosting	\$ 72.50	–	1,129	S19J Pro
Tennessee B	TN	Hosting	70.00	5%	957	S19J Pro
Tennessee B	TN	Hosting	70.00	10%	200	S19 XP
New Wash.	WA	Lease	60.00	10%	1,028	S19J Pro
Legacy Wash.	WA	Lease	46.00	–	1,050	S19J Pro
Texas	TX	Hosting	45.80	10%	300	Whatsminer M31/M32S
<b>Total/Average</b>			<b>\$ 63.92</b>	<b>4%</b>	<b>4,664</b>	

Site Name	Expected Break- Even Hash Price	Expected Monthly Bitcoin	Expected Cost Per Bitcoin	Hash Rate	Power Draw (kW)	Efficiency (J/TH)	Expiration Date
	(US\$/PH/s/d) <sup>(1)</sup>	(BTC) <sup>(1)(2)</sup>	(US\$) <sup>(1)(3)</sup>	(PH/s) <sup>(4)</sup>			
Tennessee A	\$ 52.00	5.35	\$ 33,500	113	3,387	30	Q3 2024
Tennessee B	53.00	4.54	32,300	96	2,871	30	Q1 2024
Tennessee B	40.00	1.33	23,200	28	602	22	Q2 2024
New Wash.	45.00	4.05	26,000	85	2,400	28	Q2 2025
Legacy Wash.	29.00	3.60	18,600	76	2,000	26	Q4 2025
Texas	66.00	0.24	38,100	5	270	54	Q3 2024
<b>Total/Average</b>	<b>\$ 46.00</b>	<b>19.11</b>	<b>\$ 28,200</b>	<b>403</b>	<b>11,530</b>	<b>29</b>	

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Represents expected monthly gross bitcoin production assuming current bitcoin mining conditions, reflecting hash price of US\$111/PH/s/d and bitcoin price of US\$71,000.

<sup>(3)</sup> Cost per bitcoin metric assumes network hash rate of 595 EH/s and transaction fees equal to 3% of the total block reward.

<sup>(4)</sup> Expected gross hash rate produced by the Company's machines (excludes revenue share component).

## Results of Operations

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

	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2023	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
<b>For the three months ended</b>								
Revenue	3,254,028	2,760,401	2,893,204	2,016,978	1,677,187	1,493,520	2,530,673	3,107,724
Net income (loss)	3,326,164	(3,408,259)	(2,949,013)	(2,450,061)	(21,538,138)	(7,711,263)	(11,920,198)	(3,861,467)
Net income (loss) per share								
Basic	0.02	(0.02)	(0.02)	(0.02)	(0.21)	(0.08)	(0.12)	(0.04)
Diluted	0.02	(0.02)	(0.02)	(0.02)	(0.16)	(0.08)	(0.12)	(0.02)

Cathdra Bitcoin Inc.  
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**Year ended December 31, 2023**  
*(Expressed in Canadian dollars, unless otherwise indicated)*

Below we present our operating results during the three months and year ended December 31, 2023, and 2022:

	<b>Year ended</b>	<i>Year ended</i>	<b>Three months</b>	<i>Three months</i>
	<b>December 31, 2023</b>	<i>December 31, 2022</i>	<b>period ended</b>	<i>period ended</i>
	<b>December 31, 2023</b>	<i>December 31, 2022</i>	<b>December 31, 2023</b>	<i>December 31, 2022</i>
<b>Revenue</b>	<b>\$ 10,924,611</b>	<b>\$ 8,809,104</b>	<b>\$ 3,254,028</b>	<b>\$ 1,677,187</b>
<b>Cost of revenue</b>				
Operating costs	<b>(6,437,513)</b>	<b>(6,389,481)</b>	<b>(1,669,791)</b>	<b>(1,504,844)</b>
Depreciation	<b>(6,513,713)</b>	<b>(7,636,001)</b>	<b>(1,816,852)</b>	<b>(1,901,507)</b>
Gross profit (loss)	<b>(2,026,615)</b>	<b>(5,216,378)</b>	<b>(232,615)</b>	<b>(1,729,164)</b>
<b>Gain (loss) on sale of digital currencies</b>	<b>72,756</b>	<b>(5,006,134)</b>	<b>200,723</b>	<b>(551,323)</b>
<b>Net loss before operating expenses</b>	<b>(1,953,859)</b>	<b>(10,222,512)</b>	<b>(31,892)</b>	<b>(2,280,487)</b>
<b>Operating expenses</b>				
Agricultural expenses	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,102)</b>
Director fees	<b>118,920</b>	<b>203,097</b>	<b>31,570</b>	<b>28,097</b>
Decommissioning expense	<b>75,711</b>	<b>-</b>	<b>75,711</b>	<b>-</b>
Depreciation	<b>10,880</b>	<b>73,885</b>	<b>2,720</b>	<b>10,507</b>
Interest expense	<b>2,930,701</b>	<b>3,767,144</b>	<b>710,133</b>	<b>(235,611)</b>
Management and consulting fees	<b>157,379</b>	<b>153,350</b>	<b>42,559</b>	<b>20,141</b>
Office and administration	<b>493,287</b>	<b>748,259</b>	<b>169,007</b>	<b>242,353</b>
Professional fees	<b>419,102</b>	<b>591,102</b>	<b>70,288</b>	<b>156,671</b>
Repairs and maintenance	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,111)</b>
Salaries and wages	<b>713,938</b>	<b>1,262,031</b>	<b>208,868</b>	<b>327,498</b>
Share-based compensation	<b>1,606,403</b>	<b>5,766,906</b>	<b>264,637</b>	<b>738,218</b>
Travel	<b>60,580</b>	<b>72,673</b>	<b>15,907</b>	<b>11,002</b>
	<b>(6,586,901)</b>	<b>(12,915,184)</b>	<b>(1,591,400)</b>	<b>(1,561,400)</b>
<b>Operating loss</b>	<b>(8,540,760)</b>	<b>(23,137,696)</b>	<b>(1,623,292)</b>	<b>(3,841,887)</b>
Foreign exchange losses	<b>(1,128,898)</b>	<b>3,914,326</b>	<b>(999,515)</b>	<b>5,430,867</b>
Gain on purchase of equipment	<b>-</b>	<b>102,917</b>	<b>-</b>	<b>-</b>
Gain on share exchange	<b>-</b>	<b>784,233</b>	<b>-</b>	<b>784,233</b>
Gain on settlement of debt	<b>5,482,266</b>	<b>(39,136)</b>	<b>5,482,266</b>	<b>(189,480)</b>
Interest income	<b>116,926</b>	<b>26,412</b>	<b>36,572</b>	<b>25,108</b>
Write down of investment	<b>(1,744,128)</b>	<b>-</b>	<b>151,457</b>	<b>-</b>
Unrealized gain on investment	<b>72,210</b>	<b>-</b>	<b>72,210</b>	<b>-</b>
Gain on sale of coupons and credits	<b>264,362</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss on sale of equipment	<b>-</b>	<b>(1,096,968)</b>	<b>-</b>	<b>(1,096,968)</b>
Write down of mining equipment	<b>-</b>	<b>(26,660,814)</b>	<b>-</b>	<b>(24,514,011)</b>
	<b>3,062,738</b>	<b>(22,969,030)</b>	<b>4,742,990</b>	<b>(19,560,251)</b>
Income (loss) from continuing operations	<b>(5,478,022)</b>	<b>(46,106,726)</b>	<b>3,119,698</b>	<b>(23,402,138)</b>
Income tax expense				
Current income tax recovery (expense)	<b>(3,147)</b>	<b>1,316,493</b>	<b>(3,147)</b>	<b>-</b>
Deferred income tax recovery (expense)	<b>-</b>	<b>(198,586)</b>	<b>-</b>	<b>(198,586)</b>
	<b>(3,147)</b>	<b>1,117,907</b>	<b>(3,147)</b>	<b>(198,586)</b>
Income (loss) from continuing operations	<b>(5,481,169)</b>	<b>(44,988,819)</b>	<b>3,116,551</b>	<b>(23,600,724)</b>
Loss from discontinued operations	<b>-</b>	<b>(42,247)</b>	<b>-</b>	<b>(42,247)</b>
<b>Net loss</b>	<b>(5,481,169)</b>	<b>(45,031,066)</b>	<b>3,116,551</b>	<b>(23,642,971)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Translation adjustment	<b>909,355</b>	<b>(709,302)</b>	<b>857,131</b>	<b>(746,686)</b>
Revaluation gain on digital currencies	<b>140,686</b>	<b>724,553</b>	<b>49,628</b>	<b>603,002</b>
	<b>1,050,041</b>	<b>15,251</b>	<b>906,759</b>	<b>(143,684)</b>
<b>Net comprehensive loss</b>	<b>(4,431,128)</b>	<b>(45,015,815)</b>	<b>4,023,310</b>	<b>(23,786,655)</b>
<b>Basic earnings (loss) per share</b>	<b>\$ (0.04)</b>	<b>\$ (0.43)</b>	<b>\$ 0.02</b>	<b>\$ (0.24)</b>
Weighted average number of common shares outstanding - basic	<b>137,023,489</b>	<b>105,035,160</b>	<b>142,429,640</b>	<b>99,023,694</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ (0.04)</b>	<b>\$ (0.34)</b>	<b>\$ 0.02</b>	<b>\$ (0.24)</b>
Weighted average number of common shares outstanding - diluted	<b>137,023,489</b>	<b>133,831,176</b>	<b>142,429,640</b>	<b>99,023,694</b>

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**Comparative Results for the Three Months Ended December 31, 2023, and 2022**

*Bitcoin Production*

Our mining operations produced 60.29 bitcoin during the three months ended December 31, 2023, compared to 67.09 bitcoin during the three months ended December 31, 2022, an decrease of 6.80 bitcoin. The decrease was due primarily to the expansion of our hash rate from 203 PH/s as at December 31, 2022, to 403 PH/s as at December 31, 2023. This expansion of our hash rate was partially offset by an increase in network hash rate, from 263 EH/s as at December 31, 2022, to 529 EH/s as at December 31, 2023.

*Revenue*

Revenue during the three months ended December 31, 2023, was \$3.3 million compared to \$1.7 million during the three months ended December 31, 2022, an increase of \$1.6 million. The increase was due primarily to the expansion of our hash rate from 203 PH/s as at December 31, 2022, to 403 PH/s as at December 31, 2023. An increase in the average price of bitcoin from US\$18,060 during the three months ended December 31, 2022, to US\$36,297 during the three months ended December 31, 2023, was offset by an increase in network hash rate, from 263 EH/s as at December 31, 2022, to 529 EH/s as at December 31, 2023.

*Cost of Revenue*

Operating costs during the three months ended December 31, 2023, were \$1.7 million compared to \$1.5 million during the three months ended December 31, 2022, an increase of \$0.2 million. The increase was largely due to an expansion of our hash rate from 203 EH/s as at December 31, 2022, to 403 EH/s as at December 31, 2023, and the corresponding increase our electricity consumption.

Depreciation expense (cost of revenue) during the three months ended December 31, 2023, was \$1.8 million compared to \$1.9 million during the three months ended December 31, 2022, a decrease of \$0.1 million. The decrease was primarily due to an impairment charge we recorded during the three months ended December 31, 2022, which wrote down the value of our bitcoin mining equipment by \$26.7 million.

*Interest Expense*

Interest expense during the three months ended December 31, 2023, was \$0.7 million compared to a credit of \$0.2 million during the three months ended December 31, 2022, an increase of \$0.9 million. The increase was primarily due to a debt settlement, whereby, the Company paid \$2,000,000 to retire \$3,333,333 of the outstanding principal, realizing a gain on settlement of debt of \$1,333,333. Additionally, the Company settled \$10,743,329 of the outstanding principal by issuing 96,439,227 common shares of the Company, realizing a gain on settlement of debt of \$3,871,154. In connection with the transaction, the debenture holders have also agreed to extend the maturity date of any remaining debentures following the repayment and settlement by one year, to November 11, 2025.

*Salaries and Wages*

Salaries and wages during the three months ended December 31, 2023, were \$0.2 million compared to \$0.3 million during the three months ended December 31, 2022, a decrease of \$0.1 million. The decrease was due to lower executive headcount and lower corporate salaries for remaining employees during the three months ended December 31, 2023.

*Share-Based Compensation*

Share-based compensation during the three months ended December 31, 2023, was \$0.3 million compared to \$0.7 million during the three months ended December 31, 2022, a decrease of \$0.4 million. The decrease was due to lower executive headcount and no additional equity grants to the Company's executives during the three months ended December 31, 2023.

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*Foreign Exchange Losses*

Foreign exchange losses during the three months ended December 31, 2023, were \$1.0 million compared to a gain of \$5.4 million during the three months ended December 31, 2022, a decrease of \$6.4 million. The decrease was due primarily to the relative stability of the US dollar versus the Canadian dollar during the three months ended December 31, 2023.

*Write-Down of Mining Equipment*

We recorded no write-downs of mining equipment during the three months ended December 31, 2023, compared to a write-down of \$24.5 million during the three months ended December 31, 2022. During the period ended December 31, 2023, management made an assessment for any indicators of impairment and did not note any.

*Write-Down of Investment*

We recorded \$1.7 million of write-down of investments during the three months ended December 31, 2023, representing a \$1.7 million change from the three months ended December 31, 2022. As at December 31, 2023, the Company's equity interest in Silvermoon Inc. ("Silvermoon") had decreased to 21.6% of the issued and outstanding common shares due to the issuance of additional shares by Silvermoon. Management has taken the position that the Company no longer has significant influence over Silvermoon as of May 1, 2023. While significant influence is presumed to exist for investments of 20% or more of the investee's outstanding voting stock, the Company does not have board representation, does not participate in policy-making processes, and does not have access to Silvermoon's financial records, circumstances which severely limit our potential influence.

**Comparative Results for the Year Ended December 31, 2023, and 2022**

*Bitcoin Production*

Our mining operations produced 279.21 bitcoin during the year ended December 31, 2023, compared to 246.85 bitcoin during the year ended December 31, 2022, an increase of 32.36 bitcoin. The increase was due primarily to the expansion of our hash rate from 203 PH/s as at December 31, 2022, to 403 PH/s as at December 31, 2023. The expansion of our hash rate was partially offset by an increase in network hash rate, from 263 EH/s as at December 31, 2022, to 529 EH/s as at December 31, 2023.

*Revenue*

Revenue for the year ended December 31, 2023, was \$10.9 million compared to \$8.8 million during the year ended December 31, 2022, an increase of \$2.1 million. The increase was due primarily to the expansion of our hash rate from 203 PH/s as at December 31, 2022, to 403 PH/s as at December 31, 2023. The expansion of our hash rate was partially offset by an increase in network hash rate, from 263 EH/s as at December 31, 2022, to 529 EH/s as at December 31, 2023, while the average price of bitcoin remained roughly flat, increasing from US\$28,192 during the year ended December 31, 2022, to US\$28,859 during the year ended December 31, 2023.

*Cost of Revenue*

Operating costs during the year ended December 31, 2023, were \$6.4 million compared to \$6.4 million during the year ended December 31, 2022, consistent year-over-year.

Depreciation expense (cost of revenue) during the year ended December 31, 2023, was \$6.5 million compared to \$7.6 million during the year ended December 31, 2022, a decrease of \$1.1 million. The decrease was primarily due to an impairment charge we recorded during the year ended December 31, 2022, which wrote down the value of our bitcoin mining equipment by \$26.7 million.

## Cathedral Bitcoin Inc.

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#### *Interest Expense*

Interest expense during the year ended December 31, 2023, was \$2.9 million compared to \$3.8 million during the year ended December 31, 2022, a decrease of \$0.9 million. The decrease was primarily due to the settlement of \$2.5 million of convertible debentures for shares in the Company in April 2023, which reduced the interest expense we have paid in subsequent periods.

#### *Office and Administration*

Office and administration expenses during the year ended December 31, 2023, were \$0.5 million compared to \$0.7 million during the year ended December 31, 2022, a decrease of \$0.2 million. The decrease was due to a combination of cost reductions we implemented in the three months ended December 31, 2022, in response to weakening market conditions and to conserve cash.

#### *Professional Fees*

Professional fees during the year ended December 31, 2023, were \$0.4 million compared to \$0.6 million during the year ended December 31, 2022, a decrease of \$0.2 million. The decrease was due to a combination of cost reductions we implemented in the three months ended December 31, 2022, in response to weakening market conditions and to conserve cash.

#### *Salaries and Wages*

Salaries and wages during the year ended December 31, 2023, were \$0.7 million compared to \$1.3 million during the year ended December 31, 2022, a decrease of \$0.5 million. The decrease was due to lower executive headcount and lower corporate salaries for remaining employees during the year ended December 31, 2023.

#### *Share-Based Compensation*

Share-based compensation during the year ended December 31, 2023, was \$1.6 million compared to \$5.7 million during the year ended December 31, 2022, a decrease of \$4.1 million. The decrease was due to lower executive headcount and no additional equity grants to the Company's executives during the year ended December 31, 2023.

#### *Foreign Exchange Losses*

Foreign exchange losses during the year ended December 31, 2023, were \$1.1 million compared to a gain of \$3.9 million during the year ended December 31, 2022, a decrease of \$5.0 million. The decrease was primarily due to the greater change in foreign exchange rates between the US dollar and the Canadian dollar in the prior-year period compared to the current-year period.

#### *Gain on Purchase of Equipment*

We recorded no gains on purchases of equipment during the year ended December 31, 2023, compared to a gain of \$0.1 million during the year ended December 31, 2022, a decrease of \$0.1 million. The decrease was associated with the purchase of five Bitmain Antminer S17 bitcoin mining machines from the CEO and COO of the Company during the prior-year period, with no comparable activity during the current-year period.

#### *Gain on Sale of Coupons and Credits*

We recorded a gain on the sale of coupons and credits in the amount of \$0.3 million during the year ended December 31, 2023, an increase of \$0.3 million compared to the year ended December 31, 2022. The increase was driven by our liquidation of certain credits and coupons which we were awarded by a third-party supplier beginning in December 2022.

### **Liquidity and Capital Resources**

We used \$8.1 million of cash in our operating activities during the year ended December 31, 2023. As at December 31, 2023, we recorded cash and cash equivalents of \$0.7 million, total bitcoin of \$1.8 million (32.91 bitcoin), total shareholders' equity of \$9.3 million, and an accumulated deficit of \$56.1 million. For the fiscal year ended December 31, 2022, we funded our operations and investments in machines and infrastructure through a



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combination of debt and equity financings consummated during the 2021 and 2022 fiscal years, as well as through sales of bitcoin generated by our mining operations. During the year ended December 31, 2023, we continued to utilize proceeds from sales of bitcoin generated by our mining activities to support operating expenses.

During the year ended December 31, 2023, we sold 231.58 bitcoin for proceeds of approximately \$8.2 million. Going forward, we expect to liquidate bitcoin in sufficient quantities to at least cover our cash obligations in each period and retain any remaining bitcoin on our balance sheet indefinitely.

As at December 31, 2023, we had received and deployed all bitcoin mining machines purchased in the Bitmain futures orders we entered into in November 2021. At this time, we have no contractually obligated capital expenditures associated with expansion of our bitcoin mining operations.

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 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.

**Cash Flows**

The following table summarizes our sources and uses of cash during the year ended December 31, 2023, and December 31, 2022:

	<b>Years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by (used in) operating activities	\$ (8,133,625)	\$ 2,549,491
Net cash provided by (used in) investing activities	8,701,563	(13,238,268)
Net cash provided by (used in) financing activities	(3,451,175)	6,188,147
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (2,883,236)</b>	<b>\$ (4,500,630)</b>

*Operating Activities*

Net cash used by operating activities during the year ended December 31, 2023, was \$8.1 million compared to net cash provided of \$2.5 million during the year ended December 31, 2022, a decrease of \$10.7 million. Net loss improved by \$39.5 million to \$5.5 million for the year ended December 31, 2023, from \$45.0 million for the year ended December 31, 2022. During the year ended December 31, 2023, changes in non-cash working capital components included an increase in deposits of \$0.8 million from new deposits made to third-party hosting providers in connection with the deployment of the final batches of our new machines; and a decrease of accrued receivables of \$1.2 million due to our sale of coupons and credits that were awarded by a third-party supplier.

*Investing Activities*

We generated \$8.7 million of cash through our investing activities during the year ended December 31, 2023, compared to net cash used of \$13.2 million during the year ended December 31, 2022, an increase of \$21.9 million. The cause of the increase was twofold: first, we began liquidating substantially all of our mined bitcoin during the second quarter of fiscal year 2022 to fund our ongoing operations and continued doing so through the first quarter of fiscal year 2023. Proceeds from the sale of bitcoin in the year ended December 31, 2023, totaled \$8.8 million. Furthermore, in the year ended December 31, 2022, we spent \$25.3 million of cash purchasing property and equipment in connection with the Bitmain machine orders we entered into in November 2021 and the construction of several modular data centers. By the end of fiscal year 2022, we had finished making payments on the Bitmain orders and paused manufacturing of our own modular data centers to conserve cash amid weakening market conditions.

*Financing Activities*

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Net cash used in financing activities was \$3.5 million during the year ended December 31, 2023, compared to net cash provided of \$6.2 million during the year ended December 31, 2022, a decrease of \$2.7 million. This decline was primarily driven by a cash payment of \$2.1 million to settle \$3.4 million of the convertible debt, in addition to lease payments of \$0.9 million during the year ended December 31, 2023, compared to just \$0.1 million during the prior-year period.

#### **Outstanding Share Data**

As at March 28, 2024, 237,199,034 common shares; 3,605,364 stock options; 3,342,550 restricted share units; 50,257,200 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 at December 31, 2023, and the date of this MD&A, the Company had no off-balance sheet arrangements.

#### **Related Party Transactions**

As at December 31, 2023, the Company owed a balance of \$25,506 (December 31, 2022 - \$10,666) to a company controlled by the CFO of the Company. The balance is recorded within accounts payable and accrued liabilities.

As at December 31, 2023, the Company had receivables of \$101,518 (December 31, 2022 - \$95,511), of which \$44,381 (December 31, 2022 - \$38,035) was non-current, in connection to the payroll tax liabilities for restricted stock units granted to management of the Company.

#### **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

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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 evolution 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 widespread 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](http://www.github.com) and [www.bitcointalk.org](http://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

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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 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.

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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's 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*



## Cathedra Bitcoin Inc.

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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.

### **Accounting Policies, Critical Accounting Estimates, and Internal Controls**

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

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

#### **Significant Judgments**

##### *Revenue Recognition*

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

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

##### *Going Concern*

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

##### *Significant Influence and Control*

The Company lost its significant influence in Silvermoon as the Company does not have any board representation, does not participate in policy-making processes and there were no material transactions between the companies. Consequently, the Company has ceased equity accounting for its investment in Silvermoon and now accounts for the Silvermoon common shares as investments reported at fair value through profit or loss.

#### **Significant Accounting 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

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*(Expressed in Canadian dollars, unless otherwise indicated)*

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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 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.

*Uncertainty of the Income/(Loss) Recorded in Investments in Associates*

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The financial information for the associate in which the Company holds an investment was not audited for the year ended December 31, 2023, as the investee is a private company. Based on management's estimate of the income/loss on the investment in associates using the available information, the income/loss from the investment in associates was not material.

**Decommissioning liability**

A legal or constructive obligation to incur restoration costs may arise when mining equipment are deployed at hosting facilities. Such cost arising from the restoration of the hosting site to its original condition, discounted to their net present value, are provided for and charged to the statement of loss and comprehensive loss, as soon as the obligation to incur such costs arises. Discounting has not been performed on the obligations as at December 31, 2023 as the effect of the time value of money was not material.

Areas of significant estimates and judgments also include:

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Digital currencies	\$ 1,840,251	\$ 39,499
Deposit	972,943	3,597,023
Receivables	87,548	157,854
Accrued receivable	-	1,240,733
	<b>\$ 2,900,742</b>	<b>\$ 5,035,109</b>

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

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at December 31, 2023, the Company had a working capital surplus of \$173,427 (December 31, 2022 - \$6,006,094), the majority of which is comprised of a cash balance of \$726,973 (December 31, 2022 - \$3,224,504), digital currencies balance of \$1,840,251 (December 31, 2022 - \$39,499), accrued receivable of \$nil (December 31, 2022 - \$1,240,733) and deposits of \$972,943 (December 31, 2022 - \$3,381,471) to settle current liabilities of \$3,672,913 (December 31, 2022 - \$2,463,752).

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

## Cathedral Bitcoin Inc.

### Management's Discussion and Analysis

Year ended December 31, 2023

(Expressed in Canadian dollars, unless otherwise indicated)

Year	Accounts payable and accrued liabilities	Lease liability	Convertible debt	Total
2023	\$ 2,118,675	\$ 1,832,283	\$ -	\$ 3,941,958
2024	-	654,252	5,733,728	6,387,980
2025	-	-	-	-
<b>Total</b>	<b>\$ 2,118,675</b>	<b>\$ 2,477,535</b>	<b>\$ 5,733,728</b>	<b>\$ 10,329,938</b>

#### 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 Prices

The Company has digital currencies, Bitcoin, on December 31, 2023, 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. The profitability of the Company is related to the current and future market price of bitcoin; in addition, the Company may not be able to liquidate its holdings of bitcoin at its 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 bitcoin held by the Company could decline rapidly. A decline in the market prices of bitcoin could negatively impact the Company's future operations. Historical performance of bitcoin is not indicative of their future performance. The Company recorded a gain on revaluation of digital currencies in the amount of \$142,686 during the year ended December 31, 2023 (December 31, 2022 - \$724,553).

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

#### Interest Rate Risk

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

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as the entities operated in Canada holds financial assets in US dollars and in digital currencies 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 \$1,039,000 (December 31, 2022 - \$94,943), resulting from the translation of the US dollar denominated financial instruments.

#### Custody Risk

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

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.

On November 7, 2023, the Company completed its transition to a new service provider for bitcoin custody that is licensed, regulated and insured. Prior to the transition, the Company 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. The Company's new custodian maintains SOC 1 Type II and SOC 2 Type II compliance, which the Company reviews periodically to ensure the custodian maintains a secure technology infrastructure and that its systems are designed and operating effectively. The Company expects to realize significant cost savings after completing the transition.

#### *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 December 31, 2023, 32.91 bitcoin equivalent to \$1,840,251 are held with the Company's third party custodian (2022 – 1.76 bitcoin equivalent to \$39,449).

#### *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.

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

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

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

#### **Management's Report on Internal Control Over Financial Reporting**

Cathedra Bitcoin Inc.

**Management's Discussion and Analysis**

**Year ended December 31, 2023**

*(Expressed in Canadian dollars, unless otherwise indicated)*

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The information provided in the condensed interim 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.

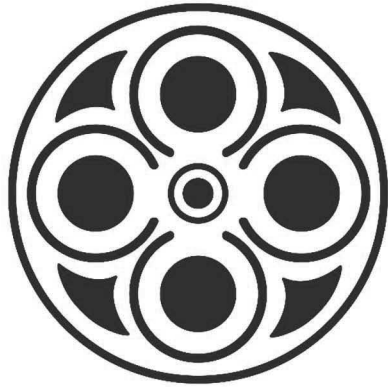
Management is responsible for the internal controls over the operations and financial reporting, including internal controls related to maintaining records that reflect the transactions, acquisitions, and dispositions of the assets of the Company. As all controls and processes are subject to certain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

**SCHEDULE "C"**

**FINANCIAL STATEMENTS OF THE COMPANY FOR THE THREE MONTHS ENDED MARCH 31, 2024.  
(UNAUDITED)**

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# Cathedra

## **Cathedra Bitcoin Inc.**

### **Condensed Consolidated Interim Financial Statements**

*(Expressed in Canadian Dollars, unless otherwise noted)*

For the three months ended March 31, 2024 and 2023

(Unaudited)

# Cathedra Bitcoin Inc.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)



As at:	Notes	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 833,112	\$ 726,973
Digital currencies	3	4,339,535	1,840,251
Receivables	10	89,693	87,548
Prepaid expenses		391,859	351,609
Deposits		992,781	972,943
<b>Total current assets</b>		<b>\$ 6,646,980</b>	<b>\$ 3,979,324</b>
<b>Non-current assets</b>			
Deposits		774,818	752,390
Receivables	10	50,555	44,381
Property and equipment	4	9,390,532	10,698,471
Right-of-use asset	5	1,428,468	1,728,176
Investments		1,655,134	1,655,134
<b>Total non-current assets</b>		<b>\$ 13,299,507</b>	<b>\$ 14,878,552</b>
<b>Total assets</b>		<b>\$ 19,946,487</b>	<b>\$ 18,857,876</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6,10	2,671,714	2,177,104
Decommissioning liability		76,381	74,555
Current portion of lease liabilities	5	1,668,299	1,554,238
<b>Total current liabilities</b>		<b>\$ 4,416,394</b>	<b>\$ 3,805,897</b>
<b>Non-current liabilities</b>			
Lease liabilities	5	198,071	629,369
Convertible loan	7	5,290,359	5,167,957
<b>Total liabilities</b>		<b>\$ 9,904,824</b>	<b>\$ 9,603,223</b>
<b>EQUITY</b>			
Share capital	8	49,689,032	49,589,582
Reserves	9	15,386,205	14,679,188
Accumulated other comprehensive income		234,643	1,117,989
Deficit		(55,268,217)	(56,132,106)
<b>Total equity</b>		<b>\$ 10,041,663</b>	<b>\$ 9,254,653</b>
<b>Total liabilities and equity</b>		<b>\$ 19,946,487</b>	<b>\$ 18,857,876</b>

Nature of operations (Note 1)

Events after reporting period (Note 15)

Approved by the Board of Directors and authorized for issue on May 28, 2024:

“Antonin Scalia” Director

“David Jaques” Director

# Cathedra Bitcoin Inc.

Condensed Consolidated Interim Statements of Income or Loss and Comprehensive Income or Loss  
(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



For the three months ended:	Notes	March 31, 2024	March 31, 2023
<b>Revenue</b>	3	4,123,165	2,016,978
<b>Cost of revenue</b>			
Operating costs		(2,105,257)	(1,374,497)
Depreciation	4,5	(1,894,973)	(1,194,946)
<b>Gross income (loss)</b>		<b>\$ 122,935</b>	<b>\$ (552,465)</b>
Realized gain (loss) on sale of digital currencies	3	529,709	(13,188)
<b>Income (loss) before operating expenses</b>		<b>\$ 652,644</b>	<b>\$ (565,653)</b>
<b>Operating expenses</b>			
Director fees	10	42,130	42,419
Depreciation		-	2,720
Interest expense	5,7	268,390	878,275
Management and consulting fees	10	42,167	32,625
Office and administration		134,469	107,942
Professional fees		297,048	129,425
Salaries and wages	10	198,747	137,482
Share-based compensation	9,10	14,841	546,462
Travel		4,569	7,058
<b>Total operating expenses</b>		<b>\$ (1,002,361)</b>	<b>\$ (1,884,408)</b>
<b>Operating loss</b>		<b>\$ (349,717)</b>	<b>\$ (2,450,061)</b>
<b>Other income (expenses)</b>			
Foreign exchange gain (loss)		1,203,945	(49,587)
Interest income		10,011	27,532
Write down of investment		-	(32,693)
Other expense		(350)	-
Gain on sale of coupons and credits		-	264,362
<b>Net income (loss) for the period</b>		<b>\$ 863,889</b>	<b>\$ (2,240,447)</b>
<b>Other comprehensive income (loss)</b>			
Translation adjustment		(883,346)	28,671
Revaluation gain on digital currencies	3	791,625	60,985
<b>Total comprehensive income (loss) for the period</b>		<b>\$ 772,168</b>	<b>\$ (2,150,791)</b>
<b>Basic income / (loss) per common share</b>		<b>\$ 0.00</b>	<b>\$ (0.02)</b>
Weighted average number of common shares outstanding - basic		236,993,320	118,531,698
<b>Diluted income / (loss) per common share</b>		<b>\$ 0.00</b>	<b>\$ (0.02)</b>
Weighted average number of common shares outstanding - diluted		236,993,320	125,973,839

# Cathedra Bitcoin Inc.



## Condensed Consolidated Interim Statements of Changes in Equity (Unaudited - expressed in Canadian Dollars, unless otherwise noted)

	Number of Shares	Share capital	Revaluation surplus	Reserve - Cumulative translation adjustment	Reserve - Equity reserve	Accumulated deficit	Total equity
<b>Balance - January 1, 2023</b>	<b>118,531,698</b>	<b>\$ 37,455,772</b>	<b>\$ 1,853,101</b>	<b>\$ 208,634</b>	<b>\$ 17,002,818</b>	<b>\$ (51,745,424)</b>	<b>\$ 4,774,901</b>
Share based compensation	-	-	-	-	546,462	-	546,462
Revaluation gain on digital currencies	-	-	60,985	-	-	-	60,985
Translation adjustment	-	-	-	28,671	-	-	28,671
Net loss for the period	-	-	-	-	-	(2,240,447)	(2,240,447)
<b>Balance - March 31, 2023</b>	<b>118,531,698</b>	<b>\$ 37,455,772</b>	<b>\$ 1,914,086</b>	<b>\$ 237,305</b>	<b>\$ 17,549,280</b>	<b>\$ (53,985,871)</b>	<b>\$ 3,170,572</b>
<b>Balance - January 1, 2024</b>	<b>236,029,034</b>	<b>\$ 49,589,582</b>	<b>\$ 1,993,787</b>	<b>\$ 1,117,989</b>	<b>\$ 12,685,401</b>	<b>\$ (56,132,106)</b>	<b>\$ 9,254,653</b>
Shares issued for restricted share units	1,170,000	99,450	-	-	(99,450)	-	-
Share based compensation	-	-	-	-	133,053	-	133,053
Forfeiture of stock options	-	-	-	-	(118,211)	-	(118,211)
Revaluation gain on digital currencies	-	-	791,625	-	-	-	791,625
Translation adjustment	-	-	-	(883,346)	-	-	(883,346)
Net loss for the period	-	-	-	-	-	863,889	863,889
<b>Balance - March 31, 2024</b>	<b>237,199,034</b>	<b>\$ 49,689,032</b>	<b>\$ 2,785,412</b>	<b>\$ 234,643</b>	<b>\$ 12,600,793</b>	<b>\$ (55,268,217)</b>	<b>\$ 10,041,663</b>

# Cathedra Bitcoin Inc.

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



For the three months ended:	March 31, 2024	March 31, 2023
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 863,889	\$ (2,240,447)
<b>Non-cash items:</b>		
Interest and accretion	268,390	878,275
Depreciation	1,894,973	1,197,666
Share-based compensation	133,052	546,462
Forfeiture of stock options	(118,211)	-
Foreign exchange	(1,202,822)	49,587
Loss (gain) on sale of digital currencies	(529,709)	13,188
Gain on acquisition of equipment	-	32,693
Bitcoin paid for services	-	140,710
<b>Changes in non-cash working capital items:</b>		
Prepaid expenses	(40,250)	69,797
Receivables	(8,319)	3,791
Accounts payable and accrued liabilities	493,933	(233,870)
Deposits	(42,266)	(785,366)
Accrued receivable	-	1,240,733
Digital currencies	(3,927,768)	(2,040,695)
<b>Cash flows used in operating activities</b>	<b>\$ (2,215,108)</b>	<b>\$ (1,127,476)</b>
Interest paid	(50,170)	(195,962)
<b>Net cash used in operating activities</b>	<b>\$ (2,265,278)</b>	<b>\$ (1,323,438)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of bitcoin	\$ (567,382)	\$ -
Proceeds from sale of bitcoin, net of fees	3,370,897	1,610,775
Purchase of property and equipment	-	(12,068)
<b>Net cash provided by investing activities</b>	<b>\$ 2,803,515</b>	<b>\$ 1,598,707</b>
<b>FINANCING ACTIVITIES</b>		
Payment on lease obligations	\$ (464,850)	\$ (45,426)
<b>Net cash used in financing activities</b>	<b>\$ (464,850)</b>	<b>\$ (45,426)</b>
Effect of foreign exchange rate fluctuation	32,752	(908)
<b>Increase in cash</b>	<b>\$ 106,139</b>	<b>\$ 228,935</b>
<b>Cash, beginning of period</b>	<b>\$ 726,973</b>	<b>\$ 3,224,504</b>
<b>Cash, end of period</b>	<b>\$ 833,112</b>	<b>\$ 3,453,439</b>

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

*(Unaudited - expressed in Canadian Dollars, unless otherwise noted)*

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### 1. Nature of operations

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

As of March 31, 2024, Cathedra’s diversified bitcoin mining operations span two states and four data center locations across the United States.

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

### 2. Significant accounting policies

#### Statement of compliance

These condensed 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, 2023, 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, 2023, 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 May 28, 2024.

#### 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

Three months ended March 31, 2024 and 2023

*(Unaudited - expressed in Canadian Dollars, unless otherwise noted)*

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### **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 March 31, 2024, 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:

- Cathedra Lease Co LLC ("Lease Co") incorporated in New Hampshire, USA.

### **Functional and presentation currency**

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

The functional currency of Cathedra and Fortress Blockchain Holdings Corp. is the Canadian dollar while the functional currency of Fortress US and Lease Co is the US dollar.



### **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.

Significant accounting policies applied to these condensed consolidated interim financial statements are the same as those applied to the Company's audited financial statements for the year ended December 31, 2023.

### **Amendments to IAS 1 – Presentation of Financial Statements**

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

### **Recent pronouncements not yet effective and that have not been adopted early**

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

#### **Amendments to IAS 21 – Lack of Exchangeability**

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

### **Implementation of IFRS 18 – Presentation and Disclosure of Financial Statements**

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

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

The adoption of IFRS S1 and S2 will introduce new requirements surrounding sustainability and climate-related disclosures for annual reporting purposes. The Canadian Sustainability Standards Board proposed Canadian-specific modifications to the standards issued by the International Sustainability Standards Board in June 2023. The Canadian specific versions of IFRS S1 and S2 are expected to be available for voluntary



# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

*(Unaudited - expressed in Canadian Dollars, unless otherwise noted)*

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adoption starting January 1, 2025. The Canadian Securities Administrators have not yet confirmed whether the new standards will be mandatory for Canadian reporting issuers. The Corporation is currently assessing the expected impact of adopting these standards.

### **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.



### 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.

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)

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### *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.

### *Uncertainty of the income/loss in the investment*

The financial information of the investment in associates, being a private corporation, was not readily available for the three months ended March 31, 2024. Based on management's estimate of the income/loss on the investment in associates projected from the information provided, the income/loss in the investment in associates is not material.

Areas of significant estimates and judgments also include:

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

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



### 3. Digital currencies and revenue

For the three months ended March 31, 2024, the Company generated revenue of \$4,123,165 (March 31, 2023 - \$2,016,978).

#### 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.

<b>Bitcoin</b>	<b>Units</b>	<b>Amount</b>
Bitcoin balance as at December 31, 2022	1.76	\$ 39,449
Revenue from bitcoin mined	64.50	2,016,978
Bitcoin paid for fees and services	(7.33)	(115,067)
Bitcoin received from sale of coupons and credits	4.80	185,313
Bitcoin sold	(53.93)	(1,610,775)
Revaluation and loss from sale of bitcoin	-	(136,825)
<b>Bitcoin balance as at March 31, 2023</b>	<b>9.80</b>	<b>\$ 379,073</b>
Bitcoin balance as at December 31, 2023	32.91	\$ 1,840,251
Revenue from bitcoin mined	57.57	4,123,165
Purchase of bitcoin	6.41	567,382
Bitcoin paid for fees	(2.74)	(218,056)
Bitcoin sold	(49.26)	(3,348,237)
Gain on sale of bitcoin	-	529,709
Revaluation surplus	-	791,625
Translation adjustment	-	53,696
<b>Bitcoin balance as at March 31, 2024</b>	<b>44.89</b>	<b>\$ 4,339,535</b>

# Cathdra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



### 4. Property and equipment

	Facility Asset	Mining Equipment	Equipment Under Production	Office Equipment	Total
<b>Cost</b>					
Balance, December 31, 2023	\$ 4,931,107	\$ 41,630,814	\$ 2,179,126	\$ 8,176	\$ 48,749,223
Reclassification	1,238,662	-	(1,238,662)	-	-
Translation adjustment	162,297	1,071,140	23,039	-	1,256,476
<b>Balance, March 31, 2024</b>	<b>\$ 6,332,066</b>	<b>\$ 42,701,954</b>	<b>\$ 963,503</b>	<b>\$ 8,176</b>	<b>\$ 50,005,699</b>
<b>Accumulated depreciation and impairment</b>					
Balance, December 31, 2023	\$ 3,365,307	\$ 34,677,726	\$ -	\$ 7,719	\$ 38,050,752
Additions	256,449	1,297,894	-	152	1,554,495
Translation adjustment	94,774	915,146	-	-	1,009,920
<b>Balance, March 31, 2024</b>	<b>\$ 3,716,530</b>	<b>\$ 36,890,766</b>	<b>\$ -</b>	<b>\$ 7,871</b>	<b>\$ 40,615,167</b>
<b>Carrying amount</b>					
Balance, December 31, 2023	\$ 1,565,800	\$ 6,953,088	\$ 2,179,126	\$ 457	\$ 10,698,471
<b>Balance, March 31, 2024</b>	<b>\$ 2,615,536</b>	<b>\$ 5,811,188</b>	<b>\$ 963,503</b>	<b>\$ 305</b>	<b>\$ 9,390,532</b>

Depreciation expense of \$1,554,495 is included in cost of revenue.

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



### 5. Right-of-use asset and lease liabilities

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

Right-of-use asset	Washington Facility		Country Kennels		Total
<b>Cost</b>					
<b>Balance, January 1, 2023</b>	\$	<b>745,648</b>	\$	<b>-</b>	\$ <b>745,648</b>
Additions		-		2,724,228	2,724,228
Translation adjustment		(17,507)		(53,314)	(70,821)
<b>Balance, December 31, 2023</b>	\$	<b>728,141</b>	\$	<b>2,670,914</b>	\$ <b>3,399,055</b>
Translation adjustment		17,837		65,430	83,267
<b>Balance, March 31, 2024</b>	\$	<b>745,978</b>	\$	<b>2,736,344</b>	\$ <b>3,482,322</b>
<b>Depreciation</b>					
<b>Balance, January 1, 2023</b>	\$	<b>745,648</b>	\$	<b>-</b>	\$ <b>745,648</b>
Depreciation charge in the year		-		961,312	961,312
Translation adjustment		(17,508)		(18,573)	(36,081)
<b>Balance, December 31, 2023</b>	\$	<b>728,140</b>	\$	<b>942,739</b>	\$ <b>1,670,879</b>
Depreciation charge in the period		-		340,478	340,478
Translation adjustment		17,838		24,659	42,497
<b>Balance, March 31, 2024</b>	\$	<b>745,978</b>	\$	<b>1,307,876</b>	\$ <b>2,053,854</b>
<b>Net book value</b>					
Balance, December 31, 2023	\$	1	\$	1,728,175	\$ 1,728,176
<b>Balance, March 31, 2024</b>	\$	<b>-</b>	\$	<b>1,428,468</b>	\$ <b>1,428,468</b>

Depreciation expense of \$340,478 (March 31, 2023 - \$nil) for the three months ended March 31, 2024 is included in cost of revenue. At March 31, 2024, the Company is committed to minimum lease payments as follows:

	March 31, 2024		December 31, 2023	
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	\$	1,867,949	\$	1,823,283
One to five years		203,292		654,252
More than five years		-		-
<b>Total undiscounted lease liabilities</b>	\$	<b>2,071,241</b>	\$	<b>2,477,535</b>
<b>Lease liabilities</b>				
Current	\$	(1,668,299)	\$	(1,554,238)
Non-current	\$	198,071	\$	629,369

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



During the three months ended March 31, 2024, the Company recognized total interest expense of \$95,818 (March 31, 2023 - \$42,491) in connection with its lease liabilities.

### 6. Accounts payable and accrued liabilities

	March 31, 2024	December 31, 2023
Accounts payable	\$ 789,678	\$ 284,571
Accrued liabilities	1,848,779	1,866,927
Due to related parties (Note 10)	33,257	25,606
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 2,671,714</b>	<b>\$ 2,177,104</b>

### 7. Convertible loan

#### Liability Component

Balance, December 31, 2023	\$	5,167,957
Interest expense		50,170
Accretion expense (i)		122,402
Repayment of interest		(50,170)
<b>Balance, March 31, 2024</b>	<b>\$</b>	<b>5,290,359</b>

(i) Accretion expense is included in interest expense in the statement of income or loss.

### 8. Share capital

#### a. Authorized

Unlimited number of common shares without par value.

#### b. Issued and outstanding

On January 17, 2024, the Company issued 1,170,000 common shares on exercise of restricted share units (RSUs).

### 9. Reserves

#### a. Restricted share units

The Company has established a long-term equity incentive plan (the "LTIP"), which was approved by the Company's shareholders at its annual and special meeting of shareholders on September 6, 2022. The LTIP includes a 10% "rolling" option plan permitting a maximum of 10% of the issue and outstanding common shares of the Company as of the date of any option grant to be reserved for option grants, and a fixed plan permitting up to 11,500,000 common shares of the Company to be reserved for reserved for grant of restricted share units ("RSU"). For the three months ended March 31, 2024, the Company recognized share-based compensation expense of \$129,640 (March 31, 2023 - \$502,696).

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



Following is a summary of changes in restricted share units outstanding for the three months ended March 31, 2024:

Balance, December 31, 2022	5,882,141
Granted	1,560,000
Forfeited	(390,000)
Exercised	(2,539,591)
Balance, December 31, 2023	4,512,550
Exercised	(1,170,000)
<b>Balance, March 31, 2024</b>	<b>3,342,550</b>

On January 17, 2024, the Company issued 1,170,000 common shares for 1,170,000 vested RSUs, which were exercised.

### a. Stock options

The Company did not grant stock options during the three months ended March 31, 2024 and 2023.

The following is a summary of changes in stock options:

	Number of stock options	Weighted average exercise price	Weighted average remaining life (years)
Balance, December 31, 2022	5,869,205	0.49	4.13
Forfeited	(2,263,841)	0.48	
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>3,605,364</b>	<b>0.50</b>	

The weighted average remaining life of outstanding stock options as of December 31, 2023 was 2.21 years.

The stock options outstanding and exercisable as at March 31, 2024 are as follows:

Exercise price (\$)	Number of stock options outstanding	Weighted average remaining life
0.13	10,000	3.57
0.35	88,841	3.13
0.41	177,682	2.77
0.49	250,000	2.41
0.49	2,000,000	2.42
0.50	90,000	3.89
0.51	100,000	0.09
0.53	88,841	2.73
0.56	650,000	2.48
0.60	150,000	3.89
<b>Outstanding</b>	<b>3,605,364</b>	<b>2.51</b>
<b>Exercisable</b>	<b>3,510,523</b>	<b>2.00</b>

The weighted average exercise price of options outstanding and exercisable as March 31, 2024 is \$0.50 (December 31, 2023 - \$0.50).



# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



For the three months ended March 31, 2024, the Company recognized share-based compensation expense of \$3,412 (2023 - \$43,766). The Company reversed \$118,211 of share-based compensation expense previously recognized on unvested stock options, which were forfeited.

### b. Warrants

Following is a summary of changes in warrants outstanding for the three months ended March 31, 2024:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	54,991,036	0.94
Expired	(3,846,154)	0.50
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>51,144,882</b>	<b>0.94</b>

The warrants outstanding as at March 31, 2024, are as follows:

Exercise price (\$)	Number of stock options outstanding	Weighted average remaining life
0.54	2,687,500	3.14
0.54	1,200,000	3.19
0.63	887,682	1.99
0.79	2,687,500	3.14
0.79	1,200,000	3.19
0.82	14,794,700	1.99
0.95	16,025,000	2.62
1.04	2,687,500	3.14
1.04	1,200,000	3.19
1.29	2,687,500	3.14
1.29	1,200,000	3.19
1.54	2,687,500	3.14
1.54	1,200,000	3.19
<b>0.94</b>	<b>51,144,882</b>	<b>2.63</b>

## 10. 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 Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer and President ("COO"), Chief Fields Operation and Manufacturing Officer ("CMO"), Chief Technology Officer ("CTO"), and Directors of the Company. The remuneration of directors and other members of key management personnel during the three months ended March 31, 2024 and 2023 are as follows:

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



	Three months ended:	
	March 31, 2024	March 31, 2023
Director fees	\$ 42,130	\$ 31,641
Consulting or professional fees (i)	42,167	32,700
Share-based payments (ii)	102,091	420,855
Wages and salaries (iii)	165,797	109,847
<b>Total</b>	<b>\$ 352,185</b>	<b>\$ 595,043</b>

- i. During the three months ended March 31, 2024 the following consulting fees were paid to members of key management:
  - CFO of the company \$42,167 (March 31, 2023 - \$32,700)
- ii. During the three months ended March 31, 2024 the following share based payments were incurred by members of key management:
  - CEO of the Company \$39,429 (March 31, 2023 - \$158,365)
  - CFO of the Company \$5,675 (March 31, 2023 - \$21,523)
  - COO of the Company \$39,429 (March 31, 2023 - \$158,365)
  - CMO of the Company \$9,092 (March 31, 2023 - \$35,249)
  - CTO of the Company \$7,921 (March 31, 2023 - \$32,095)
  - Directors of the Company \$545 (March 31, 2023 - \$15,258)
- iii. During the three months ended March 31, 2024 the following wages and salaries were paid to members of key management:
  - CEO of the Company \$42,150 (March 31, 2023 - \$16,900)
  - COO of the Company \$42,150 (March 31, 2023 - \$25,349)
  - CMO of the Company \$39,347 (March 31, 2023 - \$33,799)
  - CTO of the Company \$42,150 (March 31, 2023 - \$33,799)

At March 31, 2024, the Company owes a balance recorded within accounts payable and accrued liabilities:

- \$33,257 to a company controlled by the CFO of the Company.

At March 31, 2024, the Company has receivables of \$90,981 (December 31, 2023 - \$101,518), of which \$38,000 (December 31, 2023 - \$44,381) is non-current. The outstanding balance will be fully repaid subsequent to period end. The interest rate charged to these loans are 110% of the applicable federal rates derived from the Internal Revenue Agency.

### 11. 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. 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

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



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.

	March 31, 2024		December 31, 2023	
Digital currencies	\$	4,339,535	\$	1,840,251
Deposits		1,767,599		1,725,333
Receivables		140,248		131,929
	\$	<b>6,247,382</b>	\$	<b>3,697,513</b>

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

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at March 31, 2024, the Company had a working capital surplus of \$2,230,586 (December 31, 2023 - \$173,427), the majority of which is comprised of a cash balance of \$833,112 (December 31, 2023 - \$726,973), digital currencies balance of \$4,339,535 (December 31, 2023 - \$1,840,251), and deposits of \$1,767,599 (December 31, 2023 - \$1,725,333) to settle current liabilities of \$4,416,394 (December 31, 2023 - \$3,805,897).

Cash flows related to the accounts payable and accrued liabilities and convertible debt included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations at March 31, 2024, is as follows:

	Undiscounted Contractual Cash Flows				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
As at March 31, 2024	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,671,714	2,671,714	2,671,714	-	-
Lease liabilities	1,866,370	2,071,241	1,867,949	203,292	-
Convertible loan	5,290,359	5,733,728	-	5,733,728	-
<b>Total</b>	<b>9,828,443</b>	<b>10,476,683</b>	<b>4,539,663</b>	<b>5,937,020</b>	<b>-</b>

### Market risk

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

### Bitcoin

The Company has digital currencies, Bitcoin, on March 31, 2024, that is subject to market pricing and price volatility. The Company recorded a gain on revaluation of digital currencies in the amount of \$791,625 during the three months ended March 31, 2024 (March 31, 2023 - \$60,985 gain on revaluation). Digital

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

*(Unaudited - expressed in Canadian Dollars, unless otherwise noted)*

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currencies have a limited history and have had a high degree of price volatility. The historical performance of digital currencies may not be indicative of their future performance. A decline in the fair value of these

digital currencies could have a significant impact on the Company's earnings. In addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required.

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

### *Interest rate risk*

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

### *Foreign currency risk*

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

If the US dollar had changed against the Canadian dollar by 10% at period end, the Company's net income and comprehensive income would change by approximately \$39,765, resulting from the translation of the US dollar denominated financial instruments.

### *Custody risk*

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

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

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)

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### *Loss of access risk*

The loss of access to the private keys associated with the Company's digital currencies holdings may be irreversible and could adversely affect an investment. Digital currencies controllable only by an individual that possesses both the unique public key and private key or key relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible, the Company may be unable to access the digital currencies. At March 31, 2024, 44.89 bitcoin equivalent to \$4,339,535 are held with the Company's third party custodian.

### *Fair value hierarchy*

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

The three levels are defined as follows:

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

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

The carrying value of the Company's receivables, accounts payable 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.

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars, unless otherwise noted)



### 12. 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.

### 13. Supplemental cash flow information

Non-cash transactions for the three months ended March 31, 2024 and 2023 are as follows:

For the three months ended March 31:	2024	2023
Issuance of common shares upon exercise of RSUs	\$ 99,450	\$ -
Transfer of deposits to property and equipment	-	2,683,456

### 14. 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.

	Canada	USA	Total
March 31, 2024	(\$)	(\$)	(\$)
Revenue	-	4,123,165	4,123,165
Cost of revenue	-	4,000,230	4,000,230
Net income/(loss)	548,814	315,075	863,889
Non-current assets	1,663,998	11,635,509	13,299,507
March 31, 2023	Canada	USA	Total
	(\$)	(\$)	(\$)
Revenue	-	2,016,978	2,016,978
Cost of sales	-	2,569,443	2,569,443
Net income/(loss)	(1,494,061)	(746,386)	(2,240,447)
Non-current assets	3,314,105	15,974,867	19,288,972

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2024 and 2023

*(Unaudited - expressed in Canadian Dollars, unless otherwise noted)*

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### 15. Events after reporting period

On April 1, 2024, the Company cancelled 1,310,768 RSUs to extinguish payables owed to the Company.

On March 6, 2024, the Company entered into a binding share exchange agreement (the “Share Exchange Agreement”) providing for a merger with Kungsleden, Inc. (“Kungsleden”), a developer and operator of alternative high-density compute infrastructure. Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for Multiple Voting Shares (as defined below) of Cathedra, as more particularly set out below (the “Transaction”). The Transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 77.5% of the equity of Cathedra as it exists on closing (the “Resulting Issuer”) and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedra and Kungsleden. Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX Venture Exchange (the “TSX-V”).

The transaction is expected to establish the Resulting Issuer as a developer and operator of data center infrastructure for the digital economy, with a focus on bitcoin mining.

The Share Exchange Agreement provides that all issued and outstanding common shares of Kungsleden will be exchanged for Multiple voting shares of Cathedra (the “Multiple Voting Shares”), with each common share of Kungsleden being exchanged for approximately 8.17 Multiple Voting Shares of Cathedra (the “Exchange Ratio”), such that the total consideration payable in connection with the Transaction is expected to be approximately 8,170,189 Multiple Voting Shares, which will be convertible into 817,018,900 Subordinate Voting Shares (as defined below). The Multiple Voting Shares are expected to be created pursuant to the Share Structure Alteration (as defined hereinafter), subject to approval by the shareholders of Cathedra, which approval will be sought at a shareholder meeting to be held prior to completion of the Transaction. Immediately following completion of the Transaction, it is expected that Cathedra shareholders will own approximately 22.5% of the stock of the Resulting Issuer, with Kungsleden shareholders owning approximately 77.5%. Based on the 5-day VWAP for the Cathedra shares on the TSX Venture Exchange (the “TSX-V”) as of the last trading day prior to the date of this announcement, the aggregate consideration implies a combined market capitalization of approximately C\$106.2 million. Closing of the Transaction is expected occur in the second quarter of 2024.

Following completion of the Transaction, the shares of the Resulting Issuer will continue to trade on the TSX-V under the ticker “CBIT” and on the OTCQB Venture Market under the ticker “CBTTF.”

## **SCHEDULE "D"**

**MD&A of the Company for the three months ended March 31, 2024.**

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## Cathedra Bitcoin Inc.

### **Management's Discussion and Analysis**

For the three months ended March 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 three months ended March 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 unaudited consolidated financial statements ("Financial Statements") for the Company for the quarter ended March 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.sedar.com](http://www.sedar.com).

This MD&A contains information up to and including May 28, 2024.

### **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; OTCQB: CBTTF) is a Bitcoin company that believes sound money and abundant energy are the keys to human flourishing. We have diversified bitcoin mining operations which produce approximately 380 petahashes per second ("PH/s") of hash rate across two states and four locations in the United States. We are focused on managing and expanding our portfolio of hash rate through a diversified approach to site selection and operations, utilizing multiple energy sources across various jurisdictions.

We are headquartered in Vancouver, British Columbia, with operations across two locations in Washington State and two locations in Tennessee.

In the near term, our primary objectives are to:

- expand our diversified hash rate portfolio in a cost-efficient manner;
- continue building the Company's bitcoin treasury; and
- cultivate relationships with the leading energy companies to leverage synergies between bitcoin mining in the energy sector and source low-cost power for bitcoin mining.

## Recent Developments

### *Business Combination with Kungsleden, Inc.*

On March 6, 2024, we entered into a binding share exchange agreement (the "Share Exchange Agreement") providing for a merger with Kungsleden Inc. ("Kungsleden"), a privately held developer and operator of bitcoin mining data centers.

Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra (the "Transaction"). The Transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 77.5% of the equity of Cathedra as it exists on closing (the "Resulting Issuer") and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedra and Kungsleden. Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX Venture Exchange (the "TSX-V").

Closing of the Transaction is expected occur in the second quarter of 2024 and is subject to certain conditions precedent, including, but not limited to: obtaining the required shareholder approvals; Cathedra having obtained the required exemption from, or waiver of, the TSX-V sponsorship requirements; obtaining any applicable regulatory approvals; TSX-V approval and any third-party consents required for the Transaction; and other customary conditions for transactions of this nature.

### *Convertible Debenture Repricing*

On March 7, 2024, we also announced that, in connection with the closing of the Transaction with Kungsleden, we intend to amend the conversion price of the remaining outstanding 3.5% senior secured convertible debentures due November 11, 2025, from \$0.78 to \$0.15. The aggregate principal amount outstanding of the debentures as at May 28, 2024, is \$5.7 million. The repricing is conditional on Cathedra entering into a definitive agreement with the holder of the debentures in respect of the repricing and completion of the Transaction.

The remaining outstanding principal amount of the debentures following the repricing will continue to bear interest at a rate of 3.5% per annum, payable quarterly in arrears on the last day of March, June, September, and December of each year until the maturity date.

The repricing is subject to the receipt of regulatory approvals, including the approval of the TSX-V.

## 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.

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*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.

*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.

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**Summary of Bitcoin Mining Results and Operations**

The following table presents information about our bitcoin mining activities, including bitcoin production and sales of bitcoin, during the three months ended March 31, 2024:

	Units (BTC)	Amount
Bitcoin balance as at December 31, 2023	32.91	1,840,251
Revenue from bitcoin mined	57.57	4,123,165
Purchase of bitcoin	6.41	567,382
Bitcoin paid for fees	(2.74)	(218,056)
Bitcoin sold	(49.26)	(3,348,237)
Gain on sale of bitcoin	-	529,709
Revaluation surplus	-	791,625
Translation adjustment	-	53,696
<b>Bitcoin balance as at March 31, 2024</b>	<b>44.89</b>	<b>4,339,535</b>

The following tables present information about our bitcoin mining operations as at March 31, 2024, 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		Revenue Share (%)	Number of Machines	Machine Model
			(US\$/MWh)				
Tennessee A	TN	Hosting	\$	72.50	-	1,129	S19J Pro
Tennessee B	TN	Hosting		70.00	5%	957	S19J Pro
Tennessee B	TN	Hosting		70.00	10%	200	S19 XP
New Wash.	WA	Lease		60.00	10%	1,028	S19J Pro
Legacy Wash.	WA	Lease		46.00	-	1,050	S19J Pro
<b>Total/Average</b>			<b>\$</b>	<b>63.94</b>	<b>4%</b>	<b>4,364</b>	

Site Name	Expected Break- Even Hash Price (US\$/PH/s/d) <sup>(1)</sup>	Expected Monthly Bitcoin (BTC) <sup>(1)(2)</sup>	Expected Cost Per Bitcoin (US\$) <sup>(1)(3)</sup>	Hash Rate (PH/s) <sup>(4)</sup>	Power Draw (kW)	Efficiency (J/TH)	Expiration Date		
Tennessee A <sup>(5)</sup>	\$	52.00	2.65	\$	67,600	113	3,387	30.0	Q3 2024
Tennessee B		48.00	1.82		58,900	78	2,100	27.1	Q3 2024
Tennessee B		40.00	0.66		46,600	28	600	21.4	Q3 2024
New Wash.		45.00	2.00		52,400	85	2,400	28.1	Q2 2025
Legacy Wash.		29.00	1.79		37,600	76	2,000	26.3	Q4 2025
<b>Total/Average</b>	<b>\$</b>	<b>44.00</b>	<b>8.92</b>	<b>\$</b>	<b>27,700</b>	<b>380</b>	<b>10,487</b>	<b>27.6</b>	

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.

<sup>(1)</sup> 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.

<sup>(2)</sup> Represents expected monthly gross bitcoin production assuming current bitcoin mining conditions, reflecting hash price of US\$52/PH/s/d and bitcoin price of US\$67,500.

<sup>(3)</sup> Cost per bitcoin metric assumes network hash rate of 640 EH/s and transaction fees equal to 9% of the total block reward.

<sup>(4)</sup> Expected gross hash rate produced by the Company's machines (excludes revenue share component).

<sup>(5)</sup> The Company is applying a security deposit toward its final months of mining under the Tennessee A hosting agreement, reducing its effective hosting rate below the levels displayed in the above table.

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**Results of Operations**

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

	Three months ended			
	March 31, 2024 \$	December 31, 2023 \$	September 30, 2023 \$	June 30, 2023 \$
Total revenue	4,123,165	3,254,028	2,760,401	2,893,204
Net income / (loss)	863,889	3,326,164	(3,408,259)	(2,949,013)
Comprehensive income / (loss)	772,168	-	-	-
Basic earnings (loss) per share	-	0.02	(0.02)	(0.02)
Diluted earnings (loss) per share	-	0.02	(0.02)	(0.02)

	Three months ended			
	March 31, 2023 \$	December 31, 2022 \$	September 30, 2022 \$	June 30, 2022 \$
Total revenue	2,016,978	1,677,187	1,493,520	2,530,673
Net income / (loss)	(2,450,061)	(21,538,138)	(7,711,263)	(11,920,198)
Comprehensive income / (loss)	(2,150,791)	-	-	-
Basic earnings (loss) per share	(0.02)	(0.21)	(0.08)	(0.12)
Diluted earnings (loss) per share	(0.02)	(0.21)	(0.08)	(0.12)

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

Three months ended	March 31, 2024 \$	March 31, 2023 \$	Variance \$	Variance %
<b>Revenue</b>	<b>4,123,165</b>	<b>2,016,978</b>	<b>2,106,187</b>	<b>104%</b>
<b>Cost of revenue</b>				
Operating costs	(2,105,257)	(1,374,497)	(730,760)	53%
Depreciation	(1,894,973)	(1,194,946)	(700,027)	59%
<b>Gross profit (loss)</b>	<b>122,935</b>	<b>(552,465)</b>		
Realized gain (loss) on sale of digital currencies	529,709	(13,188)	542,897	-4117%
<b>Net loss before operating expenses</b>	<b>652,644</b>	<b>(565,653)</b>		
<b>Operating expenses</b>				
Director fees	42,130	42,419	(289)	-1%
Depreciation	-	2,720	(2,720)	-100%
Interest expense	268,390	878,275	(609,885)	-69%
Management and consulting fees	42,167	32,625	9,542	29%
Office and administration	134,469	107,942	26,527	25%
Professional fees	297,048	129,425	167,623	130%
Salaries and wages	198,747	137,482	61,265	45%
Share-based compensation	14,841	546,462	(531,621)	-97%
Travel	4,569	7,058	(2,489)	-35%
<b>Total operating expenses</b>	<b>1,002,361</b>	<b>1,884,408</b>		
<b>Other expenses</b>				
Foreign exchange gain (loss)	1,203,945	(49,587)	1,253,532	-2528%
Interest income	10,011	27,532	(17,521)	-64%
Write down of investment	-	(32,693)	32,693	-100%
Other expense	(350)	-	(350)	100%
Gain on sale of coupons and credits	-	264,362	(264,362)	-100%
<b>Net income (loss) for the period</b>	<b>863,889</b>	<b>(2,240,447)</b>		
<b>Other comprehensive income (loss)</b>				
Translation adjustment	(883,346)	28,671	(912,017)	-3181%
Revaluation gain on digital currencies	791,625	60,985	730,640	1198%
<b>Total comprehensive income (loss) for the period</b>	<b>772,168</b>	<b>(2,150,791)</b>		



## **Comparative Results for the three months ended March 31, 2024, and 2023**

### *Bitcoin Production*

Our mining operations produced 57.57 bitcoin during the three months ended March 31, 2024, compared to 64.50 bitcoin during the three months ended March 31, 2023, a decrease of 6.93 bitcoin. The decrease was due primarily to an increase in network hash rate, from 334 EH/s as at March 31, 2023, to 607 EH/s as at March 31, 2024. Network hash rate growth was partially offset by expansion of our own hash rate from 247 PH/s as at March 31, 2023, to 403 PH/s as at March 31, 2024.

### *Revenue*

Revenue during the three months ended March 31, 2024, was \$4.1 million compared to \$2.0 million during the three months ended March 31, 2023, an increase of \$2.1 million. The increase was due to the expansion of our hash rate from 247 PH/s as at March 31, 2023, to 403 PH/s as at March 31, 2024, and an increase in the average price of bitcoin from US\$22,875 during the three months ended March 31, 2023, to US\$53,579 during the three months ended March 31, 2024. The increases in our hash rate and the average price of bitcoin were partially offset by an increase in network hash rate, from 334 EH/s as at March 31, 2023, to 607 EH/s as at March 31, 2024.

### *Cost of Revenue*

Operating costs during the three months ended March 31, 2024, were \$2.1 million compared to \$1.4 million during the three months ended March 31, 2023, an increase of \$0.7 million. The increase was largely due to an expansion of our hash rate from 247 EH/s as at March 31, 2023, to 403 EH/s as at March 31, 2024, and the corresponding increase our electricity consumption.

Depreciation expense (cost of revenue) during the three months ended March 31, 2024, was \$1.9 million compared to \$1.2 million during the three months ended March 31, 2023, an increase of \$0.7 million. The increase was primarily due to the deployment of additional machines as we increased our hash rate from 247 PH/s as at March 31, 2023, to 403 PH/s as at March 31, 2024.

### *Realized Gain (Loss) on Sale of Digital Currencies*

Realized gains on the sale of digital currencies during the three months ended March 31, 2024, were \$0.5 million compared to less than \$0.1 million during the three months ended March 31, 2023, an increase of \$0.5 million. The increase was primarily due to an increase in the average price of bitcoin from US\$22,875 during the three months ended March 31, 2023, to US\$53,579 during the three months ended March 31, 2024.

### *Interest Expense*

Interest expense during the three months ended March 31, 2024, was \$0.3 million compared to \$0.9 million during the three months ended March 31, 2023, a decrease of \$0.6 million. The decrease was primarily due to debt settlements we made throughout fiscal year 2023 which retired a total of \$14.1 million of debt in exchange for cash prepayments and share grants to certain creditors.

### *Professional Fees*

Professional fees during the three months ended March 31, 2024, were \$0.3 million compared to \$0.1 million during the three months ended March 31, 2023, an increase of \$0.2 million. The increase was due to additional legal, accounting, valuation, and consulting fees we incurred during the three months ended March 31, 2024, in connection with the Kungsleden merger.

### *Share-Based Compensation*

Share-based compensation during the three months ended March 31, 2024, was \$0.01 million compared to \$0.54 million during the three months ended March 31, 2023, a decrease of \$0.53 million. The decrease was due to a reversal of \$0.11 million share-based compensation in relation to forfeited stock options and gradual decrease of share-based compensation with graded vesting terms as most of the equity instruments granted in prior reporting periods would have been vested by March 31, 2024.

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*Foreign Exchange Gain*

Foreign exchange gain during the three months ended March 31, 2024, was \$1.20 million compared to a foreign exchange loss of \$0.05 million during the three months ended March 31, 2023, an increase of \$1.25 million. The increase was due primarily to the strengthening of the US dollar against the Canadian dollar during the three months ended March 31, 2024.

*Gain on Sale of Coupons and Credits*

We recorded no gains from the sale of coupons and credits during the three months ended March 31, 2024, compared to \$0.3 million during the three months ended March 31, 2023, a decrease of \$0.3 million. The coupons and credits sold during the three months ended March 31, 2023, were a one-time award from a supplier received during fiscal year 2022, and we have received no such awards in the periods since.

**Liquidity and Capital Resources**

We used \$2.3 million of cash in our operating activities during the three months ended March 31, 2024. As at March 31, 2024, we recorded cash and cash equivalents of \$0.8 million, total bitcoin of \$4.3 million (44.89 bitcoin), total shareholders' equity of \$10.1 million, and an accumulated deficit of \$55.2 million. For the fiscal year ended December 31, 2023, we funded our operations using proceeds from debt and equity financings consummated during the 2021 and 2022 fiscal years, as well as through sales of bitcoin generated by our mining operations. During the three months ended March 31, 2024, we continued to utilize proceeds from sales of bitcoin generated by our mining activities to support operating expenses.

During the three months ended March 31, 2024, we sold 49.26 bitcoin for proceeds of approximately \$3.3 million. For the foreseeable future, we expect to liquidate bitcoin in sufficient quantities to at least cover our cash obligations in each period and retain any remaining bitcoin on our balance sheet indefinitely.

As at March 31, 2024, we had received and deployed all bitcoin mining machines purchased in the Bitmain futures orders we entered into in November 2021. At this time, we have no contractually obligated capital expenditures associated with expansion of our bitcoin mining operations.

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 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.

**Cash Flows**

The following table summarizes our sources and uses of cash during the three months ended March 31, 2024 and 2023:

<b>Cash provided by (used in):</b>	<b>Three months ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Operating activities	\$ (2,265,278)	\$ (1,323,438)
Investing activities	2,803,515	1,598,707
Financing activities	(464,850)	(45,426)
<b>Increase (decrease) in cash</b>	<b>\$ 73,387</b>	<b>\$ 229,843</b>

*Operating Activities*

Net cash used by operating activities during the three months ended March 31, 2024, was \$2.3 million compared to \$1.3 million during the three months ended March 31, 2023, a decrease of \$1.0 million. Net income improved by \$3.1 million to \$0.9 million during the three months ended March 31, 2024, from a net loss of \$2.2 million during the three months ended March 31, 2023. During the three months ended March 31, 2024, changes in non-cash working capital components included an increase in accounts payable and accrued liabilities of \$0.4 million

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from deferral of payments; and an increase in digital currencies of \$3.9 million due to the appreciation of bitcoin held on our balance sheet.

#### *Investing Activities*

We generated \$2.8 million of cash through our investing activities during the three months ended March 31, 2024, compared to \$1.6 million during the three months ended March 31, 2023, an increase of \$1.2 million. The increase was primarily due to an increase in the average price of bitcoin from US\$22,875 during the three months ended March 31, 2023, to US\$53,579 during the three months ended March 31, 2024, which increased the value of our bitcoin mining rewards and the proceeds we received from bitcoin sales by extension. Proceeds from bitcoin sales totaled \$3.4 million during the three months ended March 31, 2024, compared to \$1.6 million during the three months ended March 31, 2023, an increase of \$1.8 million. This increase was partially offset by a one-time \$0.5 million purchase of bitcoin using proceeds from a tax refund we received during the three months ended March 31, 2024.

#### *Financing Activities*

Net cash used in financing activities was \$0.5 million during the three months ended March 31, 2024, compared to less than \$0.1 million during the three months ended March 31, 2023, a decrease of \$0.4 million. This decrease was due to increased payments on lease obligations in connection with new lease entered in the three months ended June 30, 2023, which had no impact on the three months ended March 31, 2023.

#### **Outstanding Share Data**

As at May 28, 2024, 237,199,034 common shares; 3,605,364 stock options; 2,031,782 restricted share units; 50,257,200 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 at March 31, 2024, and the date of this MD&A, the Company has no off-balance sheet arrangements.

#### **Related Party Transactions**

On March 28, 2024, Mr. Sean Ty resigned as Chief Financial Officer and was replaced by Mr. Inar Kamaletdinov.

As at March 31, 2024, the Company owes a balance of \$33,257 to a company controlled by the former CFO of the Company. The balance is recorded within accounts payable and accrued liabilities.

As at March 31, 2024, the Company has receivables of \$90,981 (December 31, 2023 - \$101,518), of which \$38,000 (December 31, 2023 - \$44,381) is non-current, in connection to the payroll tax liabilities for the RSU grants issued to the management of the Company. The balance is repaid every pay period and will be fully repaid.

#### **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 Cathedral and its business. Shareholders should carefully consider each of the risks described below. Cathedral'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 Cathedral. Additional risks and uncertainties not presently known to Cathedral or that it currently considers immaterial may also impair the Company's business operations and cause the value

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of the Company to decline. If any of the following risks actually occur, Cathedral's business may be harmed and its financial condition may suffer significantly.

*Liquidity and Future Financing Risk*

Cathedral 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 Cathedral 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 Cathedral 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. Cathedral'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 Cathedral 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, Cathedral'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 involvement 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 widespread 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](http://www.github.com) and [www.bitcointalk.org](http://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 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's 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

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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.

### **Accounting Policies, Critical Accounting Estimates, and Internal Controls**

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

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

#### **Significant Judgments**

##### *Revenue Recognition*

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

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

#### *Going Concern*

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

#### *Significant Influence and Control*

The Company lost its significant influence in Silvermoon Inc. ("Silvermoon") as the Company does not have any board representation, does not participate in policy-making processes and there were no material transactions between the companies. Consequently, the Company has ceased equity accounting for its investment in Silvermoon and now accounts for the Silvermoon common shares as investments reported at fair value through profit or loss.

#### **Significant Accounting 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 is 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.

#### *Digital Currency Valuation*

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

#### *Share-Based Compensation*

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

#### *Going Concern*

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

#### *Significant Influence and Control*

The Company lost its significant influence in Silvermoon Inc. as its ownership interest has decreased from 23% to 19.9% during the period. Consequently, the Company has ceased equity accounting for its investment in Silvermoon and now accounts for the Silvermoon common shares as investments.

#### *Uncertainty of the Income/(Loss) Recorded in Investments in Associates*

The financial information of the investment in associates, being a private corporation, was not readily available for the nine months ended September 30, 2023. Based on management's estimate of the income/loss on the investment in associates projected from the information provided, the income/loss in the investment in associates is not material.

Areas of significant estimates and judgments also include:

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

#### **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 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

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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.

		<b>March 31, 2024</b>		<b>December 31, 2023</b>
Digital currencies	\$	4,339,535	\$	1,840,251
Deposits		1,767,599		1,725,333
Receivables		140,248		131,929
<b>Total</b>	<b>\$</b>	<b>6,247,382</b>	<b>\$</b>	<b>3,697,513</b>

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 March 31, 2024, we had a working capital surplus of \$2.3 million (December 31, 2023 - \$0.2 million), the majority of which is comprised of a cash balance of \$0.8 million (December 31, 2023 - \$0.7 million), digital currencies balance of \$4.3 million (December 31, 2023 - \$1.8 million), receivables of \$0.1 million (December 31, 2023 - \$0.1 million), prepaid expenses of \$0.4 million (December 31, 2023 - \$0.4 million), and deposits of \$1.0 million (December 31, 2023 - \$1.0 million) to settle current liabilities of \$4.3 million (December 31, 2023 - \$3.7 million).

Cash flows related to the accounts payable and accrued liabilities and convertible debt included below may occur at different times or amounts. A maturity analysis of our outstanding obligations at March 31, 2024 is as follows:

	<b>Undiscounted Contractual Cash Flows</b>				
	<b>Total carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>As at March 31, 2024</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	2,671,714	2,671,714	2,671,714	-	-
Lease liabilities	1,866,370	2,071,241	1,867,949	203,292	-
Convertible loan	5,290,359	5,733,728	-	5,733,728	-
<b>Total</b>	<b>9,828,443</b>	<b>10,476,683</b>	<b>4,539,663</b>	<b>5,937,020</b>	<b>-</b>

*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 Prices*

As at March 31, 2024, we held a digital currency balance in bitcoin 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 gain on revaluation of digital currencies in the amount of \$0.8 million during the three months ended March 31, 2024 (March 31, 2023 - \$0.1 million).

Cathedral Bitcoin Inc.  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2024**  
*(Expressed in Canadian dollars, unless otherwise noted)*

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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*

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 \$49,431, 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 at March 31, 2024, 44.89 bitcoin equivalent to \$4.3 million is held with our third-party custodian in our name (December 31, 2023 - 32.91 bitcoin equivalent to \$1.8 million).

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.

**Management's Discussion and Analysis**

**For the three months ended March 31, 2024**

*(Expressed in Canadian dollars, unless otherwise noted)*

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- 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.

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

The carrying value of our receivables, accounts payable 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 condensed interim 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.



## **SCHEDULE "E"**

**FINANCIAL STATEMENTS OF KUNGSLEDEN FOR THE PERIOD ENDED DECEMBER 31, 2023 AND FOR THE  
PERIOD FROM MAY 11, 2022 (INCEPTION) TO DECEMBER 31, 2022  
(AUDITED)**

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# **KUNGSLEDEN, INC.**

## **Consolidated Financial Statements**

**As of and for the year ended December 31, 2023**

**and for the period from May 11, 2022 (Inception) through  
December 31, 2022**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
Kungsleden, Inc.

### Opinion on the Financial Statements

We have audited the consolidated financial statements of Kungsleden, Inc. and its subsidiaries (“Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of profit or loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the year ended December 31, 2023 and the period from May 11, 2022 (Inception) through December 31, 2022 then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with US GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Hudgens CPA, PLLC*

Hudgens CPA, PLLC

We have served as the Company's auditor since 2023.

Houston, Texas

June 18, 2024

<b>KUNGSLEDEN, INC. AND SUBSIDIARIES</b>			
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>			
	<b>NOTE</b>	<b>AS OF DECEMBER 31, 2023 USD</b>	<b>AS OF DECEMBER 31, 2022 USD (COMBINED)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	5	\$ 3,467,409	\$ 1,561,329
Deposits	2	2,814,735	500,000
Cryptocurrencies	6	40,849	11,164
Right-of-use assets	7	999,436	-
<b>Total non-current assets</b>		<b>7,322,429</b>	<b>2,072,492</b>
<b>Current assets</b>			
Cash and cash equivalents	2	92,385	217,997
Trade receivables	8	1,010,444	95,293
Prepayment and other current assets		329,999	-
<b>Total current assets</b>		<b>1,432,828</b>	<b>313,290</b>
<b>Total Assets</b>		<b>\$ 8,755,257</b>	<b>\$ 2,385,783</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	7	\$ 908,967	\$ -
Other non-current liabilities	9	2,345,886	907,954
<b>Total non-current liabilities</b>		<b>3,254,853</b>	<b>907,954</b>
<b>Current liabilities:</b>			
Trade payables	2	1,275,455	433,658
Accrual and other payables		654	-
Amount due to related parties	10	1,843,604	865,745
Contract liabilities	2	240,863	356,122
Income tax payable	12	603,029	-
Lease liabilities	7	102,358	-
<b>Total current liabilities</b>		<b>4,065,963</b>	<b>1,655,525</b>
<b>Total Liabilities</b>		<b>\$ 7,320,816</b>	<b>\$ 2,563,478</b>
<b>Net Assets/(Liabilities)</b>		<b>\$ 1,434,441</b>	<b>\$ (177,696)</b>
<b>CAPITAL/(DEFICIT) AND RESERVES</b>			
Share capital	11	\$ 1,000	\$ -
Retained profits/(accumulated deficit)		1,433,441	(177,695)
<b>Total Equity/(Deficit)</b>		<b>\$ 1,434,441</b>	<b>\$ (177,695)</b>

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

**KUNGSLEDEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	NOTE	FOR THE PERIOD	
		FOR THE	FROM MAY 11, 2022
		YEAR ENDED	(INCEPTION) THROUGH
		DECEMBER 31, 2023	DECEMBER 31, 2022
		USD	USD
			(COMBINED)
<b>Revenues</b>		\$ 11,303,301	\$ 998,679
Cost of revenues		8,040,958	1,118,325
<b>Gross profit/(loss)</b>		3,262,343	(119,646)
Selling, general and administrative expenses		(671,024)	(14,567)
Depreciation and amortization expense	5, 7	(438,801)	(42,957)
Impairment loss on cryptocurrencies	6	(6,919)	(776)
Realized gain on disposal of cryptocurrencies	6	74,334	-
<b>Profit/(loss) from operations</b>		2,219,933	(177,947)
Interest and other income	13	20,482	251
Interest expense	7	(26,250)	-
<b>Profit/(loss) before taxation</b>		2,214,165	(177,695)
Income taxes provision	12	(603,029)	-
<b>Profit/(Loss) for the year/period</b>	13	<u>\$ 1,611,136</u>	<u>\$ (177,695)</u>
<b>Earnings/(loss) per share</b>			
Basic and diluted	2	<u>\$ 1.61</u>	<u>\$ (0.18)</u>
<b>Weighted average number of shares outstanding</b>			
Basic and diluted	2	<u>1,000,000</u>	<u>1,000,000</u>
The accompanying notes are an integral part of these consolidated financial statements.			

**KUNGSLEDEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**

	<b>Share Capital</b>	<b>Accumulated Deficit</b>	<b>Equity (Deficit)</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Balance as of May 11, 2022 (Inception)</b>	\$ -	\$ -	\$ -
Loss for the period	-	(177,695)	(177,695)
<b>Balance as of December 31, 2022 (Combined)</b>	-	(177,695)	(177,695)
Issuance of share capital	1,000	-	1,000
Profit for the year	-	1,611,136	1,611,136
<b>Balance as of December 31, 2023</b>	<b>\$ 1,000</b>	<b>\$ 1,433,441</b>	<b>\$ 1,434,441</b>
The accompanying notes are an integral part of these consolidated financial statements.			



<b>KUNGSLEDEN, INC. AND SUBSIDIARIES</b>			
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
		<b>FOR THE PERIOD</b>	
		<b>FROM MAY 11, 2022</b>	
		<b>(INCEPTION) THROUGH</b>	
	<b>FOR THE</b>	<b>DECEMBER 31, 2022</b>	
	<b>YEAR ENDED</b>		
	<b>DECEMBER 31, 2023</b>		
	<b>USD</b>	<b>USD</b>	
		<b>(COMBINED)</b>	
<b>Operating Activities:</b>			
Profit/(loss) for the year/period	\$	1,611,136	\$ (177,695)
Adjustments for:			
Revenues recognized on acceptance of cryptocurrencies		(397,654)	(11,940)
Income tax expense		603,029	-
Depreciation		348,163	42,957
Amortization of right-of-use assets		90,638	-
Impairment loss on cryptocurrencies		6,919	776
Interest income		(20,482)	(251)
Interest accretion on lease liabilities		26,251	-
Gain on disposal of cryptocurrencies		(74,334)	-
Operating cash flows before movements in working capital		2,193,665	(146,153)
<b>Movements in working capital:</b>			
Increase in trade receivables		(915,151)	(95,293)
Increase in deposits		(2,314,735)	(500,000)
Increase in prepayment and other current assets		(329,999)	-
Increase in trade payables		841,797	433,658
Increase in accruals and other payables		654	-
(Decrease)/increase in contract liabilities		(115,259)	356,122
Increase in non-current liabilities		1,437,932	907,954
Cash Generated from Operating Activities		798,904	956,287
<b>Net Cash Generated from Operating Activities</b>		<b>798,904</b>	<b>956,287</b>
<b>Investing Activities:</b>			
Purchase of property, plant and equipment		(2,254,243)	(1,604,286)
Proceeds from disposal of cryptocurrencies		435,384	-
Interest received		20,482	251
<b>Net Cash Used in Investment Activities</b>		<b>(1,798,376)</b>	<b>(1,604,035)</b>
<b>Financing Activities:</b>			
Proceeds from issuance of share capital		1,000	-
Borrowings from a related party		-	865,745
Increase in amount due to related parties		977,859	-
Payments of lease liabilities		(105,000)	-
<b>Net Cash Generated from Financing Activities</b>		<b>873,859</b>	<b>865,745</b>
<b>Net (decrease)/increase in cash &amp; cash equivalent</b>		<b>(125,613)</b>	<b>217,998</b>
<b>Cash &amp; cash equivalents at beginning of year/ period</b>		<b>217,998</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$</b>	<b>92,385</b>	<b>\$ 217,998</b>

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

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — Organization and nature of business**

***General information***

Kungsleden, Inc. (“Kungsleden” or the “Company”) is a Delaware corporation incorporated on September 13, 2023. The Company is primarily engaged in the hosting services to digital asset mining customers (“Kungsleden Business”).

On November 15, 2023, Tirpitz Technology HoldCo LLC (“Tirpitz”) was formed in the State of Tennessee as a limited liability company, where the Company holds 100% of the member interest. On January 10, 2024, the Company sold 75% of its member interest to the other four members which resulted in de-consolidation of the Tirpitz.

***Reorganization***

Transformation from a Trust to a Corporation under common control

For the period from May 11, 2022 through December 31, 2022 and for the period from January 1, 2023 to September 12, 2023, the Kungsleden Business was operated through Poimen Trust (“Poimen”), a trust certified under the State of Tennessee, controlled by the shareholders of the Company, and its wholly subsidiary, Sentinel Technology, LLC (“Sentinel”), a limited liability company in the State of Delaware formed on May 11, 2022, which was acquired by Poimen under common control by the shareholders of the Company at its historical book value on August 12, 2022, the date on which Poimen was certified. The trustees and beneficiaries of Poimen also are the shareholders of the Company. The Company was created to transform the Kungsleden Business from a Trust to a Corporation through a reorganization under common control (“Transformation”). The Transformation resulted in the transfer of all assets and liabilities and contracts related to the Kungsleden Business at their historical book values from Poimen to the Company on September 13, 2023, the date on which the Company was incorporated.

**Note 2 — Significant accounting policies**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Preparing consolidated financial statements of Kungsleden Business

Pursuant to the Reorganization discussed in Note 1, the Company prepared the consolidated financial statements to capture the Kungsleden Business, which has historically operated under Poimen prior to for the period from May 11, 2022 through December 31, 2022 and for the period from January 1, 2023 to September 12, 2023. The term “consolidated financial statements” is used when referring to financial information prepared by aggregating financial statements of separate entities or components of groups that fail to meet the definition of a “group” under IFRS 10 *Consolidated financial statement*. The consolidated financial statements are based on financial statements that were prepared using only historical information. A key assumption underlying the preparation of consolidated financial statements is that there is a binding element for the economic activities throughout the period presented. The consolidated financial statements of the Company have been prepared by aggregating the financial information of the Kungsleden Business that was bound together by common control but was not a legal group.

Consolidation

Beginning on September 13, 2023, the date on which the Company was incorporated, the Company’s financial information is prepared on a consolidated basis, for which the consolidation policies are described below.

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Inter-company transactions, balances and unrealized gains on transactions between the Company and its subsidiaries are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

***Basis of Accounting***

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

***Functional and Presentation Currency***

These consolidated financial statements are presented in U.S. dollars (“USD” or “US\$” or “\$”), which is the Company’s functional currency.

***Use of Estimates***

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of IFRSs that have significant effects on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

***Property, Plant, and Equipment, net***

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

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

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

<b>Categories</b>	<b>Useful Life</b>
Equipment	5 years
Mining containers	5 years
Electrical infrastructure	10 – 12 years
Land	Infinite

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

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

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

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

***Deposits***

Deposit mainly consisted of the security deposits paid for electricity usage for its Cryptocurrency mining operations. As of December 31, 2023 and 2022, the Company had deposits balance of \$2,814,735 and \$500,000, respectively. Two of the power contracts are for an initial term of 60 months until October 2027 and March 2028, respectively, and thereafter in 12 months increments until terminated by either party giving to the other 4 months' notice in writing. One of the power contracts is for a term of 72 months until July 2029 and thereafter in 12 months increments until terminated by either party giving to the other 4 months' notice in writing.

***Cryptocurrencies***

Cryptocurrencies are, by their nature, identifiable non-monetary assets that lack physical substance. Future economic benefits attributable to these cryptocurrencies are expected to flow to the Company because these cryptocurrencies can be exchanged for fiat currencies. Furthermore, the cost of the Company's cryptocurrencies can be measured using the quoted price of such cryptocurrencies at the time the fair value is being measured.

The Company accounts for the cryptocurrencies as intangible assets with indefinite useful lives in its consolidated statements of financial position because, at the time of assessment, there is no foreseeable limit to the period over which such assets are expected to generate cash flows.

The Company further adopts the cost model to account for cryptocurrencies and reviews their useful life and impairment at each reporting date in accordance with IAS 38 Intangible Assets. The Company accounts for cryptocurrencies at cost, instead of revaluing these cryptocurrencies at their fair value on each accounting reference date, because the latter model is subject to inherent and substantial volatility in the value of these cryptocurrencies from time to time. In addition, the Company believes that the cost model better reflects the Company's business model, as the Company is not engaged in the cryptocurrency trading business.

Gains or losses arising from the disposal of cryptocurrencies are determined as the difference between the net disposal proceeds and the carrying amount of the assets. The Company recognizes realized gains or losses on the date of the disposal using the first-in-first-out method of accounting.

The Company presents the revenue recognized on the acceptance of cryptocurrencies, which is a non-cash item, as an adjustment to remove the non-cash item for the cash flows from operating activities and the disposals of cryptocurrencies received in revenue arrangements are presented as cash flows from investing activities in the consolidated statements of cash flows.

***Leases***

The Company accounts for leases under IFRS 16 Leases. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments linked to the use of an underlying asset are excluded from the measurement of lease liabilities.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the unexpired term of the lease. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the Company's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***Investment in an associate***

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

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

The Company assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously

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been recognized in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

***Cash and Cash Equivalents***

Cash and cash equivalents comprise cash in banks and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value and are within three months of maturity at acquisition. The Company had no cash equivalents as of December 31, 2023 and 2022.

***Trade Receivables***

Trade receivables are recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Trade receivables are stated at amortized cost, less a loss allowance based on lifetime expected credit losses at each reporting date.

***Credit Losses and Impairment of Assets***

***(i) Credit losses from financial instruments at amortized cost***

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets, such as trade receivable, which are measured at amortized cost;

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECL on this type of financial asset is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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For all other financial instruments, the Company recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in the credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Company in full and without recourse. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past-due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss.

The Company recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Impairment and write-off policy*

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**(ii) Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- lease right-of-use assets;
- cryptocurrencies.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for cryptocurrencies, the recoverable amount is estimated at each reporting date whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

The recoverable amount of cryptocurrencies is based on the fair value less costs of disposal. The fair value of these cryptocurrencies is measured using the quoted price of these cryptocurrencies at the time the fair value is being measured.

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

***Trade Payables***

Trade payables are obligations to pay for goods and/or services that have been acquired from suppliers in the ordinary course of business.

***Advances from Customers***

Advances from customers represents amounts advanced by customers for hosting services. Advances from customers is reduced when the related revenue is recognized in accordance with the Company's revenue recognition policy.

***Revenue Recognition***



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The Company's revenues are derived from the mine hosting services.

Revenue is recognized when control over goods or services is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled. Revenue excludes sales taxes and is after deduction of trade discount, if any

Revenue is recognized applying the following five steps:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract; and
- (v) Recognize revenue when (or as) the Company satisfies a performance obligation.

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

Hosting service

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

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

Contract assets and liabilities

A contract asset is recognized when the Company recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional. As of December 31, 2023 and 2022, the Company did not have any contract assets.

A contract liability is recognized when the customer pays consideration for goods or services before the Company recognizes the related revenue. A contract liability would also be recognized if the Company has an unconditional right to receive non-refundable consideration before the Company recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. As of December 31, 2023 and 2022, the Company had contract liabilities, presented as advances from customers on the consolidated statements of financial position, of \$234,628 and \$356,122.

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***Cost of Revenues***

Cost of revenue consists primarily of electricity used to host its data center.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses consist primarily of employee compensation, professional services fees, and other expenses for site management usage.

***Income Taxes***

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

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

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

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

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

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

The Company determines the recognition and measurement of tax assets and liabilities that contain uncertainty over income tax by considering the assumptions used in the examination of tax treatments by the tax authorities, the

probability that the tax authorities will accept uncertain tax treatment and re-consideration or estimation if there is a change in facts and circumstances.

If the acceptance of tax treatment is probable, the measurement is in line with income tax fillings. If the acceptance of tax treatment is not probable, the Company uses tax amounts using the method that provides a better prediction of resolution (i.e., most likely amount or expected value). Due to the complexity of some of these uncertainties, their

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ultimate resolution may result in payments that are materially different from current estimates. Any such differences will be reflected as adjustments to income tax expenses in the periods in which they are determined.

***Related Party Transactions***

A party is considered to be related to the Company if:

- (a) The party is a person or a close member of that person's family and that person
  - i. has control or joint control over the Company;
  - ii. has significant influence over the Company; or
  - iii. is a member of the key management personnel of the Company or a parent of the Company;
- (b) The party is an entity when any of the following conditions applies:
  - i. the entity and the Company are members of the Company;
  - ii. one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - iii. the entity and the Company are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third party and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - vi. the entity is controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - viii. the entity, or any member of the Company of which it is a part, provides key management personnel services to the Company or the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

***Provisions***

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

***Earnings Per Share***

Basic earnings per share is computed by dividing the income attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is computed by dividing the income attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, after adjusting for the effects of the dilutive potential common stock. For the three months ended March 31, 2024 and 2023, there were no dilutive

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potential common stock. As a result, diluted earnings per share is the same as basic earnings per share for the period presented.

***Segment Information***

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to the transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance; and
- for which discrete financial information is available.

The chief operating decision maker makes resource allocation decisions based on internal management functions and assesses the Company’s business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

***Initial Application of New or Amended Standards During the Reporting Periods***

As from January 1, 2022, the Company adopted the following recently issued or amended standards. These new standards are not expected to have any significant impact on the Company’s consolidated financial statements.

<b>Standard/Interpretation</b>	<b>Application Date of Standard</b>	<b>Application Date for the Company</b>
Amendments to IFRS 1, Subsidiary as a First-time Adopter	January 1, 2022	January 1, 2022
Amendments to IFRS 9, Derecognition of Financial Liabilities	January 1, 2022	January 1, 2022
Amendments to IFRS 3, Reference to the Conceptual Framework	January 1, 2022	January 1, 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	January 1, 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	January 1, 2022
IFRS 17, Insurance Contracts and Amendments to Address Concern and Implementation Challenges	January 1, 2023	January 1, 2023
Amendments to IFRS 4, Expiry Date of the Deferral Approach	January 1, 2023	January 1, 2023
Amendments to IAS 1, Making Materiality Judgment	January 1, 2023	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	January 1, 2023	January 1, 2023
Amendments to IAS 8, Definition of Accounting Estimates	January 1, 2023	January 1, 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	January 1, 2023

***New Standards and Interpretations Not Yet Adopted***

Up to the issuance date of these financial statements, the IASB has issued the following amendments, which are not yet effective for the years ended December 31, 2023 and 2022 and which have not been adopted in these financial statements.

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<b>Standard/Interpretation</b>	<b>Application Date for the Company</b>
Amendments to IAS 1, Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	January 1, 2024
Amendments to IAS 1, Classification of Debt with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 16, Lease Liability in a Sale-and Leaseback	January 1, 2024
Amendments to IAS 21 – Lack of Exchangeability	January 1, 2025

**Note 3 – Use of Judgments and Estimates**

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Depreciation of Property, Plant, and Equipment***

Depreciation on the Company’s property, plant and equipment is calculated using the straight-line method to allocate costs up to residual values over the estimated useful lives of the assets. The Company reviews the useful lives and residual values at least at each financial year-end and adjusted, if appropriate, to ensure that the method and rates of depreciation are consistent with the expected pattern of realization of economic benefits from the assets. The Company

estimates the useful lives of assets based on historical experience, taking into account anticipated technological changes. If there are significant changes from previously estimated useful lives, the amount of depreciation expenses may change.

***Cryptocurrency Accounting***

The cryptocurrency market is still a new market and is highly volatile and historical prices are not necessarily indicative of future value. A significant change in the market prices for cryptocurrencies would have a significant impact on the Company’s earnings and financial position.

If circumstances indicate that the carrying amount of cryptocurrencies may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognized in accordance with the accounting policy for impairment of cryptocurrencies as described in Note 2.

When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is based on the fair value less costs of disposal.

The fair value of the cryptocurrencies is measured at quoted price at the time the fair value of cryptocurrencies is being measured, which the Company considers to be predominantly a Level 1 fair value input under IFRS 13 Fair Value Measurement fair value hierarchy. Changes in these estimates could have a significant impact on the amount of the assets and could result in additional impairment charges or reversal of impairment and gain or loss from changes in fair value in future periods.

***Fair Value of Financial Assets at Fair Value through Profit or Loss***

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The type and level of judgment required is dependent on the amount of observable market-based data available to the Company. For financial assets valued using valuation models and techniques that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

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In determining the estimate of fair value for an instrument within level 3, the management firstly determines the appropriate and reasonable valuation model and technique to use. Second, the lack of availability of market-based data requires management to assess relevant empirical data in deriving valuation inputs with significant judgements and assumption.

Estimation of unobservable market inputs or other factors can affect the amount of gain or loss recorded in the reporting period and the amount of the position as at year end. The Company believes the estimates applied to be based on reasonable assumptions, but which are inherently uncertain. As a result, actual results may differ from the assumptions and judgments used to determine fair value of the financial instruments acquired. Changes in these estimates and assumptions and valuation model or techniques may have a material effect on the Company's financial condition and results of operations.

**Note 4 – Financial Risk Management and Fair Values of Financial Instruments**

***Financial Risk Factors***

The Company is exposed to various market risks including cryptocurrency risk and interest rate risk, as well as credit risk, liquidity risk and concentration risk. The Group has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

(a) Market risk

i. Cryptocurrency risk

The Company is exposed to cryptocurrency risk as it yields cryptocurrencies from certain revenue arrangements. The Company recognizes revenue based on the spot fair value of cryptocurrencies on the day they are earned, but the value of the cryptocurrencies is subject to change on the date they are disposed of for fiat currency.

Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is highly correlated to the current and future market price of cryptocurrencies and a decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. In addition, the Company may not be able to liquidate its holdings of cryptocurrencies at its desired price if required, or, in extreme market conditions, the Company may not be able to liquidate its holdings of cryptocurrencies at all.

Cryptocurrencies have a limited history, and the fair value of cryptocurrencies has been very volatile. The historical performance of cryptocurrencies is not indicative of their future price performance. The cryptocurrencies involved in the Company's operation are currently primarily based on bitcoin. The Group currently does not use any derivative contracts to hedge its exposure to cryptocurrency risk, but management closely monitors the impact of the mainstream cryptocurrency exchange market on the change of exchange rates from cryptocurrency to fiat currency. The Company limits its exposure to the cryptocurrency risk by including in its operation strategy to dispose of the cryptocurrencies for fiat currency shortly after they are earned.

ii. Interest rate risk

The Company's interest rate risk is primarily attributable to bank deposits and borrowings. Bank deposits, and borrowings at variable rates and fixed rates expose the Company to cash flow interest rate risk and fair value interest rate risk respectively. Management closely monitors the fluctuation of such rates periodically.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises mainly from cash deposited in the banks and

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cryptocurrencies held in custody.

To manage risk arising from cash and cash equivalents, the Company only transacts with reputable financial institutions. There has been no recent history of default in relation to these financial institutions. As of December 31, 2023 and 2022, the Company did not have any balance maintained at banks in the United States subject to credit risk. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

For the years ended December 31, 2023 and 2022, substantially all of the Company's cryptocurrencies are stored in self-custody wallets. To limit exposure to credit risk relating to cryptocurrencies under custody, the Company evaluates the system security design of the wallet service provider and regularly reviews the exposure of cryptocurrencies held in the self-custody wallet. The Company has further implemented internal controls to ensure the appropriate access to the cryptocurrencies under self-custody and adopted the operating strategy of disposing of the cryptocurrency for fiat currency shortly after they are earned.

However, bitcoin and other blockchain-based cryptocurrencies have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities. A successful security breach or cyberattack could result in a partial or total loss of the Company's cryptocurrencies and such a loss could have a material adverse effect on the Company's financial condition and results of operations.

(c) Liquidity risk

Liquidity risk arises in situations where the Company has difficulties in fulfilling financial liabilities when they become due.

Prudent liquidity risk management implies maintaining sufficient cash in order to meet the Company's financial obligations. The Company manages its liquidity risk by monitoring cash flow generated from operations and available borrowing capacity, and by managing the maturity profiles of its long-term loans.

(d) Concentration risk

Major customers

For the year ended December 31, 2023, three customers accounted for approximately 43.9%, 18.0% and 13.6% of the Company's total revenues.

For the period from May 11, 2022 (inception) through December 31, 2022, three customers accounted for approximately 33.7%, 29.1% and 13.5% of the Company's total revenues.

As of December 31, 2023, one customer account for approximately 99.9% of the total balance of accounts receivable, respectively.

As of December 31, 2022, three customers account for approximately 49.5%, 23.1% and 14.0% of the total balance of accounts receivable, respectively.

Major vendors

For the year ended December 31, 2023, three vendors accounted for approximately 46.6%, 27.1% and 26.2% of the Company's total purchases.

For the period from May 11, 2022 (inception) through December 31, 2022, one vendor accounted for 99.8% of the Company's total purchases.

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2023, three vendors accounted for approximately 44.4%, 38.4% and 17.0% of the total balance of accounts payable.

As of December 31, 2022, one vendor accounted for 100.0% of the total balance of accounts payable.

***Fair Value Measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuation: fair value measured using significant unobservable inputs.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As of December 31, 2023 and 2022, substantially all of the Company's financial assets and financial liabilities are carried at amortized costs and the carrying amounts approximate their fair values.

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

**Note 5 — Property, plant and equipment, net**

Property, plant and equipment consisted of the following as of December 31, 2023 and 2022:



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	<u>Equipment</u> <u>USD</u>	<u>Mining</u> <u>USD</u>	<u>Lease improvements (electrical infrastructure)</u> <u>USD</u>	<u>Land</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>COST</b>					
At May 11, 2022 (inception)	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	326,000	150,000	1,024,961	103,325	1,604,286
Disposals	-	-	-	-	-
At December 31, 2022	326,000	150,000	1,024,961	103,325	1,604,286
Additions	450,000	220,000	1,584,243	-	2,254,243
Disposals	-	-	-	-	-
At December 31, 2023	<u>\$ 776,000</u>	<u>\$ 370,000</u>	<u>2,609,204</u>	<u>103,325</u>	<u>3,858,529</u>
<b>DEPRECIATION</b>					
At May 11, 2022 (inception)	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for the year	13,583	7,500	21,874	-	42,957
Eliminated on disposals	-	-	-	-	-
At December 31, 2022	13,583	7,500	21,874	-	42,957
Charge for the period	110,583	85,000	152,580	-	348,163
Eliminated on disposals	-	-	-	-	-
At December 31, 2023	<u>\$ 124,166</u>	<u>\$ 92,500</u>	<u>\$ 174,454</u>	<u>\$ -</u>	<u>\$ 391,120</u>
<b>CARRYING AMOUNT</b>					
At December 31, 2022	<u>\$ 312,417</u>	<u>\$ 142,500</u>	<u>\$ 1,003,087</u>	<u>\$ 103,325</u>	<u>\$ 1,561,329</u>
At December 31, 2023	<u>\$ 651,833</u>	<u>\$ 277,500</u>	<u>\$ 2,434,750</u>	<u>103,325</u>	<u>\$ 3,467,409</u>

Depreciation expense for the year ended December 31, 2023 and for the period from May 11, 2022 (inception date) to December 31, 2022 amounted to \$348,163 and \$42,957, respectively.

**Note 6 — Cryptocurrencies**

The following table presents additional information about the Company's cryptocurrencies holdings during the year ended December 31, 2023 and the period from May 11, 2022 (inception) through December 31, 2022:

	<u>USD</u>
Beginning balance - May 11, 2022 (Consolidated)	\$ -
Cryptocurrencies received as payment	11,940
Sale of cryptocurrencies	-
Impairment loss on cryptocurrency assets	(776)
<b>Ending balance - December 31, 2022 (Consolidated)</b>	<b>\$ 11,164</b>
Cryptocurrencies received as payment	397,654
Sale of cryptocurrencies	(361,050)
Impairment loss on cryptocurrencies	(6,919)
<b>Ending balance - December 31, 2023 (Consolidated)</b>	<b>\$ 40,849</b>

Impairment loss on cryptocurrencies for the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022 amounted to \$6,919 and \$776, respectively.

Gain on disposal of cryptocurrencies for the year ended December 31, 2023 amounted to \$74,334.

**Note 7 – Leases**

The Company occupies two mining datacenters under lease arrangements, which have an initial lease term of 6 years and 10 years. Lease contracts are typically made for fixed periods but may have extension options. The Company

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

accounts for lease and non-lease components separately, where the non-lease component is charged to expenses as they incur. Any extension options in these leases have not been included in the lease liabilities unless the Company is reasonably certain to exercise the extension option. In addition, periods after termination options are only included in the lease term if the lease is reasonably certain not to be terminated. The Company does not have an option to purchase these leased assets at the expiration of the lease periods.

The consolidated statements of financial position show the following amounts relating to the right-of-use assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>USD</u>	<u>USD</u>
		(Combined)
Right-of-use assets		
- Buildings	\$ 999,436	\$ -

Amortization of right-of-use assets for the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022 amounted to \$90,638 and \$0, respectively.

The consolidated statements of financial position show the following amounts relating to the lease liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>USD</u>	<u>USD</u>
		(Combined)
Total future minimum lease payments	\$ 1,157,000	\$ -
Less: future finance charges	(145,675)	-
<b>Total lease liabilities</b>	<b>1,011,325</b>	<b>-</b>
Lease liabilities due for settlement within 12 months	(102,358)	-
Lease liabilities due for settlement over 12 months	<u>\$ 908,967</u>	<u>\$ -</u>

Interest accretion on lease liabilities for the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022 amounted to \$26,251 and \$0, respectively.

The lease liabilities as of December 31, 2023 bear weighted average incremental borrowing rate of 2.96% per annum.

**Note 8 – Trade Receivables**

Trade receivables consist of the following as of December 31, 2023 and 2022:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>USD</u>	<u>USD</u>
		(Combined)
Trade receivables	\$ 1,010,444	\$ 95,293
Less: Allowance for credit losses	-	-
<b>Trade receivables, net</b>	<u>\$ 1,010,444</u>	<u>\$ 95,293</u>

During the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022, no allowance for credit losses was recognized.

**Note 9 — Other Non-current Liabilities**

As of December 31, 2023 and 2022, the Company's other non-current liabilities consisted entirely of security deposits from its miner customers, totaling \$2,345,886 and \$907,954 respectively. The security deposits were collected from customers in advance of start of the provision of hosting services. The Company may apply its customers' security

**KUNGSLEDEN, INC.**  
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deposits to any fees or expense reimbursement not paid by the customer by the required due date. Any remaining balance is refundable to the customer after contract termination and removal of all customer equipment from the Company's data center.

**Note 10 — Related Party Transactions**

*Amount due to a related party*

Name of Related Party	Relationship	Nature	December 31, 2023 USD	December 31, 2022 USD (Combined)
ABG Energy	The shareholders of this entity is also the Company's trustee	Interest-free loan, due on demand	\$ 1,843,604	\$ 865,745

**Note 11 – Shareholders' Deficit**

*Share Capital*

The Corporation is authorized to issue 10,000,000 shares of capital stock in the aggregate. The capital stock of the Corporation shall consist of a single class, designated Common Stock, with a par value of \$0.0001 per share.

During the year ended December 31, 2023, share capital contribution received by the Company amounted to \$1,000.

**Note 12 – Income Tax**

The provisions for income taxes for the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022 are summarized as follows:

	For the Year Ended December 31, 2023 USD	For the Period from May 11, 2022 (inception) through December 31, 2022 USD (Combined)
Current income tax expenses	\$ 660,780	\$ -
Deferred income tax (benefit) expense	(57,751)	-
<b>Total provision for income taxes</b>	<b>\$ 603,029</b>	<b>\$ -</b>

The reconciliation between the income tax expenses calculated by applying the applicable federal tax rate of 21%, and weighted average of state tax rate from Delaware tax rate of 8.7%, Tennessee tax rate of 6.5%, Kentucky tax rate of 5.0% and North Dakota tax rate of 4.31%, to the profit (loss) before income tax and the income tax expenses as shown in the statements of profit or loss for the year ended December 31, 2023 and for the period from May 11, 2022 (inception) through December 31, 2022 is as follows:

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>For the Year Ended December 31, 2023</b>	<b>For the Period from May 11, 2022 (Inception) through December 31, 2022*</b>
		(Combined)
Statutory federal income tax rate	21.0%	-%
Statutory state income tax rate	5.5%	-%
Change in valuation allowance	(0.6%)	-%
Permanent difference	1.4%	-%
<b>Effective tax rate</b>	<b>27.2%</b>	<b>-%</b>

\*Prior to the reorganization on September 12, 2023, earnings and losses are included in the personal income tax return of the Company's shareholders. As a result, the Company does not incur any income tax obligation and the financial statements do not include a provision for income taxes for the period from May 11, 2022 (inception) through December 31, 2022 and from January 1, 2023 to September 12, 2023.

Deferred tax assets as of December 31, 2023 and 2022 comprise the following:

	<b>December 31, 2023</b>	<b>December 31, 2022**</b>
	USD	USD
		(Combined)
Deferred tax assets		
Net operating loss	\$ 91,631	\$ -
Less: valuation allowance	(91,631)	-
<b>Deferred tax assets, net</b>	<b>\$ -</b>	<b>\$ -</b>

**Note 13 – Profit/(loss) for the Period**

Profit/(loss) for the period has been arrived at after charging:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	USD	USD
Depreciation		
- Property, plant and equipment (note 5)	\$ 348,163	\$ 42,957
Amortization		
- Right-of-use assets (note 7)	\$ 90,638	\$ -
Interest		
- Bank interest income	\$ 2,522	\$ 251
Other income		
- Other miscellaneous service fee	\$ 17,960	\$ -
Staff costs		
- Salaries and benefits	\$ 8,000	\$ 2,000

**Note 14 -Subsequent events**

The Company evaluates all subsequent events that occurred after December 31 2022 up through the date that Company filed these financial statements on March XX, 2024 and the Company did not identify any subsequent events that

**KUNGSLEDEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

would have required adjustment or disclosure in the consolidated financial statements.

On January 10, 2024, the Company sold 75% of its member interest to the other four members which resulted in de-consolidation of the Tirpitz and Tirpitz became an associate of the Company.

On March 6, 2024, Kungsleden entered into a share exchange agreement (the “Share Exchange Agreement”), providing for a merger with Cathedra Bitcoin Inc. (“Cathedra”). Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra. The transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 72.5% of the equity of Cathedra as it exists on closing, and Kungsleden will become a wholly owned subsidiary of the resulting issuer.

## **SCHEDULE "F"**

**MD&A OF KUNGSLEDEN FOR THE PERIOD ENDED DECEMBER 31, 2023 AND FOR THE PERIOD FROM MAY 11, 2022 (INCEPTION) TO DECEMBER 31, 2022**

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**Kungsleden, Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR PERIOD OF INCORPORATION ON MAY 11,**  
**2022 ENDED DECEMBER 31, 2022 AND**  
**FISCAL YEAR ENDED**  
**DECEMBER 31, 2023**

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## **OVERVIEW**

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The following management discussion and analysis (“MDA”) of the financial position of Kungsleden, Inc. (“the Company” or “Kungsleden”), and results of operations prepared on April 11, 2024, should be read in conjunction with the audited financial statements for the period from incorporation on May 11, 2022 ended December 31, 2022 and the fiscal year ended December 31, 2023. All amounts are stated in Canadian dollars unless otherwise indicated. These financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

The head office, the principal address, and the registered and records office of the Company are located at is 1824 Roane State Hwy, Unit #197, Harriman, TN 37748.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or by requesting further information from the Company’s head office in Harriman, TN.

## **DESCRIPTION OF BUSINESS**

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Kungsleden, Inc. (the “Company” or “Kungsleden”) is a privately held developer and operator of alternative high-density compute infrastructure. Incorporated in Delaware in 2023 and headquartered in Tennessee, Kungsleden owns and operates 45 MW of bitcoin mining hosting capacity across four data centers in three US states, including a 25% minority interest and operational control in a 60-MW North Dakota hosting facility currently under development. Of the other three data centers owned and operated by Kungsleden, two are located in Kentucky and one in Tennessee, each capable of providing 10 MW of bitcoin mining hosting capacity. Each of Kungsleden’s data centers is subject to existing power contracts with utilities and/or power generation facilities and hosting agreements with bitcoin mining clients.

The Company hosts and provides energized space and operating and maintenance services to third-party bitcoin mining companies who locate their mining hardware at its data center. The Company accounts for these agreements as a single performance obligation for services being delivered in a series with delivery being measured by monthly hosting fees of the mining hardware. The Company does not have any significant warranty obligations.

For certain contracts, the Company may also be entitled to a monthly noncash profit sharing fee, which is primarily based on the actual number of bitcoin mined by the customer’s hosted mining equipment during the month. The noncash consideration is paid in bitcoin. This amount is recognized in revenue as services are performed. Changes in fair value of the noncash consideration related for reasons other than changes in form are recognized at the end of each month as the related uncertainty is resolved and amount becomes known.

Currently, the Company’s sole business unit is providing said hosting services for bitcoin mining companies, but the Company may provide similar hosting services to customers running other types of computing hardware in the future, such as those used to develop and operate artificial intelligence solutions.

As provided in its audited consolidated financial statements, Kungsleden recorded revenues of US\$11.3 million and a net profit of US\$1.6 million for the year ended December 31, 2023. As at December 31, 2023, Kungsleden had total assets of US\$8.8 million, total liabilities of US\$7.3 million, and shareholders’ equity of US\$1.4 million.

## **RESULTS OF OPERATIONS**

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In May 2022, Kungsleden’s predecessor entities began operations and started construction on their first bitcoin mining data center in Harriman, Tennessee. As at December 31, 2022, Kungsleden had completed construction of the 10-MW Harriman data center and had begun hosting bitcoin mining clients on-site. During the year ended December 31, 2023, Kungsleden began and completed construction of its second and third 10-MW data centers located in Franklin, Kentucky, and Hopkinsville, Kentucky, respectively. As at December 31, 2023, all three Kungsleden data centers were completed and fully operational, delivering approximately 30 MW of total power capacity to hosted bitcoin mining clients.

The following tables present information about our data center operations as at April 4, 2024, including details pertaining to our various sites:

Site Name	Managed Capacity (MW)	Kungsleden Ownership (%)	Effective Owned Capacity (MW)	Estimated Client Hardware Units	Site Activation Date
Tennessee	10	100%	10	3,000	October 2022
Kentucky A	10	100%	10	3,052	April 2023
Kentucky B	10	100%	10	3,052	July 2023
North Dakota <sup>1</sup>	60	25%	15	17,000	March 2024
<b>Total</b>	<b>90</b>		<b>45</b>	<b>26,104</b>	

<sup>1</sup> North Dakota site is currently under construction. The first 5 MW of capacity was energized in March 2024, with the remaining 55 MW of capacity expected to be completed in June 2024. The figures in the above table for Managed Capacity (MW), Effective Owned Capacity (MW), and Client Hardware Units are estimates as of site completion.

The following table highlights our quarterly results for the 5 most recently completed quarters:

For the three months ended (all figures US\$)	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	Period from May 11, 2022 (inception) Through December 31, 2022
Revenue	\$4,306,739	\$3,634,337	\$1,888,570	\$1,473,655	\$998,679
Net Income / Loss	\$688,263	\$452,638	\$142,338	\$327,897	(177,695)
Earnings/(Loss) per share	\$0.69	\$0.45	\$0.14	\$0.33	(\$0.18)

Below we present our operating results during the 12 months ended December 31, 2023 and 2022:

#### Consolidated Statements of Profit Or Loss

(All figures \$US)	For the Year Ended December 31, 2023	For the Period From May 11, 2022 (Inception) Through December 31, 2022
<b>Revenues</b>	\$ 11,303,301	\$ 998,679
Cost of revenues	8,040,958	1,118,325
<b>Gross profit/(loss)</b>	<b>3,262,343</b>	<b>(119,646)</b>
Selling, general and administrative expenses	(671,024)	(14,567)



Depreciation expense	(438,801)	(42,957)
Impairment loss on cryptocurrencies	(6,919)	(776)
Realized gain on disposal of cryptocurrencies	74,334	-
<b>Profit/(loss) from operations</b>	<b>2,219,933</b>	<b>(177,947)</b>
Interest income	20,482	251
Interest expense	(26,250)	-
<b>Profit/(loss) before taxation</b>	<b>2,214,165</b>	<b>(177,695)</b>
Income taxes provision	(603,029)	-
<b>Profit/(Loss) for the year/period</b>	<b>\$ 1,611,136</b>	<b>\$ (177,695)</b>

### **Revenue**

In the fiscal year ended December 31, 2023, the Company earned US\$11.3m in revenue from mine hosting services, compared to US\$1.0m for the year ended December 31, 2022. This increase was primarily due to the expansion of the Company's operations across two additional data centers in Kentucky providing a total of 20 MW of incremental bitcoin mining hosting capacity during the year 2023. This growth in operations was in line with broader industry growth, as evidenced by the bitcoin network hash rate roughly doubling from 274 EH/s as of December 31, 2022 to 558 EH/s as of December 31, 2023 (data according to Coin Metrics). Network hash rate measures the computational power of bitcoin miners participating in the bitcoin network and is measured in hashes per second ("H/s") or exahashes per second ("EH/s") as the case may be. This growth in network hash rate was itself supported by an increase in bitcoin price from approximately US\$16,524 as of December 31, 2022 to US\$42,217 as of December 31, 2023 (data according to Coin Metrics). The net effect of both increases was an improvement in economics for bitcoin mining, which resulted in a higher demand for mine hosting services.

### **Cost of Revenues**

The cost of revenues during the twelve months ended December 31, 2023, was US\$8.1m compared to US\$1.1m for the year ended December 31, 2022, an increase of US\$7.0m. The increase was largely due to the expansion of the Company's energized hosted data center capacity, from 10 MW as of year end 2022 to 30 MW as of year-end 2023 as well as the longer period, as the Company's operations only began on May 11, 2022. The primary cost of revenues for the Company is electricity used to power its data centers. These costs are pursuant to power purchase agreements ("PPAs") that offer stable power pricing over multi-year periods. As such, they are largely unaffected by industry and economic factors, except for a portion of the power price which can fluctuate with natural gas prices.

### **Selling, General, and Administrative Expenses**

Selling, general, and administrative expenses during the twelve months ended December 31, 2023, were US\$0.7m compared to US\$0.0m during the twelve months ended December 31, 2022, an increase of US\$0.7m. This increase was largely due to the expansion of the Company's operations as well as the longer period, as the Company's operations only began on May 11, 2022.

### **SELECTED ANNUAL INFORMATION**

The following is a summary of selected annual information compiled from the financial statements ending December 31, 2023:

(US\$)	Year ended December 31, 2023	May 11, 2022 (Inception) through December 31, 2022
Total revenue	\$11,303,301	\$998,679
Profit/(loss) from continuing operations	\$2,219,933	(\$177,947)
Net profit/(loss)	\$1,611,136	(\$177,695)
Total Assets	\$8,755,257	\$2,385,783
Total non-current financing liabilities	Nil	Nil
Distributions or cash dividends declared per-share for each class of share	Nil	Nil
Net Income/(Loss) Per Share	\$1.61	(\$0.18)

In May 2022, Kungsleden's predecessor entities began operations and started construction on their first bitcoin mining data center in Harriman, Tennessee. As at December 31, 2022, Kungsleden had completed construction of the 10-MW Harriman data center and had begun hosting bitcoin mining clients on-site. During the year ended December 31, 2023, Kungsleden began and completed construction of its second and third 10-MW data centers located in Franklin, Kentucky, and Hopkinsville, Kentucky, respectively. As at December 31, 2023, all three Kungsleden data centers were completed and fully operational, delivering approximately 30 MW of total power capacity to hosted bitcoin mining clients.

On September 13, 2023, Kungsleden acquired a 100% interest in the following subsidiaries:

1. Sentinel Technology, LLC, existing under the laws of the state of Delaware;
2. North Campbell HoldCo, LLC, existing under the laws of the state of Tennessee;
3. Churchill Technologies LLC, existing under the laws of the state of Tennessee;
4. Two Keys Technologies, LLC, existing under the laws of the state of Tennessee; and
5. Smithville HoldCo LLC, existing under the laws of the state of Tennessee.

#### SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly interim financial statements ending December 31, 2023:

(US\$)	Total Revenue	Net Income/(Loss)	Net Income/(Loss) Per Share
<b>May 11, 2022 (Inception) through December 31, 2022</b>	\$998,679	(\$177,695)	(\$0.18)
<b>Q1 2023</b>	\$1,473,655	\$327,897	\$0.33
<b>Q2 2023</b>	\$1,888,570	\$142,338	\$0.14
<b>Q3 2023</b>	\$3,634,337	\$452,638	\$0.45
<b>Q4 2023</b>	\$4,306,739	\$688,263	\$0.69

The Company's operations began on May 11, 2022 and therefore does not have eight quarters of financial results.

## Discussion

Since Inception in May 2022, the Company has expanded its operating footprint to four data centers in Tennessee, Kentucky, and North Dakota. Over that time period, total quarterly revenue has increased from US\$1.0m in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$4.3m in the quarter ended December 31, 2023. Since the Company's primary business model consists of developing data centers and charging hosting customers a mark up on the cost of electricity, the Company's cost of revenues increase linearly with revenue. Operating expenses have also increased while the Company's operations have grown, but the correlation is less direct. As a result, the Company has improved earnings from a loss of US\$0.2m in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$0.6m in the quarter ended December 31, 2023. The Company has had 1,000,000 shares outstanding since inception, resulting in an increase in earnings per share from a loss of US\$0.18 per share in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$0.61 per share in the quarter ended December 31, 2023

## LIQUIDITY AND CAPITAL RESOURCES

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Kungsleden generated a net profit of US\$1,611,136 and cash flows from operations of US\$798,905 for the year ended December 31, 2023. As at December 31, 2023, Kungsleden had cash and cash equivalents of US\$92,385, cryptocurrencies with a fair value of US\$40,849, total equity of US\$1,434,441, and retained profits of US\$1,433,441. To date, Kungsleden has relied in part on borrowings from related parties, as well as cash flows provided by its data centers, to fund its operations and growth. During the year ended December 31, 2023, Kungsleden purchased US\$2,254,243 of property, plant and equipment primarily in connection with the development of its Franklin and Hopkinsville data centers, and had US\$3,467,409 of property, plant and equipment on its balance sheet as at December 31, 2023. During the year ended December 31, 2023, Kungsleden also paid US\$2,314,735 in deposits primarily in connection with power purchase agreements for its data centers, and had US\$2,814,735 of deposits classified as non-current assets on its balance sheet as at December 31, 2023. During the year ended December 31, 2023, Kungsleden also accepted US\$1,437,932 of new security deposits from hosting clients, and had US\$2,345,886 of associated non-current liabilities on its balance sheet as at December 31, 2023.

Kungsleden produced net profits and positive cash flows from operations during the year ended December 31, 2023, and management expects profitability and liquidity to increase with the commissioning of Kungsleden's new facility in North Dakota. As at December 31, 2023, Kungsleden had a working capital deficit of US\$2,633,135, with total current assets of US\$1,432,828, consisting primarily of cash (US\$92,385), trade receivables (US\$1,010,444), and prepayment and other current assets (US\$329,999), to settle current liabilities of US\$4,065,963, consisting primarily of amounts due to related parties (US\$1,843,604), trade payables (US\$1,275,455), and income tax payable (US\$603,029). Management expects Kungsleden's working capital and liquidity position will improve considerably with the completion of the North Dakota facility, after which Kungsleden has no additional capital expenditure commitments and will begin accumulating cash on its balance sheet. Additionally, Kungsleden carries no long-term debt.

Kungsleden expects to invest an additional approximately US\$750,000 to complete its new North Dakota facility during the first half of fiscal year 2024, which will be funded using existing balance sheet cash and/or cash generated by Kungsleden's three completed data centers in the intervening months. Kungsleden has not committed to any additional significant capital expenditures beyond the completion of the North Dakota facility, and management believes that Kungsleden's existing financial resources, combined with projected cash inflows from Kungsleden's data centers, will be sufficient to enable them to meet their operating and capital requirements for at least 12 months from the date hereof.

## Cash Flows

The following table summarizes our sources and uses of cash for the periods indicated:

(US\$)	Year ended December 31, 2023	May 11, 2022 (Inception) through December 31, 2022
Net cash provided by (used in) operating activities	\$798,905	\$956,287
Net cash provided by (used in) investing activities	(\$1,798,377)	(\$1,604,035)
Net cash provided by (used in) financing activities	\$873,859	\$865,745

Net increase (decrease) in cash and cash equivalents	(\$125,613)	\$217,998
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### *Operating Activities*

Net cash generated from operating activities decreased by US\$157,382 to US\$798,905 for the year ended December 31, 2023, compared to US\$956,287 for the year ended December 31, 2022. Net profit increased by US\$1,788,831 to US\$1,611,136 for the year ended December 31, 2023, compared to a net loss of US\$177,695 for the year ended December 31, 2022, primarily driven by the first full year of operations at Kungsleden's first data center in Harriman, TN, in addition to the completion of its second and third data centers in Franklin and Hopkinsville, KY, respectively, during the year. Deposits increased by US\$2,314,735 for the year ended December 31, 2023, compared to an increase of US\$500,000 for the year ended December 31, 2022, primarily due to additional deposits Kungsleden paid to utilities in connection with power purchase agreements for its Franklin and Hopkinsville data centers. Non-current liabilities increased by US\$1,437,932 for the year ended December 31, 2023, compared to an increase of US\$907,954 for the year ended December 31, 2022, primarily due to Kungsleden accepting security deposits from new hosting clients at its Franklin and Hopkinsville data centers.

### *Investing Activities*

Net cash used in investing activities increased by US\$194,342 to US\$1,798,377 for the year ended December 31, 2023, compared to net cash used in investing activities of US\$1,604,035 for the year ended December 31, 2022. This was primarily due to purchases of property, plant and equipment of US\$2,254,243 for the year ended December 31, 2023, compared to US\$1,604,286 for the year ended December 31, 2022, an increase of US\$649,957. This increased investment in property, plant and equipment was primarily driven by Kungsleden's construction of its Franklin and Hopkinsville data centers during the year ended December 31, 2023. The increase in purchases of property, plant and equipment was partially offset by proceeds from disposal of cryptocurrencies of US\$435,384 for the year ended December 31, 2023, compared to nil for the year ended December 31, 2022, an increase of US\$435,384.

### *Financing Activities*

Net cash generated by financing activities increased by US\$8,114 to US\$873,859 for the year ended December 31, 2023, compared to net cash generated by financing activities of US\$865,745 for the year ended December 31, 2022. This increase was primarily due to an increase in amounts due to related parties of US\$977,859 for the year ended December 31, 2023, compared to nil for the year ended December 31, 2022, an increase of US\$977,859. The increase in amounts due to related parties was primarily driven by additional borrowings Kungsleden used to fund the construction of its Franklin and Hopkinsville data centers during the year ended December 31, 2023. The increase in amounts due to related parties was partially offset by payments of lease liabilities of US\$105,000 for the year ended December 31, 2023, compared to nil for the year ended December 31, 2022, an increase of US\$105,000. The increase in payments of lease liabilities was due to new leases Kungsleden entered into in connection with the Franklin and Hopkinsville data centers it constructed during the year ended December 31, 2023.

## **RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors and officers of the Company, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the amount established and agreed to by the related parties.

	<b>2022 (Combined)</b>	<b>2023</b>
Interest Free Loan from ABG Energy, due on demand	\$ 865,745	\$ 1,843,604
<b>Total related party expenses</b>	<b>\$ 865,745</b>	<b>\$ 1,843,604</b>

## **FINANCIAL RISK MANAGEMENT**

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The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

### **Capital Management**

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to optimize financial flexibility, mitigate risks, and support strategic growth initiatives. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

## **ADDITIONAL INFORMATION**

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### **Off-Balance Sheet Arrangements**

As of December 31, 2023, there were no off-balance sheet arrangements.

### **Legal proceedings**

As at the current date management was not aware of any legal proceedings involving the Company.

### **Outstanding Share Data**

As of December 31, 2023, the Company had authorized a single class of 10,000,000 shares designated as "Common Stock" with a par value of \$0.0001 per share. Of the 10,000,000 shares authorized, 1,000,000 are fully paid, issued, and outstanding. Common Stock entitles the holder to participate in dividends and the proceeds of winding up the company in proportion to the number of shares held. Common Stock also entitles the holder to one vote for each share held.

### **Contingent liabilities**

The Company is not currently aware of any contingent liabilities.

Any forward-looking information in this MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing

budget priorities of the company, and other factors.

## **CAPITAL DISCLOSURE**

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The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to further its strategic plan. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended December 31, 2022 and the period ended December 31, 2023. The Company is not subject to externally imposed capital requirements.

## **ADDITIONAL RISK FACTORS**

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### **Limited Operating History**

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### **Speculative Nature of Investment Risk**

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

### **Liquidity and Future Financing Risk**

The Company 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 the Company 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 by issuance of additional shares of the Company from treasury, control may change and shareholders may suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition and results of operations.

### ***Risks Related to the Company's Business and Operations***

#### **We may be impacted by macroeconomic conditions due to global pandemics, epidemics or outbreaks of disease and the resulting global supply chain crisis.**

Global trade conditions and consumer trends that originated during the COVID-19 pandemic continue to persist and may also have long-lasting adverse impact on us and our industry. There are continued risks arising from new pandemics, epidemics or outbreaks of disease, and ongoing COVID-19 related issues which have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of new miners, as well as critical materials needed for our expansion plans. Further, miner manufacturers have been impacted by the constrained supply of the semiconductors used in the production of the highly specialized ASIC chips miners rely on, and increased labor costs to manufacture new miners as workforces and global supply chains continue to be affected by COVID-19 and may further be affected by global outbreaks of various epidemics or disease, ultimately leading to continually higher prices for new miners. Thus, until the global supply chain crisis is resolved, and these extraordinary pressures are alleviated, we expect to continue to incur higher than usual costs to obtain and deploy new miners and we may face difficulties obtaining the new miners we need at prices or in quantities we find acceptable, if at all, and our business and results of operations may suffer as a result.

In addition, labor shortages resulting from the pandemic may lead to increased difficulty and labor costs in hiring and retaining the highly qualified and motivated people we need to conduct our business and execute on our strategic growth initiatives. Sustaining our growth plans will require the ongoing readiness and solvency of our suppliers and vendors, a stable and motivated production workforce, and government cooperation, each of which may be affected by macroeconomic factors outside of our immediate control.

We cannot predict the duration or direction of current global trends or their sustained impact. Ultimately, we continue to monitor macroeconomic conditions to remain flexible and to optimize and evolve our business as appropriate, and we will have to accurately project demand and infrastructure requirements globally and deploy our workforce and capital resources accordingly. If we experience unfavorable global market conditions, or if we cannot or do not maintain operations at a scope that is commensurate with such conditions or are later required to or choose to suspend such operations again, our business, prospects, financial condition and operating results may be harmed.

**We expect the cost of acquiring new equipment to continue to be affected by the global supply chain crisis.**

Similarly, the global supply chain crisis, coupled with increased demand for computer chips, has created a shortfall of semiconductors, resulting in challenges for the supply chain and production of the miners the Company employs in its mining operations and the other infrastructure equipment needed to build out data centers. All of the equipment necessary for the build out of the Company's locations are highly specialized. As a result, the cost to produce this equipment has increased, and their manufacturers have passed on increased costs of production to purchasers. Therefore, until the global supply chain crisis is resolved, and these extraordinary pressures are alleviated, the Company may continue to incur higher than usual costs to obtain and deploy new equipment, which could adversely affect the Company's financial condition and results of operations.

**Expansion and Development of new locations potentially exposes the Company to additional risks.**

The Company is expanding and expects to continue to expand its number of locations, which potentially exposes the Company to significant risks it may otherwise not be exposed to, including risks related to, among other sources: construction delays; lack of availability of parts and/or labor, increased prices as a result, in part to inflation, and delays for data center equipment; labor disputes and work stoppages, including interruptions in work due to pandemics, epidemics, and other health risks; unanticipated environmental issues and geological problems; delays related to permitting and approvals to open from public agencies and utility companies; and delays in site readiness leading to the Company's failure to meet commitments made in connection with such expansion.

All construction related projects depend on the skill, experience, and attentiveness of the Company's personnel throughout the design and construction process. Should a designer, general contractor, significant subcontractor or key supplier experience financial problems or other problems during the design or construction process, the Company could experience significant delays, increased costs to complete the project and/or other negative impacts to the expected returns.

If we are unable to overcome these risks and additional pressures to complete our expansion projects in a timely manner, if at all, we may not realize their anticipated benefits, and our business and financial condition may suffer as a result.

**Reputational Risk and Negative Publicity**

The digital asset exchanges on which Bitcoin is traded are relatively new and largely unregulated. Many digital asset exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices, or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, such digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. Many digital asset markets, including the market for Bitcoin, have experienced increased price volatility. The Bitcoin ecosystem may continue to be negatively impacted and experience long term volatility if public confidence decreases.

These events are continuing to develop and it is not possible to predict, at this time, every risk that they may pose to the Company, our service providers, or the digital asset industry as a whole. A perceived lack of stability in the digital asset

exchange market and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in digital asset networks and result in greater volatility in cryptocurrency values. These potential consequences of a digital asset exchange's failure could adversely affect an investment in the Company.

Additionally, any negative publicity regarding the Company, its brands or the directors, officers or employees of the Company, or the performance of its products and services, will adversely affect the Company's ability to generate revenue.

**Bitcoin is subject to halving, and the Company's operations may generate less revenue as a result.**

Every four (4) years, the number of new Bitcoin awarded for solving a block is cut in half at mathematically predetermined intervals. While Bitcoin prices have historically increased around these events, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining rewards. If a corresponding and proportionate increase in the price of Bitcoin does not follow future halving events, the Company's ability to enter into profitable contracts with customers may decrease, which could have a material adverse effect on our results of operations and financial condition.

**Transaction fees may decrease demand for Bitcoin and prevent expansion.**

As the number of Bitcoin currency rewards awarded for solving a block in a blockchain has decreased, transaction fees have increasingly been used to incentivize miners to continue to contribute to the Bitcoin network. However, high Bitcoin transaction fees may slow the adoption of Bitcoin as a means of payment, which may decrease demand for Bitcoin and future prices of Bitcoin may suffer as a result. If Bitcoin prices are not sufficiently high, the Company's customer's revenue may not exceed the costs of their contract with the Company, and they may either seek to terminate or not renew their contracts. As a result, the Company's operations and financial condition may suffer. Further, because the price of shares of the Company's common stock may be loosely linked to the price of Bitcoin, if demand for Bitcoin decreases, causing future Bitcoin prices to decrease, the market price of the Company's securities may be materially and adversely affected, limiting the Company's ability to raise additional capital to fund its strategic growth plans.

**Potential redundancy**

Bitcoin is a form of technology and like all technology, may become redundant or obsolete with the introduction of new competing products and services. The use of bitcoin depends on public acceptance and confidence in the integrity of the technology. If public acceptance or confidence is lost for any reason, then the use of that technology may become redundant – which will result in the value of the Company's operations significantly reducing.

**Malicious Actors**

To the extent that malicious actors obtain a majority of the processing power on the bitcoin network, it could alter the source code and the technology on which bitcoin transactions rely upon. If this occurs on a significant scale, the integrity of and confidence in bitcoin would come into question and the exchange value of Bitcoin would fall significantly.

**Guarantee of Tender**

Bitcoin is not regulated or supported by any central exchange or a monetary authority and do not fall within the legal jurisdiction and jurisprudence of traditional currency and therefore do not constitute a legal tender or currency. There is a risk that changes in the terms of use of bitcoin, inconsistent application of such terms of use and the implementation of any policy by third parties aimed at regulating bitcoin may adversely affect the nature of bitcoin prices, the demand for bitcoin and the Company generally.

**Risks of long-term, fixed-price contracts.**

Long-term, fixed-price contracts may have a duration greater than twelve months that involve substantial risks, which may result in excess costs and penalties. These fulfillment risks include but are not limited to:

- unanticipated technical problems with equipment, requiring the Company to incur added expenses to remedy such



problems;

- changes in costs or shortages of components, materials, labor or construction equipment;
- recognition of revenues over the term of the contract;
- project modifications and changes to the scope of work resulting in unanticipated costs;
- delays caused by local weather or other conditions beyond the Company's control;
- changes in regulations, permits or government policy;
- the failure of suppliers, subcontractors or consortium partners to perform; and
- penalties, if the Company cannot complete all or portions of the project within contracted time limits and performance levels.

The Company's failure to mitigate these risks may result in excess costs and penalties and may have an adverse effect on its results of operations and financial condition.

#### **The Company's business could be harmed by prolonged power and internet outages, shortages, or capacity constraints.**

The Company's operations require a significant amount of electrical power and access to high-speed internet to be successful. If the Company is unable to secure sufficient electrical power, or if it loses internet access for a prolonged period, it may be required to reduce its operations or cease them altogether. If this occurs, the Company's business and results of operations may be materially and adversely affected.

#### **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 continue 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 the unavailability or increased cost of electrical power. If this were to occur, the business and results of operations could be materially and adversely affected.

#### **Risks of natural disasters and events outside of the Company's control.**

The Company may be impacted by natural disasters, wars, health epidemics, weather conditions, power outages or other events outside of its control. In the future, regulators or power providers may, under new or revised rules, require the Company to power down certain facilities during severe weather or natural disasters. If major disasters such as earthquakes, floods or other climate-related events occur, and the Company's locations or facilities are severely damaged, its information systems or communications could break down or operate improperly, which may interrupt the Company's operations. The Company may also incur expenses or delays relating to such events outside of its control, which may not be covered by insurance, and such events could have a material adverse impact on the Company's business, operating results and financial condition.

#### **Changing environmental regulation and public energy policy may expose the Company's business to new risks.**

The Company's operations require a substantial amount of power and can only be successful, and ultimately profitable, if the costs it incurs, including for electricity, are lower than the revenue it generates from operations. As a result, any location or facility established by the Company can only be successful if it can obtain sufficient electrical power for that facility on a cost-effective basis, and the Company's establishment of new facilities requires the Company to find locations where that is the case. The Company's current facilities are based upon an understanding of current environmental and energy regulations, policies, and initiatives enacted by federal and state regulators. If new regulations are imposed, or if existing regulations are modified, the assumptions the Company made underlying its plans and strategic initiatives may be inaccurate, and the Company may incur additional costs to adapt its planned business, if it is able to adapt at all, to such

regulations.

In addition, there continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty for the Company's business because the cryptocurrency mining industry, with its high energy demand, may become a target for future environmental and energy regulation. New legislation and increased regulation regarding climate change could impose significant costs on the Company and its suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Further, any future climate change regulations could also negatively impact the Company's ability to compete with companies situated in areas not subject to such limitations.

Given the political significance and uncertainty around the impact of climate change and how it should be addressed, and energy disclosure and use regulations, the Company cannot predict how legislation and regulation will affect its financial condition and results of operations in the future in the United States. Further, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change or energy use by the Company or other companies in its industry could harm the Company's reputation. Any of the foregoing could result in a material adverse effect on the Company's business and financial condition.

**The compliance costs of responding to new and changing regulations could adversely affect the Company's current and future operations.**

The Company (along with those from whom it purchases electricity) is subject to various federal, state, local, and international environmental laws and regulations, including those relating to the generation, storage, handling, and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. The Company's operations may involve the use of hazardous substances and materials, such as batteries, cleaning solutions, and other materials.

Electricity costs could also be affected due to existing or new regulations on greenhouse gas emissions, whether such regulations apply to all consumers of electricity or just to specified uses, such as Bitcoin mining. These regulations may be federal or state. There has been interest in the U.S. federal government and in certain state governments in addressing climate change, including through regulation of Bitcoin mining. Past policy proposals to address climate change include measures ranging from taxes on carbon use or generation to energy consumption disclosure regimes to federally imposed limits on greenhouse gas emissions or energy use restrictions specific to Bitcoin mining. Further, it is unclear how future legislation and regulation will affect the Company's current and future facilities. The course of future legislation and regulation in the United States and in the various states in which the Company operates remains difficult to predict, and potential increased costs associated with new legislation or regulation cannot be estimated at this time.

**Bitcoin and Bitcoin mining, as well as cryptocurrencies generally, may be made illegal in certain jurisdictions, which could adversely affect the business prospects and operations.**

It is possible that state or federal regulators may seek to impose harsh restrictions or total bans on cryptocurrency mining which may make it very difficult for the Company to do business without relocating our its operations or finding customers that are not Bitcoin miners, which could be very costly and time consuming. Further, although Bitcoin and Bitcoin mining, as well as cryptocurrencies generally, are largely unregulated in most countries (including the United States), regulators could undertake new or intensify regulatory actions that could severely restrict the right to mine, acquire, own, hold, sell, or use cryptocurrency or to exchange it for traditional fiat currency such as the United States Dollar. Such restrictions may adversely affect the Company as the large-scale use of cryptocurrencies as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on the Company, which could have a material adverse effect on the Company's business, prospects or operations and potentially the value of any Bitcoin or other cryptocurrencies the Company may acquire or hold for our own account, and thus harm investors.

**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 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 under U.S. generally accepted accounting principles ("GAAP"). 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.

#### **Competition with current and future competitors.**

The global multi-tenant data center market is highly fragmented. The Company competes with many firms which vary in terms of their data center offerings and the geographies in which they operate. The Company must continue to evolve its product strategy and be able to differentiate from those of our competitors.

Some of the Company's competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than the Company. As a result, the Company may suffer from pricing pressure that would adversely affect its ability to generate revenues. Some of these competitors may also provide the Company's target customers with additional benefits, and may do so in a manner that is more attractive to potential customers than obtaining space in the Company's facilities. Competitors could also operate more successfully or form alliances to acquire significant market share. Regional competitors may also consolidate to become a global competitor. Consolidation of the Company's customers and/or our competitors may present a risk to its business model and have a negative impact on its revenues.

Failure to compete successfully may materially adversely affect the Company's financial condition, cash flows and results of operations.

#### **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.

#### **Legal Proceedings Risk**

Legal proceedings may arise from time to time in the course of the business of the Company. As at the date of this Offer

Document, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

If any risks above occur, it may have a significant adverse impact on the Company, its operations and its ability to meet any forecast targets.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## DIRECTORS

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Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

## FOURTH QUARTER DISCUSSION

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During the fourth quarter of the financial year 2023, the Company maintained its existing 30 MW of data center capacity across the three data centers in Tennessee and Kentucky. The Company also began construction on the North Dakota facility which will consist of 60 MW of hosting capacity, of which the Company will own a 25% minority interest.

Below we present our operating results during the three months ended December 31, 2023, and the period from May 11, 2022 (Inception) through December 31, 2022:

### CONSOLIDATED AND COMBINED STATEMENTS OF PROFIT OR LOSS

		<b>For the Three Months Ended December 31, 2023</b>	<b>For the Period From May 11, 2022 (Inception) Through December 31, 2022</b>
	(\$US)		
Revenues		\$ 4,342,846	\$ 998,679
Cost of revenues		2,804,642	1,118,325

<b>Gross profit/(loss)</b>	1,538,204	(119,646)
Selling, general and administrative expenses	(101,804)	(14,567)
Depreciation expense	(349,255)	(42,957)
Impairment loss on cryptocurrencies	(7,696)	(776)
Realized gain on disposal of cryptocurrencies	74,334	-
<b>Profit/(loss) from operations</b>	1,153,783	(177,947)
Interest income	18,461	251
Interest expense	(26,250)	-
<b>Profit/(loss) before taxation</b>	1,145,994	(177,695)
Income taxes provision	-	-
<b>Profit/(Loss) for the year/period</b>	<u>\$ 1,145,994</u>	<u>\$ (177,695)</u>

### **Revenue**

Revenue for the three months ended December 31, 2023, was US\$4.3m compared to US\$1.0m during the period from May 11, 2022 through December 31, 2022, an increase in US\$4.3m. This increase was primarily due to the expansion of the Company's operations across two additional data centers in Kentucky providing a total of 20 MW of incremental bitcoin mining hosting capacity for the three months ended December 31, 2023 compared to the period from May 11, 2022 through December 31, 2022.

### **Cost of Revenues**

The cost of revenues during the three months ended December 31, 2023, was US\$2.8m compared to US\$1.1m during the period from May 11, 2022 through December 31, 2022, an increase of US\$1.7m. The increase was largely due to the expansion of the Company's energized hosted data center capacity, from 10 MW as of year end 2022 to 30 MW as of year end 2023. The primary cost of revenues for the Company is electricity used to power its data centers.

### **Selling, General, and Administrative Expenses**

Selling, general, and administrative expenses during the three months ended December 31, 2023, were US\$0.1m compared to US\$0.0m during the period from May 11, 2022 through December 31, 2022, an increase of \$0.7m. This increase was largely due to the expansion of the Company's operations.

### **Proposed Transactions**

On March 6, 2024, Kungsleden entered into a binding share exchange agreement (the "Share Exchange Agreement") providing for a merger with Cathedra Bitcoin Inc. ("Cathedra"), a publicly traded bitcoin mining company on the TSX Venture Exchange (the "TSX-V").

Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra (the "Transaction"). The Transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 77.5% of the equity of Cathedra as it exists on closing (the "Resulting Issuer") and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedra and Kungsleden. Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX-V.

Closing of the Transaction is expected occur in the second quarter of 2024 and is subject to certain conditions precedent, including, but not limited to: obtaining the required shareholder approvals; Cathedra having obtained the required exemption from, or waiver of, the TSX-V sponsorship requirements; obtaining any applicable regulatory approvals; TSX-V approval and any third-party consents required for the Transaction; and other customary conditions for transactions of this nature.

**SCHEDULE "G"**

**FINANCIAL STATEMENTS OF KUNGSLEDEN FOR THE THREE MONTHS ENDED MARCH 31, 2024.  
(UNAUDITED)**

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# **KUNGSLEDEN, INC.**

## **Consolidated Financial Statements**

**As of March 31, 2024 and December 31, 2023**

**and for the Three Months Ended March 31, 2024 and 2023**



<b>KUNGSLEDEN, INC. AND SUBSIDIARIES</b>				
<b>UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>				
		<b>NOTE</b>	<b>AS OF MARCH 31, 2024 USD (UNAUDITED)</b>	<b>AS OF DECEMBER 31, 2023 USD</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant, and equipment	5	\$	3,483,038	\$ 3,467,409
Deposits	2		2,814,735	2,814,735
Cryptocurrencies	6		23,530	40,849
Right-of-use assets	7		970,867	999,436
Interest in an associate	8		256,660	-
<b>Total non-current assets</b>			<b>7,548,830</b>	<b>7,322,429</b>
<b>Current assets</b>				
Cash and cash equivalents	2		270,609	92,385
Trade receivables	9		1,009,466	1,010,444
Prepayment and other current assets	10		225,000	329,999
<b>Total current assets</b>			<b>1,505,075</b>	<b>1,432,828</b>
<b>Total Assets</b>		<b>\$</b>	<b>9,053,905</b>	<b>\$ 8,755,257</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liabilities	7	\$	882,884	\$ 908,967
Other non-current liabilities	11		2,345,886	2,345,886
<b>Total non-current liabilities</b>			<b>3,228,770</b>	<b>3,254,853</b>
<b>Current liabilities:</b>				
Trade payables	2		1,592,107	1,275,455
Accrual and other payables			16,654	654
Amount due to related parties	12		642,575	1,843,604
Contract liabilities	2		276,075	240,863
Income tax payable	14		928,038	603,029
Lease liabilities	7		103,144	102,358
<b>Total current liabilities</b>			<b>3,558,593</b>	<b>4,065,963</b>
<b>Total Liabilities</b>		<b>\$</b>	<b>6,787,363</b>	<b>\$ 7,320,816</b>
<b>Net Assets</b>		<b>\$</b>	<b>2,266,542</b>	<b>\$ 1,434,441</b>
<b>CAPITAL AND RESERVES</b>				
Share capital	13	\$	1,000	\$ 1,000
Retained profits			2,265,542	1,433,441
<b>Total Equity</b>		<b>\$</b>	<b>2,266,542</b>	<b>\$ 1,434,441</b>

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

**KUNGSLEDEN, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	NOTE	FOR THE	FOR THE
		THREE MONTHS ENDED	THREE MONTHS ENDED
		MARCH 31, 2024	MARCH 31, 2023
		USD	USD
			(COMBINED)
<b>Revenues</b>		\$ 4,349,829	\$ 1,473,655
Cost of revenues		3,091,687	1,079,359
<b>Gross profit</b>		1,258,142	394,296
Selling, general and administrative expenses		(256,376)	(8,701)
Depreciation and amortization expense	5, 7	(143,678)	(55,311)
Impairment loss on cryptocurrencies	6	(144)	(21)
Realized gain on disposal of cryptocurrencies	6	4,666	38
<b>Profit from operations</b>		862,610	330,301
Interest income	15	543	231
Other income	15	300,000	-
Share of profit of an associate	8	1,660	-
Interest accretion on lease liabilities	7	(7,703)	(2,635)
<b>Profit before taxation</b>		1,157,110	327,897
Income taxes provision	14	(325,009)	-
<b>Profit for the period</b>	15	\$ 832,101	\$ 327,897
<b>Earnings per share</b>			
Basic and diluted	2	\$ 0.83	\$ 0.33
<b>Weighted average number of shares outstanding</b>			
Basic and diluted	2	1,000,000	1,000,000

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

<b>KUNGSLEDEN, INC. AND SUBSIDIARIES</b>			
<b>UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)</b>			
<b>FOR THE THREE MONTHS ENDED MARCH 31, 2024</b>			
	<b>Share</b>		
	<b>Capital</b>	<b>Retained Profits</b>	<b>Equity</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Balance as of December 31, 2023</b>	\$ 1,000	\$ 1,433,441	\$ 1,434,441
Profit for the period	-	832,101	832,101
<b>Balance as of March 31, 2024 (Unaudited)</b>	<b>\$ 1,000</b>	<b>\$ 2,265,542</b>	<b>\$ 2,266,542</b>
<b>FOR THE THREE MONTHS ENDED MARCH 31, 2023</b>			
	<b>Share</b>	<b>(Accumulated</b>	
	<b>Capital</b>	<b>Deficit)/</b>	<b>Equity/</b>
	<b>USD</b>	<b>Retained Profits</b>	<b>(Deficit)</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Balance as of December 31, 2022 (Combined)</b>	-	\$ (177,695)	\$ (177,695)
Profit for the period	-	327,897	327,897
<b>Balance as of March 31, 2023 (Unaudited)</b>	<b>-</b>	<b>\$ 150,202</b>	<b>\$ 150,202</b>

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

<b>KUNGSLEDEN, INC. AND SUBSIDIARIES</b>			
<b>UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
		<b>FOR THE</b>	<b>FOR THE</b>
		<b>THREE MONTHS ENDED</b>	<b>THREE MONTHS ENDED</b>
		<b>MARCH 31, 2024</b>	<b>MARCH 31, 2023</b>
		<b>USD</b>	<b>USD</b>
			<b>(COMBINED)</b>
<b>Operating Activities:</b>			
Profit for the period	\$	832,101	\$ 327,897
Adjustments for:			
Revenues recognized on acceptance of cryptocurrencies		(77,887)	(97,248)
Income tax expense		325,009	-
Depreciation		115,109	46,707
Amortization of right-of-use assets		28,569	8,604
Impairment loss on cryptocurrencies		144	21
Interest income		(543)	(231)
Interest accretion on lease liabilities		7,703	2,635
Gain on disposal of cryptocurrencies		(4,666)	(38)
Gain on disposal of an associate's interest		(300,000)	-
Share of losses of an associate		(1,660)	-
Operating cash flows before movements in working capital		923,879	288,347
<b>Movements in working capital:</b>			
Decrease/(Increase) in trade receivables		978	(322,796)
Decrease/(Increase) in prepayment and other current assets		104,999	(30,000)
Increase/(Decrease) in trade payables		316,652	(58,290)
Increase in accruals and other payables		16,000	-
Increase in contract liabilities		35,212	176,532
Cash Generated from Operating Activities		1,397,720	53,793
<b>Net Cash Generated from Operating Activities</b>		<b>1,397,720</b>	<b>53,793</b>
<b>Investing Activities:</b>			
Investment in an associate		(255,000)	-
Purchase of property, plant and equipment		(4,175)	(51,439)
Proceeds from disposal of cryptocurrencies		99,728	2,985
Interest received		543	231
<b>Net Cash Used in Investment Activities</b>		<b>(158,904)</b>	<b>(48,223)</b>
<b>Financing Activities:</b>			
(Decrease)/Increase in amount due to related parties		(1,027,593)	129,614
Payments of lease liabilities		(33,000)	(10,000)
<b>Net Cash Generated from Financing Activities</b>		<b>(1,060,593)</b>	<b>119,614</b>
<b>Net increase in cash &amp; cash equivalent</b>		<b>178,224</b>	<b>125,184</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>92,385</b>	<b>217,997</b>
<b>Cash, end of period</b>	<b>\$</b>	<b>270,609</b>	<b>\$ 343,181</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Unpaid purchase of equipment acquired through a related party	\$	126,564	\$ -

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

**KUNGSLEDEN, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — Organization and nature of business**

***General information***

Kungsleden, Inc. (“Kungsleden” or the “Company”) is a Delaware corporation incorporated on September 13, 2023. The Company is primarily engaged in the hosting services to digital asset mining customers (“Kungsleden Business”).

On November 15, 2023, Tirpitz Technology HoldCo LLC (“Tirpitz”) was formed in the State of Tennessee as a limited liability company, where the Company holds 100% of the member interest. On January 10, 2024, the Company sold 75% of its member interest to the other four members which resulted in de-consolidation of the Tirpitz.

***Reorganization***

Transformation from a Trust to a Corporation under common control

For the period from May 11, 2022 through December 31, 2022 and for the period from January 1, 2023 to September 12, 2023, the Kungsleden Business was operated through Poimen Trust (“Poimen”), a trust certified under the State of Tennessee, controlled by the shareholders of the Company, and its wholly subsidiary, Sentinel Technology, LLC (“Sentinel”), a limited liability company in the State of Delaware formed on May 11, 2022, which was acquired by Poimen under common control by the shareholders of the Company at its historical book value on August 12, 2022, the date on which Poimen was certified. The trustees and beneficiaries of Poimen also are the shareholders of the Company. The Company was created to transform the Kungsleden Business from a Trust to a Corporation through a reorganization under common control (“Transformation”). The Transformation resulted in the transfer of all assets and liabilities and contracts related to the Kungsleden Business at their historical book values from Poimen to the Company on September 13, 2023, the date on which the Company was incorporated.

***Recent development***

On March 6, 2024, Kungsleden entered into a share exchange agreement (the “Share Exchange Agreement”), providing for a merger with Cathedra Bitcoin Inc. (“Cathedra”). Pursuant to the Share Exchange Agreement, it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra. The transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 72.5% of the equity of Cathedra as it exists on closing, and Kungsleden will become a wholly owned subsidiary of the resulting issuer.

**Note 2 — Significant accounting policies**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ‘Interim Financial Reporting’ using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretation of the Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”), and on a basis consistent with the accounting policies disclosed in the Company’s audited financial statements for the year ended December 31 2023 and for the periods from May 11, 2022 (inception) through December 31, 2022.

Preparing combined financial statements of Kungsleden Business

Pursuant to the Reorganization discussed in Note 1, the Company prepared the combined financial statements to capture the Kungsleden Business, which has historically operated under Poimen prior to for the period from May 11 2022 through December 31, 2022 and for the period from January 1, 2023 to September 12, 2023. The term “combined financial statements” is used when referring to financial information prepared by aggregating financial statements of

separate entities or components of groups that fail to meet the definition of a “group” under IFRS 10 *Consolidated financial statement*. The combined financial statements are based on financial statements that were prepared using only historical information. A key assumption underlying the preparation of combined financial statements is that there is a binding element for the economic activities throughout the period presented. The combined financial statements of the Company have been prepared by aggregating the financial information of the Kungsleden Business that was bound together by common control but was not a legal group.

### Consolidation

Beginning on September 13, 2023, the date on which the Company was incorporated, the Company’s financial information is prepared on a consolidated basis, for which the consolidation policies are described below.

The Company’s consolidated financial statements reflected the operating activities from Tirpitz from November 15, 2023 through January 10, 2024 in accordance with International Financial Reporting Standards (“IFRS”) 10. Upon the Company losing operating control of Tirpitz on January 10, 2024 when the Company sold its 75% member interest to the other four members, the Company no longer consolidate Tirpitz’ Company’s financial information into its consolidated financial statements.

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between the Company and its subsidiaries are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

### ***Basis of Accounting***

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### ***Functional and Presentation Currency***

These consolidated financial statements are presented in U.S. dollars (“USD” or “US\$” or “\$”), which is the Company’s functional currency.

### ***Use of Estimates***

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of IFRSs that have significant effects on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

### ***Property, Plant, and Equipment, net***

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

Property, plant and equipment are recorded at purchase cost. Direct labor and other directly attributable costs incurred to construct new assets and upgrade existing assets are capitalized. Repairs and maintenance expenditures are

recognized in the consolidated statements of operations as incurred. Significant renewals and betterments are capitalized.

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

<b>Categories</b>	<b>Useful Life</b>
Equipment	5 years
Mining containers	5 years
Electrical infrastructure	10 – 12 years
Land	Infinite

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

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

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

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

### ***Deposits***

Deposit mainly consisted of the security deposits paid for electricity usage for its Cryptocurrency mining operations. As of March 31, 2024 and December 31, 2023, the Company had deposits balance of \$2,814,735, respectively. Two of the power contracts are for an initial term of 60 months until October 2027 and March 2028, respectively, and thereafter in 12 months increments until terminated by either party giving to the other 4 months' notice in writing. One of the power contracts is for a term of 72 months until July 2029 and thereafter in 12 months increments until terminated by either party giving to the other 4 months' notice in writing.

### ***Cryptocurrencies***

Cryptocurrencies are, by their nature, identifiable non-monetary assets that lack physical substance. Future economic benefits attributable to these cryptocurrencies are expected to flow to the Company because these cryptocurrencies can be exchanged for fiat currencies. Furthermore, the cost of the Company's cryptocurrencies can be measured using the quoted price of such cryptocurrencies at the time the fair value is being measured.

The Company accounts for the cryptocurrencies as intangible assets with indefinite useful lives in its consolidated statements of financial position because, at the time of assessment, there is no foreseeable limit to the period over which such assets are expected to generate cash flows.

The Company further adopts the cost model to account for cryptocurrencies and reviews their useful life and impairment at each reporting date in accordance with IAS 38 Intangible Assets. The Company accounts for cryptocurrencies at cost, instead of revaluing these cryptocurrencies at their fair value on each accounting reference date, because the latter model is subject to inherent and substantial volatility in the value of these cryptocurrencies from time to time. In addition, the Company believes that the cost model better reflects the Company's business model, as the Company is not engaged in the cryptocurrency trading business.

Gains or losses arising from the disposal of cryptocurrencies are determined as the difference between the net disposal proceeds and the carrying amount of the assets. The Company recognizes realized gains or losses on the date of the disposal using the first-in-first-out method of accounting.

The Company presents the revenue recognized on the acceptance of cryptocurrencies, which is a non-cash item, as an adjustment to remove the non-cash item for the cash flows from operating activities and the disposals of cryptocurrencies received in revenue arrangements are presented as cash flows from investing activities in the consolidated statements of cash flows.

### ***Leases***

The Company accounts for leases under IFRS 16 Leases. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments linked to the use of an underlying asset are excluded from the measurement of lease liabilities.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the unexpired term of the lease. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the Company's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### ***Investment in an associate***



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

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

The Company assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

### ***Cash and Cash Equivalents***

Cash and cash equivalents comprise cash in banks and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value and are within three months of maturity at acquisition. The Company had no cash equivalents as of March 31, 2024 and December 31, 2023.

### ***Trade Receivables***

Trade receivables are recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Trade receivables are stated at amortized cost, less a loss allowance based on lifetime expected credit losses at each reporting date.

### ***Prepayment and other current assets***

Prepaid expenses and other current assets primarily include prepaid expenses paid to service providers, and certain security deposits.

### ***Credit Losses and Impairment of Assets***

#### ***(i) Credit losses from financial instruments at amortized cost***

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets, such as trade receivable, which are measured at amortized cost;

#### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECL on this type of financial asset is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in the credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

#### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Company in full and without recourse. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past-due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss.

The Company recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### *Impairment and write-off policy*

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### **(ii) *Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- lease right-of-use assets;
- cryptocurrencies.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for cryptocurrencies, the recoverable amount is estimated at each reporting date whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

The recoverable amount of cryptocurrencies is based on the fair value less costs of disposal. The fair value of these cryptocurrencies is measured using the quoted price of these cryptocurrencies at the time the fair value is being measured.

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

### ***Trade Payables***

Trade payables are obligations to pay for goods and/or services that have been acquired from suppliers in the ordinary course of business.

### ***Advances from Customers***

Advances from customers represents amounts advanced by customers for hosting services. Advances from customers is reduced when the related revenue is recognized in accordance with the Company's revenue recognition policy.

### ***Revenue Recognition***

The Company's revenues are derived from the mine hosting services.

Revenue is recognized when control over goods or services is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled. Revenue excludes sales taxes and is after deduction of trade discount, if any

Revenue is recognized applying the following five steps:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract; and
- (v) Recognize revenue when (or as) the Company satisfies a performance obligation.

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

### **Hosting service**

The Company hosts and provides energized space and operating and maintenance services to third-party mining companies who locate their mining hardware at its data center. The Company accounts for these agreements as a single performance obligation for services being delivered in a series with delivery being measured by monthly hosting fees of the mining hardware. As such, the Company recognizes revenue over the life of the contract as its series of distinct services are performed over the term of the contracts with its customers. The Company does not have any significant warranty obligations. The Company has determined that the contracts do not contain a significant financing component

because the expected length of time between the transfer of services and receipt of consideration is less than one year, which are typically one month or less.

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

### Contract assets and liabilities

A contract asset is recognized when the Company recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional. As of March 31, 2024 and December 31, 2023, the Company did not have any contract assets.

A contract liability is recognized when the customer pays consideration for goods or services before the Company recognizes the related revenue. A contract liability would also be recognized if the Company has an unconditional right to receive non-refundable consideration before the Company recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. As of March 31, 2024 and December 31, 2023, the Company had contract liabilities, presented as advances from customers on the consolidated statements of financial position, of \$276,075 and \$240,863.

### ***Cost of Revenues***

Cost of revenue consists primarily of electricity used to host its data center.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses consist primarily of employee compensation, professional services fees, and other expenses for site management usage.

### ***Income Taxes***

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

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

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

Apart from the temporary differences arising from goodwill not deductible for tax purposes, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Deferred tax assets and liabilities are measured using enacted or substantively

enacted tax rates and tax laws at each reporting date which are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

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

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

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

### ***Related Party Transactions***

A party is considered to be related to the Company if:

- (a) The party is a person or a close member of that person's family and that person
  - i. has control or joint control over the Company;
  - ii. has significant influence over the Company; or
  - iii. is a member of the key management personnel of the Company or a parent of the Company;
- (b) The party is an entity when any of the following conditions applies:
  - i. the entity and the Company are members of the Company;
  - ii. one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - iii. the entity and the Company are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third party and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - vi. the entity is controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - viii. the entity, or any member of the Company of which it is a part, provides key management personnel services to the Company or the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

### ***Provisions***

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

### ***Earnings Per Share***

Basic earnings per share is computed by dividing the income attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is computed by dividing the income attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, after adjusting for the effects of the dilutive potential common stock. For the three months ended March 31, 2024 and 2023, there were no dilutive potential common stock. As a result, diluted earnings per share is the same as basic earnings per share for the period presented.

### ***Segment Information***

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to the transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance; and
- for which discrete financial information is available.

The chief operating decision maker makes resource allocation decisions based on internal management functions and assesses the Company's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

### ***Initial Application of New or Amended Standards During the Reporting Periods***

As from January 1, 2023, the Company adopted the following recently issued or amended standards. These new standards are not expected to have any significant impact on the Company's consolidated financial statements.

<b>Standard/Interpretation</b>	<b>Application Date of Standard</b>	<b>Application Date for the Company</b>
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IFRS 17, Insurance Contracts and Amendments to Address Concern and Implementation Challenges	January 1, 2023	January 1, 2023
Amendments to IFRS 4, Expiry Date of the Deferral Approach	January 1, 2023	January 1, 2023
Amendments to IAS 1, Making Materiality Judgment	January 1, 2023	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	January 1, 2023	January 1, 2023
Amendments to IAS 8, Definition of Accounting Estimates	January 1, 2023	January 1, 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	January 1, 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	January 1, 2024	January 1, 2024
Amendments to IAS 1, Classification of Debt with Covenants	January 1, 2024	January 1, 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	January 1, 2024	January 1, 2024
Amendments to IFRS 16, Lease Liability in a Sale-and Leaseback	January 1, 2024	January 1, 2024

### ***New Standards and Interpretations Not Yet Adopted***

Up to the issuance date of these financial statements, the IASB has issued the following amendments, which are not yet effective for the three months ended March 31, 2024 and 2023 and which have not been adopted in these financial statements.

<b>Standard/Interpretation</b>	<b>Application Date for the Company</b>
Amendments to IAS 21 – Lack of Exchangeability	January 1, 2025
IFRS 18, Presentation and Disclosures in Financial Statements	January 1, 2027
IFRS 19, Subsidiaries without Public Accountability	January 1, 2027
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Will be determined at a future date

### **Note 3 – Use of Judgments and Estimates**

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Depreciation of Property, Plant, and Equipment***

Depreciation on the Company’s property, plant and equipment is calculated using the straight-line method to allocate costs up to residual values over the estimated useful lives of the assets. The Company reviews the useful lives and residual values at least at each financial year-end and adjusted, if appropriate, to ensure that the method and rates of depreciation are consistent with the expected pattern of realization of economic benefits from the assets. The Company estimates the useful lives of assets based on historical experience, taking into account anticipated technological changes. If there are significant changes from previously estimated useful lives, the amount of depreciation expenses may change.

#### ***Cryptocurrency Accounting***

The cryptocurrency market is still a new market and is highly volatile and historical prices are not necessarily indicative of future value. A significant change in the market prices for cryptocurrencies would have a significant impact on the Company’s earnings and financial position.



If circumstances indicate that the carrying amount of cryptocurrencies may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognized in accordance with the accounting policy for impairment of cryptocurrencies as described in Note 2.

When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is based on the fair value less costs of disposal.

The fair value of the cryptocurrencies is measured at quoted price at the time the fair value of cryptocurrencies is being measured, which the Company considers to be predominantly a Level 1 fair value input under IFRS 13 Fair Value Measurement fair value hierarchy. Changes in these estimates could have a significant impact on the amount of the assets and could result in additional impairment charges or reversal of impairment and gain or loss from changes in fair value in future periods.

#### ***Fair Value of Financial Assets at Fair Value through Profit or Loss***

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The type and level of judgment required is dependent on the amount of observable market-based data available to the Company. For financial assets valued using valuation models and techniques that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In determining the estimate of fair value for an instrument within level 3, the management firstly determines the appropriate and reasonable valuation model and technique to use. Second, the lack of availability of market-based data requires management to assess relevant empirical data in deriving valuation inputs with significant judgements and assumption.

Estimation of unobservable market inputs or other factors can affect the amount of gain or loss recorded in the reporting period and the amount of the position as at year end. The Company believes the estimates applied to be based on reasonable assumptions, but which are inherently uncertain. As a result, actual results may differ from the assumptions and judgments used to determine fair value of the financial instruments acquired. Changes in these estimates and assumptions and valuation model or techniques may have a material effect on the Company’s financial condition and results of operations.

#### **Note 4 – Financial Risk Management and Fair Values of Financial Instruments**

##### ***Financial Risk Factors***

The Company is exposed to various market risks including cryptocurrency risk and interest rate risk, as well as credit risk, liquidity risk and concentration risk. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

(a) Market risk

i. Cryptocurrency risk

The Company is exposed to cryptocurrency risk as it yields cryptocurrencies from certain revenue arrangements. The Company recognizes revenue based on the spot fair value of cryptocurrencies on the day they are earned, but the value of the cryptocurrencies is subject to change on the date they are disposed of for fiat currency.

Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is highly correlated to the current and future market price of cryptocurrencies and a decline in the market prices for cryptocurrencies could negatively impact the Company’s future operations. In addition, the Company may not be able to liquidate its holdings of cryptocurrencies at its desired price if required, or, in extreme market conditions, the Company may not be able to liquidate its holdings of cryptocurrencies at all.

Cryptocurrencies have a limited history, and the fair value of cryptocurrencies has been very volatile. The historical performance of cryptocurrencies is not indicative of their future price performance. The cryptocurrencies involved in the Company's operation are currently primarily based on bitcoin. The Company currently does not use any derivative contracts to hedge its exposure to cryptocurrency risk, but management closely monitors the impact of the mainstream cryptocurrency exchange market on the change of exchange rates from cryptocurrency to fiat currency. The Company limits its exposure to the cryptocurrency risk by including in its operation strategy to dispose of the cryptocurrencies for fiat currency shortly after they are earned.

ii. Interest rate risk

The Company's interest rate risk is primarily attributable to bank deposits and borrowings. Bank deposits, and borrowings at variable rates and fixed rates expose the Company to cash flow interest rate risk and fair value interest rate risk respectively. Management closely monitors the fluctuation of such rates periodically.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises mainly from cash deposited in the banks and cryptocurrencies held in custody.

To manage risk arising from cash and cash equivalents, the Company only transacts with reputable financial institutions. There has been no recent history of default in relation to these financial institutions. As of March 31, 2024 and December 31, 2023, the Company did not have any balance maintained at banks in the United States subject to credit risk. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

For the three months ended March 31, 2024 and 2023, substantially all of the Company's cryptocurrencies are stored in self-custody wallets. To limit exposure to credit risk relating to cryptocurrencies under custody, the Company evaluates the system security design of the wallet service provider and regularly reviews the exposure of cryptocurrencies held in the self-custody wallet. The Company has further implemented internal controls to ensure the appropriate access to the cryptocurrencies under self-custody and adopted the operating strategy of disposing of the cryptocurrency for fiat currency shortly after they are earned.

However, bitcoin and other blockchain-based cryptocurrencies have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities. A successful security breach or cyberattack could result in a partial or total loss of the Company's cryptocurrencies and such a loss could have a material adverse effect on the Company's financial condition and results of operations.

(c) Liquidity risk

Liquidity risk arises in situations where the Company has difficulties in fulfilling financial liabilities when they become due.

Prudent liquidity risk management implies maintaining sufficient cash in order to meet the Company's financial obligations. The Company manages its liquidity risk by monitoring cash flow generated from operations and available borrowing capacity, and by managing the maturity profiles of its long-term loans.

(d) Concentration risk

Major customers

For the three months ended March 31, 2024, three customers accounted for approximately 35.2%, 32.9% and 11.2% of the Company's total revenues.

For the three months ended March 31, 2023, three customers accounted for approximately 34.2%, 29.9% and 11.4% of the Company's total revenues.

As of March 31, 2024, one customer account for approximately 100% of the total balance of accounts receivable, respectively.

As of December 31, 2023, one customer account for approximately 99.9% of the total balance of accounts receivable, respectively.

#### Major vendors

For the three months ended March 31, 2024, three vendors accounted for approximately 34.2%, 32.9% and 32.6% of the Company's total purchases.

For the three months ended March 31, 2023, one vendor accounted for 99.4% of the Company's total purchases.

As of March 31, 2024, two vendors accounted for approximately 54.5% and 37.5% of the total balance of accounts payable.

As of December 31, 2023, three vendors accounted for approximately 44.4%, 38.4% and 17.0% of the total balance of accounts payable.

#### ***Fair Value Measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuation: fair value measured using significant unobservable inputs.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As of March 31, 2024 and December 31, 2023, substantially all of the Company's financial assets and financial liabilities are carried at amortized costs and the carrying amounts approximate their fair values.

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial

instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

#### Note 5 — Property, plant and equipment, net

Property, plant and equipment consisted of the following as of March 31, 2024 and December 31, 2023:

	Equipment USD	Mining USD	Lease improvements (electrical infrastructure) USD	Land USD	Total USD
<b>COST</b>					
At January 1, 2023	\$ 326,000	\$ 150,000	\$ 1,024,961	\$ 103,325	\$ 1,604,286
Additions	450,000	220,000	1,584,243	-	2,254,243
At December 31, 2023	776,000	370,000	2,609,204	103,325	3,858,529
Additions	-	534,745	4,175	-	538,920
Disposal	-	-	(408,182)	-	(408,182)
At March 31, 2024	\$ 776,000	\$ 904,745	\$ 2,205,197	\$ 103,325	\$ 3,989,267
<b>DEPRECIATION</b>					
At January 1, 2023	\$ 13,583	\$ 7,500	\$ 21,874	-	\$ 42,957
Charge for the year	110,583	85,000	152,580	-	348,163
At December 31, 2023	124,166	92,500	174,454	-	391,120
Charge for the period	36,083	29,500	49,526	-	115,109
At March 31, 2024	\$ 160,249	\$ 122,000	\$ 223,980	-	\$ 506,229
<b>CARRYING AMOUNT</b>					
At March 31, 2024	\$ 615,751	\$ 782,745	\$ 1,981,217	\$ 103,325	\$ 3,483,038
At December 31, 2023	\$ 651,833	\$ 277,500	\$ 2,434,750	\$ 103,325	\$ 3,467,409

Depreciation expense for the three months ended March 31, 2024 and 2023 amounted to \$115,109 and \$46,707, respectively.

#### Note 6 — Cryptocurrencies

The following table presents additional information about the Company's cryptocurrencies holdings during the three months ended March 31, 2024 and the year ended December 31, 2023:

	<b>USD</b>
Beginning balance – January 1, 2023	\$ 11,164
Cryptocurrencies received as payment	397,654
Sale of cryptocurrencies	(361,050)
Impairment loss on cryptocurrencies	(6,919)
<b>Ending balance - December 31, 2023</b>	<b>\$ 40,849</b>
Cryptocurrencies received as payment	77,887
Sale of cryptocurrencies	(95,062)
Impairment loss on cryptocurrencies	(144)
<b>Ending balance - March 31, 2024 (Unaudited)</b>	<b>\$ 23,530</b>

Impairment loss on cryptocurrencies for the three months ended March 31, 2024 and 2023 amounted to \$144 and \$21, respectively.

Gain on disposal of cryptocurrencies for the three months ended March 31, 2024 and 2023 amounted to \$4,666 and \$38, respectively.

#### Note 7 — Leases

The Company occupies two mining datacenters under lease arrangements, which have an initial lease term of 6 years and 10 years. Lease contracts are typically made for fixed periods but may have extension options. The Company accounts for lease and non-lease components separately, where the non-lease component is charged to expenses as they incur. Any extension options in these leases have not been included in the lease liabilities unless the Company is reasonably certain to exercise the extension option. In addition, periods after termination options are only included in the lease term if the lease is reasonably certain not to be terminated. The Company does not have an option to purchase these leased assets at the expiration of the lease periods.

The consolidated statements of financial position show the following amounts relating to the right-of-use assets:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>USD</b>	<b>USD</b>
Right-of-use assets		
- <b>Buildings</b>	<b>\$ 970,867</b>	<b>\$ 999,436</b>

Amortization of right-of-use assets for the three months ended March 31, 2024 and 2023 amounted to \$28,569 and \$8,604, respectively.

The consolidated statements of financial position show the following amounts relating to the lease liabilities:

	<b>March 31, 2024</b>	<b>December 31, 2022</b>
	<b>USD</b>	<b>USD</b>
Total future minimum lease payments	\$ 1,157,000	\$ 1,157,000
Less: future finance charges	(170,972)	(145,675)
<b>Total lease liabilities</b>	<b>986,028</b>	<b>1,011,325</b>
Lease liabilities due for settlement within 12 months	(103,144)	(102,358)
Lease liabilities due for settlement over 12 months	<b>\$ 882,884</b>	<b>\$ 908,967</b>

Interest accretion on lease liabilities for the three months ended March 31, 2024 and 2023 amounted to \$7,703 and \$2,635, respectively.

The lease liabilities as of March 31, 2024 and December 31, 2023 bear weighted average incremental borrowing rate of 2.96% per annum.

**Note 8 — Interest in an associate**

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>USD</b>	<b>USD</b>
Cost of investments in an associate	\$ 255,000	\$ -
Share of post de-consolidation profit or loss, net dividend received	1,660	-
	<b>\$ 256,660</b>	<b>\$ -</b>

On January 10, 2024, the Company sold 75% of its member interest to the other four members which resulted in de-consolidation of the Tirpitz and Tirpitz became an associate of the Company.

Details of the associate as of March 31, 2024 are as follows:

Name of company	State of incorporation and operation	Proportion of ownership interest	Principal activity
Tirpitz Technology HoldCo LLC	Tennessee	25%	Hosting Services

Summarized financial information in respect of Tirpitz is set out below:

	<b>March 31, 2024</b>
	<b>USD</b>
Current assets	\$ 354,751
Non-current assets	\$ 3,698,561
Current liabilities	\$ -
Non- current liabilities	\$ 540,000

	<b>For period from January 10, 2024 to March 31, 2024</b>
	<b>USD</b>
Revenue	\$ -
Profit for the period	\$ 6,642
Dividends received from the associate during the period	\$ -

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

	<b>March 31,</b>
	<b>2024</b>
	<b>USD</b>
Net assets of Tirpitz	\$ 3,513,312
Capital contributed by other members of Tirpitz in excess of the Company's ownership portion	(2,486,672)
Adjusted net assets of Tirpitz	\$ 1,026,640
Proportion of the Company's ownership interest in Tirpitz	25%
<b>Carrying amount of the Company's interest in Tirpitz</b>	<b>\$ 256,660</b>

#### **Note 9 — Trade Receivables**

Trade receivables consist of the following as of March 31, 2024 and December 31, 2023:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>USD</b>	<b>USD</b>
Trade receivables	\$ 1,009,466	\$ 1,010,444
Less: Allowance for credit losses	-	-
<b>Trade receivables, net</b>	<b>\$ 1,009,466</b>	<b>\$ 1,010,444</b>

During the three months ended March 31, 2024 and 2023, no allowance for credit losses was recognized.

#### **Note 10 — Prepayment and Other Current Assets**

Prepayment and other current assets consist of the following as of March 31, 2024 and December 31, 2023:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>USD</b>	<b>USD</b>
Security deposits	\$ 40,000	\$ 40,000
Prepayment for services	185,000	289,999
<b>Total prepayment and other current assets</b>	<b>\$ 225,000</b>	<b>\$ 329,999</b>

#### **Note 11 — Other Non-current Liabilities**

As of March 31, 2024 and December 31, 2023, the Company's other non-current liabilities consisted entirely of security deposits from its miner customers, totaling \$2,345,886 and \$2,345,886, respectively. The security deposits were collected from customers in advance of start of the provision of hosting services. The Company may apply its customers' security deposits to any fees or expense reimbursement not paid by the customer by the required due date. Any remaining balance is refundable to the customer after contract termination and removal of all customer equipment from the Company's data center.

#### **Note 12 — Related Party Transactions**

*Amount due to related parties*

Name of Related Party	Relationship	Nature	March 31, 2024 USD	December 31, 2023 USD
ABG Energy	The shareholders of this entity is also the Company's trustee	Interest-free loan, due on demand	\$ 642,575	\$ 1,843,604
Total			<u>\$ 642,575</u>	<u>\$ 1,843,604</u>

### Note 13 – Shareholders’ Deficit

#### *Share Capital*

The Corporation is authorized to issue 10,000,000 shares of capital stock in the aggregate. The capital stock of the Corporation shall consist of a single class, designated Common Stock, with a par value of \$0.0001 per share.

### Note 14 – Income Tax

The provisions for income taxes for the three months ended March 31, 2024 and 2023 are summarized as follows:

	For the Three Months Ended March 31,	
	2024 USD	2023 USD
Current income tax expenses	\$ 325,009	\$ -
Deferred income tax (benefit) expense	-	-
<b>Total provision for income taxes</b>	<b><u>\$ 325,009</u></b>	<b><u>\$ -</u></b>

The reconciliation between the income tax expenses calculated by applying the applicable federal tax rate of 21%, and weighted average of state tax rate from Delaware tax rate of 8.7%, Tennessee tax rate of 6.5%, Kentucky tax rate of 5.0% and North Dakota tax rate of 4.31%, to the profit (loss) before income tax and the income tax expenses as shown in the statements of profit or loss for the three months ended March 31, 2024 and 2023 is as follows:

	For the Three Months Ended March 31,	
	2024	2023*
Statutory federal income tax rate	21.0%	-%
Statutory state income tax rate	5.6%	-%
Change in valuation allowance	0.0%	-%
Permanent difference	1.5%	-%
<b>Effective tax rate</b>	<b><u>28.1%</u></b>	<b><u>-%</u></b>

\*Prior to the reorganization on September 12, 2023, earnings and losses are included in the personal income tax return of the Company’s shareholders. As a result, the Company does not incur any income tax obligation and the financial statements do not include a provision for income taxes for the three months ended March 31, 2023.

Deferred tax assets as of March 31, 2024 and December 31, 2023 comprise the following:



	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>USD</b>	<b>USD</b>
Deferred tax assets		
Net operating loss	\$ -	\$ 91,631
Less: valuation allowance	-	(91,631)
<b>Deferred tax assets, net</b>	<b>\$ -</b>	<b>\$ -</b>

#### **Note 15 -Profit for the Period**

Profit for the period has been arrived at after charging:

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD</b>	<b>USD</b>
Depreciation		
- Property, plant and equipment (note 5)	\$ 115,109	\$ 46,707
Amortization		
- Right-of-use assets (note 7)	\$ 28,569	\$ 8,604
Interest		
- Bank interest income	\$ 543	\$ 231
Other income		
- Gain on disposal of an associate's shares	\$ 300,000	\$ -
Staff costs		
- Salaries and benefits	\$ 7,600	\$ 6,000

#### **Note 16 -Subsequent Events**

The Company evaluates all subsequent events that occurred after March 31 2024 up through the date that Company filed these financial statements on May 21, 2024 and the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidate financial statements.

## **SCHEDULE "H"**

**MD&A OF KUNGSLEDEN FOR THE THREE MONTHS ENDED MARCH 31, 2024.**

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**KUNGSLEDEN, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THREE MONTHS ENDED MARCH 31, 2024**

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**OVERVIEW**

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The following management’s discussion and analysis of results of operations and financial condition (“MDA”) should be read in conjunction with the unaudited consolidated financial statements as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023 and the notes thereto of Kungsleden, Inc. (“the Company” or “Kungsleden”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Certain amounts shown in this MDA may not add exactly to total amounts due to rounding differences. Throughout this MDA, the terms first quarter, second quarter, third quarter, fourth quarter and year to date are respectively used interchangeably with the terms Q1, Q2, Q3, Q4 and YTD. All amounts are stated in Canadian dollars unless otherwise indicated.

All information contained in the MDA is current and has been approved by the board of directors of the Company as of May 26, 2024.

The head office, the principal address, and the registered and records office of the Company are located at 1824 Roane State Hwy, Unit #197, Harriman, TN 37748.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or by requesting further information from the Company’s head office in Harriman, TN.

**DESCRIPTION OF BUSINESS**

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Kungsleden, Inc. (the “Company” or “Kungsleden”) is a privately held developer and operator of alternative high-density compute infrastructure. Incorporated in Delaware in 2023 and headquartered in Tennessee, Kungsleden owns and operates 45 MW of bitcoin mining hosting capacity across four data centers in three US states, including a 25% minority interest and operational control in a 60-MW North Dakota hosting facility currently under development. Of the other three data centers owned and operated by Kungsleden, two are located in Kentucky and one in Tennessee, each capable of providing 10 MW of bitcoin mining hosting capacity. Each of Kungsleden’s data centers is subject to existing power contracts with utilities and/or power generation facilities and hosting agreements with bitcoin mining clients.

The Company hosts and provides energized space and operating and maintenance services to third-party bitcoin mining companies who locate their mining hardware at its data center. The Company accounts for these agreements as a single performance obligation for services being delivered in a series with delivery being measured by monthly hosting fees of the mining hardware. The Company does not have any significant warranty obligations.

For certain contracts, the Company may also be entitled to a monthly noncash profit-sharing fee, which is primarily based on the actual number of bitcoins mined by the customer’s hosted mining equipment during the month. The noncash consideration is paid in bitcoin. This amount is recognized in revenue as services are performed. Changes in fair value of the noncash consideration related for reasons other than changes in form are recognized at the end of each month as the related uncertainty is resolved and amount becomes known.

Currently, the Company’s sole business unit is providing said hosting services for bitcoin mining companies, but the Company may provide similar hosting services to customers running other types of computing hardware in the future, such as those used to develop and operate artificial intelligence solutions.

As provided in its consolidated financial statements as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023, Kungsleden recorded revenues of US\$4.3 million and a net profit of US\$0.8 million for the quarter ended March 31, 2024. As at March 31, 2024, Kungsleden had total assets of US\$9.1 million, total liabilities of US\$6.8 million, and shareholders' equity of US\$2.3 million.

## RESULTS OF OPERATIONS

In May 2022, Kungsleden's predecessor entities began operations and started construction on their first bitcoin mining data center in Harriman, Tennessee. As at December 31, 2022, Kungsleden had completed construction of the 10-MW Harriman data center and had begun hosting bitcoin mining clients on-site. During the year ended December 31, 2023, Kungsleden began and completed construction of its second and third 10-MW data centers located in Franklin, Kentucky, and Hopkinsville, Kentucky, respectively. As at March 31, 2024, all three Kungsleden data centers were completed and fully operational, delivering approximately 30 MW of total power capacity to hosted bitcoin mining clients, while the Company was simultaneously constructing a fourth data center in North Dakota. The North Dakota data center, which the Company will retain an ownership share of 25%, will deliver 60 MW of total power capacity to hosted bitcoin mining clients. As at May 25, 2024, the first phase of the North Dakota data center (10 MW) was operational.

The following tables present information about our data center operations as at May 25, 2024, including details pertaining to our various sites:

Site Name	Managed Capacity (MW)	Kungsleden Ownership (%)	Effective Owned Capacity (MW)	Estimated Client Hardware Units	Site Activation Date
Tennessee	10	100%	10	3,000	October 2022
Kentucky A	10	100%	10	3,052	April 2023
Kentucky B	10	100%	10	3,052	July 2023
North Dakota <sup>1</sup>	60	25%	15	17,000	March 2024
<b>Total</b>	<b>90</b>		<b>45</b>	<b>26,104</b>	

<sup>1</sup> The North Dakota site is currently under construction. The first 10 MW of capacity was energized in March 2024, with the remaining 50 MW of capacity expected to be completed in June 2024. The figures in the above table for Managed Capacity (MW), Effective Owned Capacity (MW), and Client Hardware Units are estimates as of site completion.

The following table highlights our quarterly results for the 6 most recently completed quarters:

For the three months ended (all figures US\$)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	Period from May 11, 2022 (inception) Through December 31, 2022
Revenue	\$4,349,829	\$4,323,041	\$3,983,599	\$1,514,885	\$1,473,655	\$998,679
Net Income / Loss	832,101	606,737	861,724	(62,564)	327,897	(177,695)
Earnings/(Loss) per share	\$0.83	\$0.61	\$0.86	(\$0.06)	\$0.33	(\$0.18)

Below we present our operating results during the 3 months ended March 31, 2024 and 2023:

### Consolidated Statements of Profit or Loss

(All figures \$US)	For the Three Months Ended March 31, 2024		For the Three Months Ended March 31, 2023	
<b>Revenues</b>	\$	4,349,829	\$	1,473,655
Cost of revenues		3,091,687		1,079,359
<b>Gross profit/(loss)</b>		1,258,142		394,296
Selling, general and administrative expenses		(256,376)		(8,701)
Depreciation expense		(143,678)		(55,311)
Impairment loss on cryptocurrencies		(144)		(21)
Realized gain on disposal of cryptocurrencies		4,666		38
<b>Profit/(loss) from operations</b>		862,610		(330,301)
Interest income		543		231
Other income		301,660		-
Interest expense		(7,703)		(2,635)
<b>Profit/(loss) before taxation</b>		1,157,110		327,897
Income taxes provision		(325,009)		-
<b>Profit/(Loss) for the year/period</b>	<b>\$</b>	<b>832,101</b>	<b>\$</b>	<b>327,897</b>

### **Revenue**

In the quarter ended March 31, 2024, the Company earned US\$4.3m in revenue from mine hosting services, compared to US\$1.5m for the quarter ended March 31, 2023. This increase was primarily due to the expansion of the Company's operations across two additional data centers in Kentucky providing a total of 20 MW of incremental bitcoin mining hosting capacity over the course of 2023, which continued into the first quarter of 2024. This growth in operations was in line with broader industry growth, as evidenced by the bitcoin network hash rate roughly doubling from 274 EH/s as of December 31, 2022 to 558 EH/s as of December 31, 2023 (data according to Coin Metrics). Network hash rate measures the computational power of bitcoin miners participating in the bitcoin network and is measured in hashes per second ("H/s") or exahashes per second ("EH/s") as the case may be. This growth in network hash rate was itself supported by an increase in bitcoin price from approximately US\$16,524 as of December 31, 2022 to US\$42,217 as of December 31, 2023 (data according to Coin Metrics). The growth of both network hash rate and bitcoin price continued in the first quarter of 2024, with network hash rate amounting to 566 EH/s as of March 31, 2024, while bitcoin price had also increased to US\$71,227 (data according to Coin Metrics). The net effect of both increases was an improvement in economics for bitcoin mining, which resulted in a higher demand for mine hosting services.

### **Cost of Revenues**

The cost of revenues during the three months ended March 31, 2024, was US\$3.1m compared to US\$1.1m for the quarter ended March 31, 2023, an increase of US\$2.0m. The increase was largely due to the expansion of the Company's energized hosted data center capacity, from 10 MW during quarter ended March 31, 2023 to 30 MW during quarter ended March 31, 2024. The primary cost of revenues for the Company is electricity used to power its data centers. These costs are pursuant to

power purchase agreements (“PPAs”) that offer stable power pricing over multi-year periods. As such, they are largely unaffected by industry and economic factors, except for a portion of the power price which can fluctuate with natural gas prices.

### ***Selling, General, and Administrative Expenses***

Selling, general, and administrative expenses during the three months ended March 31, 2024, were US\$0.3m compared to US\$0.0m during the three months ended March 31, 2023, an increase of US\$0.2m. This increase was largely due to non-recurring expenses associated with the proposed merger with Cathedra Bitcoin, Inc. (discussed below in “Proposed Transactions”), such as audit and accounting fees, though the Company’s expanded operations also played a role.

### **SELECTED ANNUAL INFORMATION**

The following is a summary of selected annual information compiled from the financial statements ending December 31, 2023:

(US\$)	Year ended December 31, 2023	May 11, 2022 (Inception) through December 31, 2022
Total revenue	\$11,303,301	\$998,679
Profit/(loss) from continuing operations	\$2,219,933	(\$177,947)
Net profit/(loss)	\$1,611,136	(\$177,695)
Total Assets	\$8,755,257	\$2,385,783
Total non-current financing liabilities	Nil	Nil
Distributions or cash dividends declared per-share for each class of share	Nil	Nil
Net Income/(Loss) Per Share	\$1.61	(\$0.18)

In May 2022, Kungsleden’s predecessor entities began operations and started construction on their first bitcoin mining data center in Harriman, Tennessee. As at December 31, 2022, Kungsleden had completed construction of the 10-MW Harriman data center and had begun hosting bitcoin mining clients on-site. During the year ended December 31, 2023, Kungsleden began and completed construction of its second and third 10-MW data centers located in Franklin, Kentucky, and Hopkinsville, Kentucky, respectively. As at December 31, 2023, all three Kungsleden data centers were completed and fully operational, delivering approximately 30 MW of total power capacity to hosted bitcoin mining clients.

On September 13, 2023, Kungsleden acquired a 100% interest in the following subsidiaries:

1. Sentinel Technology, LLC, existing under the laws of the state of Delaware;
2. North Campbell HoldCo, LLC, existing under the laws of the state of Tennessee;
3. Churchill Technologies LLC, existing under the laws of the state of Tennessee;
4. Two Keys Technologies, LLC, existing under the laws of the state of Tennessee; and
5. Smithville HoldCo LLC, existing under the laws of the state of Tennessee.

### **SUMMARY OF QUARTERLY FINANCIAL RESULTS**

The following is a summary of selected financial information compiled from the quarterly interim financial statements ending March 31, 2024:

(US\$)	Total Revenue	Net Income/(Loss)	Net Income/(Loss) Per Share
<b>May 11, 2022 (Inception) through December 31, 2022</b>	\$998,679	(\$177,695)	(\$0.18)
<b>Q1 2023</b>	\$1,481,776	\$205,239	\$0.21
<b>Q2 2023</b>	\$1,514,884	(\$62,564)	(\$0.06)
<b>Q3 2023</b>	\$3,983,599	\$861,724	\$0.86
<b>Q4 2023</b>	\$4,323,041	\$606,737	\$0.61
<b>Q1 2024</b>	\$4,349,829	\$832,101	\$0.83

The Company's operations began on May 11, 2022 and therefore does not have eight quarters of financial results.

### Discussion

Since Inception in May 2022, the Company has expanded its operating footprint to four data centers in Tennessee, Kentucky, and North Dakota. Over that time period, total quarterly revenue has increased from US\$1.0m in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$4.3m in the quarter ended March 31, 2024. Since the Company's primary business model consists of developing data centers and charging hosting customers a mark up on the cost of electricity, the Company's cost of revenues increases linearly with revenue. Operating expenses have also increased while the Company's operations have grown, but the correlation is less direct. As a result, the Company has improved earnings from a loss of US\$0.2m in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$0.8m in the quarter ended March 31, 2024. The Company has had 1,000,000 shares outstanding since inception, resulting in an increase in earnings per share from a loss of US\$0.18 per share in the period from May 11, 2022 (Inception) through December 31, 2022 to US\$0.83 per share in the quarter ended March 31, 2024.

### LIQUIDITY AND CAPITAL RESOURCES

Kungsleden generated a net profit of US\$832,101 and cash flows from operations of US\$1,397,720 for the quarter ended March 31, 2024. As at March 31, 2024, Kungsleden had cash and cash equivalents of US\$270,609, cryptocurrencies with a fair value of US\$23,530, total equity of US\$2,266,542, and retained profits of US\$2,265,542. To date, Kungsleden has relied in part on borrowings from related parties, as well as cash flows provided by its data centers, to fund its operations and growth. During the quarter ended March 31, 2024, Kungsleden purchased US\$ 538,920 worth of property, plant and equipment primarily in connection with the development of its partially-owned North Dakota data center, and had US\$3,483,038 of property, plant and equipment on its balance sheet as at March 31, 2024. During the quarter ended March 31, 2024, Kungsleden paid no deposits, and had US\$2,814,735 of deposits its balance sheet as at March 31, 2024. During the quarter ended March 31, 2024, Kungsleden also accepted no new security deposits from hosting clients, and had US\$2,345,886 of associated non-current liabilities on its balance sheet as at March 31, 2024.

Kungsleden produced net profits and positive cash flows from operations during the quarter ended March 31, 2024, and management expects profitability and liquidity to increase with the completion of Kungsleden's new facility in North Dakota. As at March 31, 2024, Kungsleden had a working capital deficit of US\$2,053,518, with total current assets of US\$1,505,075, consisting primarily of cash (US\$270,609), trade receivables (US\$1,009,466), and prepayment and other current assets (US\$225,000), to settle current liabilities of US\$3,558,593, consisting primarily of trade payables (US\$1,592,107), income tax payable (US\$928,038), and amounts due to related parties (US\$642,575). Management expects Kungsleden's working capital and liquidity position will improve considerably with the completion of the North Dakota facility, after which Kungsleden has no additional capital expenditure commitments and will begin accumulating cash on its balance sheet. Additionally, Kungsleden carries no long-term debt.

Kungsleden expects to invest an additional approximately US\$750,000 to complete its new North Dakota facility during the first half of fiscal year 2024, which will be funded using existing balance sheet cash and/or cash generated by Kungsleden's three completed data centers in the intervening months. Kungsleden has not committed to any additional significant capital expenditures beyond the completion of the North Dakota facility, and management believes that Kungsleden's existing financial resources, combined with projected cash inflows from Kungsleden's data centers, will be sufficient to enable them to meet their operating and capital requirements for at least 12 months from the date hereof.

### **Cash Flows**

The following table summarizes our sources and uses of cash for the periods indicated:

<b>(US\$)</b>	<b>Quarter ended March 31, 2024</b>	<b>Quarter ended March 31, 2023</b>
Net cash provided by (used in) operating activities	\$1,397,720	\$53,793
Net cash provided by (used in) investing activities	(\$158,904)	(\$48,223)
Net cash provided by (used in) financing activities	(\$1,060,593)	\$119,614
Net increase (decrease) in cash and cash equivalents	\$178,224	\$125,184

### *Operating Activities*

Net cash generated from operating activities increased by US\$1,343,927 to US\$1,397,720 for the quarter ended March 31, 2024, compared to US\$53,793 for the quarter ended March 31, 2023. Net profit increased by US\$504,204 to US\$832,101 for the year ended March 31, 2024, compared to a net profit of US\$327,897 for the quarter ended March 31, 2023, primarily driven by the incremental operations of Kungsleden's second and third data centers in Franklin and Hopkinsville, KY, respectively, which were not completed until after Q1 2023. Deposits were unchanged from December 31, 2023 to March 31, 2024, remaining at US\$2,814,735. Non-current liabilities decreased by US\$26,083 to US\$3,228,770 as of March 31, 2024, compared to US\$3,254,853 as of December 31, 2023, due to a modest decrease in lease liabilities.

### *Investing Activities*

Net cash used in investing activities increased by US\$110,681 to US\$158,904 for the quarter ended March 31, 2024, compared to net cash used in investing activities of US\$48,223 for the quarter ended March 31, 2023. This was primarily due to an investment in an associate of US\$255,000 which is related to the joint venture associated with the North Dakota data center. The investment in an associate was partially offset by proceeds from disposal of cryptocurrencies of US\$99,728 for the quarter ended March 31, 2024, compared to US\$2,985 for the quarter ended March 31, 2023, an increase of US\$96,743.

### *Financing Activities*

Net cash generated by financing activities decreased by US\$1,180,207 to a use of \$1,060,593 for the quarter ended March 31, 2024, compared to net cash generated by financing activities of US\$119,614 for the quarter ended March 31, 2023. This decrease was primarily due to a decrease in amounts due to related parties of US\$1,027,593 for the quarter ended March 31, 2024, compared to an increase of US\$129,614 for the year ended December 31, 2022, a decrease of US\$1,157,207. The decrease in amounts due to related parties was primarily driven by paying off borrowings Kungsleden used to fund the construction of its Franklin and Hopkinsville data centers. There was also an increase in payments of lease liabilities of US\$33,000 for the quarter ended March 31, 2024, compared to US\$10,000 for the quarter ended March 31, 2023, an increase of US\$23,000. The increase in payments of lease liabilities was due to the incremental leases at the Franklin and Hopkinsville data centers, which were energized after the end of the quarter of March 31, 2023.



## RELATED PARTY TRANSACTIONS

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Related parties include the Board of Directors and officers of the Company, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the amount established and agreed to by the related parties.

	December 31, 2023	March 31, 2024
Interest Free Loan from ABG Energy, due on demand	\$ 1,843,604	\$ 642,575
<b>Total related party expenses</b>	<b>\$ 1,843,604</b>	<b>\$ 642,575</b>

## FINANCIAL RISK MANAGEMENT

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The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

### **Capital Management**

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to optimize financial flexibility, mitigate risks, and support strategic growth initiatives. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

## ADDITIONAL INFORMATION

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### **Off-Balance Sheet Arrangements**

As of March 31, 2024, there were no off-balance sheet arrangements.

### **Legal proceedings**

As at the current date management was not aware of any legal proceedings involving the Company.

### **Outstanding Share Data**

As of March 31, 2024, the Company had authorized a single class of 10,000,000 shares designated as “Common Stock” with a par value of \$0.0001 per share. Of the 10,000,000 shares authorized, 1,000,000 are fully paid, issued, and outstanding. Common Stock entitles the holder to participate in dividends and the proceeds of winding up the company in proportion to the number of shares held. Common Stock also entitles the holder to one vote for each share held.

### **Contingent liabilities**

The Company is not currently aware of any contingent liabilities.

Any forward-looking information in this MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company’s operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company, and other factors.

## **CAPITAL DISCLOSURE**

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The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to further its strategic plan. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company’s approach to capital management during the quarter ended March 31, 2023 and the quarter ended March 31, 2024. The Company is not subject to externally imposed capital requirements.

## **ADDITIONAL RISK FACTORS**

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### **Limited Operating History**

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### **Speculative Nature of Investment Risk**

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

### **Liquidity and Future Financing Risk**

The Company 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 the Company 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 by issuance of additional shares of the Company from treasury, control may change and shareholders may suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company’s financial condition and results of operations.

### ***Risks Related to the Company's Business and Operations***

**We may be impacted by macroeconomic conditions due to global pandemics, epidemics or outbreaks of disease and the resulting global supply chain crisis.**

Global trade conditions and consumer trends that originated during the COVID-19 pandemic continue to persist and may also have long-lasting adverse impact on us and our industry. There are continued risks arising from new pandemics, epidemics or outbreaks of disease, and ongoing COVID-19 related issues which have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of new miners, as well as critical materials needed for our expansion plans. Further, miner manufacturers have been impacted by the constrained supply of the semiconductors used in the production of the highly specialized ASIC chips miners rely on, and increased labor costs to manufacture new miners as workforces and global supply chains continue to be affected by COVID-19 and may further be affected by global outbreaks of various epidemics or disease, ultimately leading to continually higher prices for new miners. Thus, until the global supply chain crisis is resolved, and these extraordinary pressures are alleviated, we expect to continue to incur higher than usual costs to obtain and deploy new miners and we may face difficulties obtaining the new miners we need at prices or in quantities we find acceptable, if at all, and our business and results of operations may suffer as a result.

In addition, labor shortages resulting from the pandemic may lead to increased difficulty and labor costs in hiring and retaining the highly qualified and motivated people we need to conduct our business and execute on our strategic growth initiatives. Sustaining our growth plans will require the ongoing readiness and solvency of our suppliers and vendors, a stable and motivated production workforce, and government cooperation, each of which may be affected by macroeconomic factors outside of our immediate control.

We cannot predict the duration or direction of current global trends or their sustained impact. Ultimately, we continue to monitor macroeconomic conditions to remain flexible and to optimize and evolve our business as appropriate, and we will have to accurately project demand and infrastructure requirements globally and deploy our workforce and capital resources accordingly. If we experience unfavorable global market conditions, or if we cannot or do not maintain operations at a scope that is commensurate with such conditions or are later required to or choose to suspend such operations again, our business, prospects, financial condition and operating results may be harmed.

**We expect the cost of acquiring new equipment to continue to be affected by the global supply chain crisis.**

Similarly, the global supply chain crisis, coupled with increased demand for computer chips, has created a shortfall of semiconductors, resulting in challenges for the supply chain and production of the miners the Company employs in its mining operations and the other infrastructure equipment needed to build out data centers. All of the equipment necessary for the build out of the Company's locations are highly specialized. As a result, the cost to produce this equipment has increased, and their manufacturers have passed on increased costs of production to purchasers. Therefore, until the global supply chain crisis is resolved, and these extraordinary pressures are alleviated, the Company may continue to incur higher than usual costs to obtain and deploy new equipment, which could adversely affect the Company's financial condition and results of operations.

**Expansion and Development of new locations potentially exposes the Company to additional risks.**

The Company is expanding and expects to continue to expand its number of locations, which potentially exposes the Company to significant risks it may otherwise not be exposed to, including risks related to, among other sources: construction delays; lack of availability of parts and/or labor, increased prices as a result, in part to inflation, and delays for data center equipment; labor disputes and work stoppages, including interruptions in work due to pandemics, epidemics, and other health risks; unanticipated environmental issues and geological problems; delays related to permitting and approvals to open from public agencies and utility companies; and delays in site readiness leading to the Company's failure to meet commitments made in connection with such expansion.

All construction related projects depend on the skill, experience, and attentiveness of the Company's personnel throughout the design and construction process. Should a designer, general contractor, significant subcontractor or key supplier experience financial problems or other problems during the design or construction process, the Company could experience significant delays, increased costs to complete the project and/or other negative impacts to the expected returns.

If we are unable to overcome these risks and additional pressures to complete our expansion projects in a timely manner, if at all, we may not realize their anticipated benefits, and our business and financial condition may suffer as a result.

**Reputational Risk and Negative Publicity**

The digital asset exchanges on which Bitcoin is traded are relatively new and largely unregulated. Many digital asset exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices, or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, such digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. Many digital asset markets, including the market for Bitcoin, have experienced increased price volatility. The Bitcoin ecosystem may continue to be negatively impacted and experience long term volatility if public confidence decreases.

These events are continuing to develop and it is not possible to predict, at this time, every risk that they may pose to the Company, our service providers, or the digital asset industry as a whole. A perceived lack of stability in the digital asset exchange market and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in digital asset networks and result in greater volatility in cryptocurrency values. These potential consequences of a digital asset exchange's failure could adversely affect an investment in the Company.

Additionally, any negative publicity regarding the Company, its brands or the directors, officers or employees of the Company, or the performance of its products and services, will adversely affect the Company's ability to generate revenue.

**Bitcoin is subject to halving, and the Company's operations may generate less revenue as a result.**

Every four (4) years, the number of new Bitcoin awarded for solving a block is cut in half at mathematically predetermined intervals. While Bitcoin prices have historically increased around these events, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining rewards. If a corresponding and proportionate increase in the price of Bitcoin does not follow future halving events, the Company's ability to enter into profitable contracts with customers may decrease, which could have a material adverse effect on our results of operations and financial condition.

**Transaction fees may decrease demand for Bitcoin and prevent expansion.**

As the number of Bitcoin currency rewards awarded for solving a block in a blockchain has decreased, transaction fees have increasingly been used to incentivize miners to continue to contribute to the Bitcoin network. However, high Bitcoin transaction fees may slow the adoption of Bitcoin as a means of payment, which may decrease demand for Bitcoin and future prices of Bitcoin may suffer as a result. If Bitcoin prices are not sufficiently high, the Company's customer's revenue may not exceed the costs of their contract with the Company, and they may either seek to terminate or not renew their contracts. As a result, the Company's operations and financial condition may suffer. Further, because the price of shares of the Company's common stock may be loosely linked to the price of Bitcoin, if demand for Bitcoin decreases, causing future Bitcoin prices to decrease, the market price of the Company's securities may be materially and adversely affected, limiting the Company's ability to raise additional capital to fund its strategic growth plans.

**Potential redundancy**

Bitcoin is a form of technology and like all technology, may become redundant or obsolete with the introduction of new competing products and services. The use of bitcoin depends on public acceptance and confidence in the integrity of the technology. If public acceptance or confidence is lost for any reason, then the use of that technology may become redundant – which will result in the value of the Company's operations significantly reducing.

**Malicious Actors**

To the extent that malicious actors obtain a majority of the processing power on the bitcoin network, it could alter the source code and the technology on which bitcoin transactions rely upon. If this occurs on a significant scale, the integrity of and confidence in bitcoin would come into question and the exchange value of Bitcoin would fall significantly.

**Guarantee of Tender**

Bitcoin is not regulated or supported by any central exchange or a monetary authority and do not fall within the legal

jurisdiction and jurisprudence of traditional currency and therefore do not constitute a legal tender or currency. There is a risk that changes in the terms of use of bitcoin, inconsistent application of such terms of use and the implementation of any policy by third parties aimed at regulating bitcoin may adversely affect the nature of bitcoin prices, the demand for bitcoin and the Company generally.

#### **Risks of long-term, fixed-price contracts.**

Long-term, fixed-price contracts may have a duration greater than twelve months that involve substantial risks, which may result in excess costs and penalties. These fulfillment risks include but are not limited to:

- unanticipated technical problems with equipment, requiring the Company to incur added expenses to remedy such problems;
- changes in costs or shortages of components, materials, labor or construction equipment;
- recognition of revenues over the term of the contract;
- project modifications and changes to the scope of work resulting in unanticipated costs;
- delays caused by local weather or other conditions beyond the Company's control;
- changes in regulations, permits or government policy;
- the failure of suppliers, subcontractors or consortium partners to perform; and
- penalties, if the Company cannot complete all or portions of the project within contracted time limits and performance levels.

The Company's failure to mitigate these risks may result in excess costs and penalties and may have an adverse effect on its results of operations and financial condition.

#### **The Company's business could be harmed by prolonged power and internet outages, shortages, or capacity constraints.**

The Company's operations require a significant amount of electrical power and access to high-speed internet to be successful. If the Company is unable to secure sufficient electrical power, or if it loses internet access for a prolonged period, it may be required to reduce its operations or cease them altogether. If this occurs, the Company's business and results of operations may be materially and adversely affected.

#### **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 continue 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 the unavailability or increased cost of electrical power. If this were to occur, the business and results of operations could be materially and adversely affected.

#### **Risks of natural disasters and events outside of the Company's control.**

The Company may be impacted by natural disasters, wars, health epidemics, weather conditions, power outages or other events outside of its control. In the future, regulators or power providers may, under new or revised rules, require the Company to power down certain facilities during severe weather or natural disasters. If major disasters such as earthquakes, floods or other climate-related events occur, and the Company's locations or facilities are severely damaged, its information systems or communications could break down or operate improperly, which may interrupt the Company's operations. The Company may also incur expenses or delays relating to such events outside of its control, which may not be covered by insurance, and such events could have a material adverse impact on the Company's business, operating results and financial condition.

**Changing environmental regulation and public energy policy may expose the Company's business to new risks.**

The Company's operations require a substantial amount of power and can only be successful, and ultimately profitable, if the costs it incurs, including for electricity, are lower than the revenue it generates from operations. As a result, any location or facility established by the Company can only be successful if it can obtain sufficient electrical power for that facility on a cost-effective basis, and the Company's establishment of new facilities requires the Company to find locations where that is the case. The Company's current facilities are based upon an understanding of current environmental and energy regulations, policies, and initiatives enacted by federal and state regulators. If new regulations are imposed, or if existing regulations are modified, the assumptions the Company made underlying its plans and strategic initiatives may be inaccurate, and the Company may incur additional costs to adapt its planned business, if it is able to adapt at all, to such regulations.

In addition, there continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty for the Company's business because the cryptocurrency mining industry, with its high energy demand, may become a target for future environmental and energy regulation. New legislation and increased regulation regarding climate change could impose significant costs on the Company and its suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Further, any future climate change regulations could also negatively impact the Company's ability to compete with companies situated in areas not subject to such limitations.

Given the political significance and uncertainty around the impact of climate change and how it should be addressed, and energy disclosure and use regulations, the Company cannot predict how legislation and regulation will affect its financial condition and results of operations in the future in the United States. Further, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change or energy use by the Company or other companies in its industry could harm the Company's reputation. Any of the foregoing could result in a material adverse effect on the Company's business and financial condition.

**The compliance costs of responding to new and changing regulations could adversely affect the Company's current and future operations.**

The Company (along with those from whom it purchases electricity) is subject to various federal, state, local, and international environmental laws and regulations, including those relating to the generation, storage, handling, and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. The Company's operations may involve the use of hazardous substances and materials, such as batteries, cleaning solutions, and other materials.

Electricity costs could also be affected due to existing or new regulations on greenhouse gas emissions, whether such regulations apply to all consumers of electricity or just to specified uses, such as Bitcoin mining. These regulations may be federal or state. There has been interest in the U.S. federal government and in certain state governments in addressing climate change, including through regulation of Bitcoin mining. Past policy proposals to address climate change include measures ranging from taxes on carbon use or generation to energy consumption disclosure regimes to federally imposed limits on greenhouse gas emissions or energy use restrictions specific to Bitcoin mining. Further, it is unclear how future legislation and regulation will affect the Company's current and future facilities. The course of future legislation and regulation in the United States and in the various states in which the Company operates remains difficult to predict, and potential increased costs associated with new legislation or regulation cannot be estimated at this time.

**Bitcoin and Bitcoin mining, as well as cryptocurrencies generally, may be made illegal in certain jurisdictions, which could adversely affect the business prospects and operations.**

It is possible that state or federal regulators may seek to impose harsh restrictions or total bans on cryptocurrency mining which may make it very difficult for the Company to do business without relocating our its operations or finding customers that are not Bitcoin miners, which could be very costly and time consuming. Further, although Bitcoin and Bitcoin mining, as well as cryptocurrencies generally, are largely unregulated in most countries (including the United States), regulators could undertake new or intensify regulatory actions that could severely restrict the right to mine, acquire, own, hold, sell,

or use cryptocurrency or to exchange it for traditional fiat currency such as the United States Dollar. Such restrictions may adversely affect the Company as the large-scale use of cryptocurrencies as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on the Company, which could have a material adverse effect on the Company's business, prospects or operations and potentially the value of any Bitcoin or other cryptocurrencies the Company may acquire or hold for our own account, and thus harm investors.

#### **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 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 under U.S. generally accepted accounting principles ("GAAP"). 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.

#### **Competition with current and future competitors.**

The global multi-tenant data center market is highly fragmented. The Company compete with many firms which vary in terms of their data center offerings and the geographies in which they operate. The Company must continue to evolve its product strategy and be able to differentiate from those of our competitors.

Some of the Company's competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than the Company. As a result, the Company may suffer from pricing pressure that would adversely affect its ability to generate revenues. Some of these competitors may also provide the Company's target customers with additional benefits, and may do so in a manner that is more attractive to potential customers than obtaining space in the Company's facilities. Competitors could also operate more successfully or form alliances to acquire significant market share. Regional competitors may also consolidate to become a global competitor. Consolidation of the Company's customers and/or our competitors may present a risk to its business model and have a negative impact on its revenues.

Failure to compete successfully may materially adversely affect the Company's financial condition, cash flows and results of operations.

#### **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.

### **Legal Proceedings Risk**

Legal proceedings may rise from time to time in the course of the business of the Company. As at the date of this Offer Document, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

If any risks above occur, it may have a significant adverse impact on the Company, its operations and its ability to meet any forecast targets.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## **DIRECTORS**

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Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

## **FIRST QUARTER DISCUSSION**

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During the first quarter of the financial year 2024, the Company maintained its existing 30 MW of data center capacity across the three data centers in Tennessee and Kentucky. The Company also continued construction on the North Dakota facility which will consist of 60 MW of hosting capacity, of which the Company will own a 25% minority interest, energizing the first phase of 10 MW with remaining 50 MW expected to be completed by end of June 2024.



Below we present our operating results during the three months ended March 31, 2024, and the three months ended March 31, 2023:

### CONSOLIDATED AND COMBINED STATEMENTS OF PROFIT OR LOSS

(\$US)	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2024
<b>Revenues</b>	\$ 4,349,829	\$ 1,473,655
Cost of revenues	3,091,687	1,079,359
<b>Gross profit/(loss)</b>	1,258,142	394,296
Selling, general and administrative expenses	(256,376)	(8,701)
Depreciation expense	(143,678)	(55,311)
Impairment loss on cryptocurrencies	(144)	(21)
Realized gain on disposal of cryptocurrencies	4,666	38
<b>Profit/(loss) from operations</b>	862,610	330,301
Interest income	543	231
Other income	301,660	-
Interest expense	(7,703)	(2,635)
<b>Profit/(loss) before taxation</b>	1,157,110	327,897
Income taxes provision	(325,009)	-
<b>Profit/(Loss) for the year/period</b>	<u>\$ 832,101</u>	<u>\$ 327,897</u>

#### **Revenue**

Revenue for the three months ended March 31, 2024, was US\$4.3m compared to US\$1.5m during the three months ended March 31, 2023, an increase in US\$2.9m. This increase was primarily due to the expansion of the Company's operations across two additional data centers in Kentucky providing a total of 20 MW of incremental bitcoin mining hosting capacity for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

#### **Cost of Revenues**

The cost of revenues during the three months ended March 31, 2024, was US\$3.1m compared to US\$1.1m during the three months ended March 31, 2023, an increase of US\$2.0m. The increase was largely due to the expansion of the Company's energized hosted data center capacity, from 10 MW as of the quarter ended March 31, 2023 to 30 MW as of the quarter ended March 31, 2024. The primary cost of revenues for the Company is electricity used to power its data centers.

#### **Selling, General, and Administrative Expenses**

Selling, general, and administrative expenses during the three months ended March 31, 2024, were US\$0.3m compared to US\$0.0m during the three months ended March 31, 2023, an increase of \$0.2m. This increase was largely due to non-recurring expenses associated with the Transaction, such as audit and accounting fees, though the Company's expanded

operations also played a role.

## **Proposed Transactions**

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On March 6, 2024, Kungsleden entered into a binding share exchange agreement (the “Share Exchange Agreement”) providing for a merger with Cathedra Bitcoin Inc. (“Cathedra”), a publicly traded bitcoin mining company on the TSX Venture Exchange (the “TSX-V”).

Pursuant to the Share Exchange Agreement and an amending agreement dated June 18, 2024 (the “Amending Agreement”), it is expected that Cathedra will acquire all of the outstanding shares of Kungsleden from Kungsleden shareholders in exchange for proportionate voting shares of Cathedra (the “Transaction”). The Transaction will constitute a reverse takeover of Cathedra, such that, upon closing, the former Kungsleden shareholders will own (on a non-diluted basis) approximately 72.5% of the equity of Cathedra as it exists on closing (the “Resulting Issuer”) and Kungsleden will become a wholly owned subsidiary of the Resulting Issuer, with the board of the Resulting Issuer directing the operations of Cathedra and Kungsleden. The pro forma equity ownership of the Resulting Issuer originally contemplated in the Share Exchange Agreement was 77.5% and 22.5% for the Vendors and the Cathedra shareholders, respectively. The Parties agreed to the amended pro forma equity ownership of the Resulting Issuer due to additional expenditures that were incurred in connection with the development of Kungsleden’s 25% interest in a 60-MW site in North Dakota (equivalent to 15 MW of owned capacity). Upon completion of the Transaction, it is expected that the Resulting Issuer will be a Tier 2 Technology issuer listed on the TSX-V.

Closing of the Transaction is expected occur in the second quarter of 2024 and is subject to certain conditions precedent, including, but not limited to: obtaining the required shareholder approvals; Cathedra having obtained the required exemption from, or waiver of, the TSX-V sponsorship requirements; obtaining any applicable regulatory approvals; TSX-V approval and any third-party consents required for the Transaction; and other customary conditions for transactions of this nature.

**SCHEDULE "I"**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER AS AT MARCH 31, 2024  
(UNAUDITED)**

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Unaudited Pro Forma Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise noted)

## **Cathdra Bitcoin Inc.**

As at March 31, 2024, and for the three months then ended,  
Consolidated statement of net loss and comprehensive loss for the year ended December 31,  
2023

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## Cathdra Bitcoin Inc.

### Unaudited Pro Forma Consolidated Statement of Financial Position

(Expressed in Canadian dollars, unless otherwise noted)

As at March 31, 2024

	USD		CAD		Note	Pro Forma	Consolidated
	Kungsleden, Inc.	Exchange rate	Kungsleden Inc.	Cathdra Bitcoin Inc.		Adjustments	Pro Forma
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 270,609	1.3550	\$ 366,675	\$ 833,112		\$ -	\$ 1,199,787
Digital currencies	-	1.3550	-	4,339,535		-	4,339,535
Trade and other receivables	1,009,466	1.3550	1,367,826	89,693	2(h)	-	1,457,519
Prepaid expenses and other current assets	225,000	1.3550	304,875	391,859		-	696,734
Deposits	-	1.3550	-	992,781	2(d)	(395,495)	597,286
<b>Total current assets</b>	<b>\$ 1,505,075</b>		<b>\$ 2,039,376</b>	<b>\$ 6,646,980</b>		<b>\$ (395,495)</b>	<b>\$ 8,290,861</b>
<b>Non-current assets</b>							
Digital currencies	23,530	1.3550	31,883	-		-	31,883
Receivables	-	1.3550	-	50,555		-	50,555
Deposits	2,814,735	1.3550	3,813,966	774,818		-	4,588,784
Property and equipment	3,483,038	1.3550	4,719,516	9,390,532	2(a)	(686,532)	13,423,516
Right-of-use assets	970,867	1.3550	1,315,525	1,428,468	2(a)	565,374	3,309,367
Interest in an associate	256,660	1.3550	347,774	-		-	347,774
Investments	-	1.3550	-	1,655,134		-	1,655,134
Goodwill	-		-	-	2(a)	16,559,529	16,559,529
<b>Total assets</b>	<b>\$ 9,053,905</b>		<b>\$ 12,268,040</b>	<b>\$ 19,946,487</b>		<b>\$ 16,042,876</b>	<b>\$ 48,257,403</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade payables and accrued liabilities	\$ 1,608,761	1.3550	\$ 2,179,870	\$ 2,671,714	2(c)	\$ 177,560	5,029,144
Due to related parties	642,575	1.3550	870,689	-		-	870,689
Contract liabilities	276,075	1.3550	374,082	-		-	374,082
Income tax payable	928,038	1.3550	1,257,491	-		-	1,257,491
Decommissioning liability	-		-	76,381		-	76,381
Derivative liability	-		-	-	2(b)	3,382,899	3,382,899
Current portion of lease liabilities	103,144	1.3550	139,760	1,668,299		-	1,808,059
<b>Total current liabilities</b>	<b>\$ 3,558,593</b>		<b>\$ 4,821,892</b>	<b>\$ 4,416,394</b>		<b>\$ 3,560,459</b>	<b>\$ 12,798,745</b>
<b>Non-current liabilities</b>							
Lease liabilities	882,884	1.3550	1,196,308	198,071	2(a)	127,472	1,521,851
Convertible loan	-	1.3550	-	5,290,359	2(b)	(83,888)	5,206,471
Other non-current liabilities	2,345,886	1.3550	3,178,676	-	2(d)	(395,495)	2,783,181
<b>Total liabilities</b>	<b>\$ 6,787,363</b>		<b>\$ 9,196,876</b>	<b>\$ 9,904,824</b>		<b>\$ 3,208,548</b>	<b>\$ 22,310,248</b>
<b>Shareholders' equity</b>							
Share capital	\$ 1,000	1.3550	\$ 1,355	\$ 49,689,032	2(a)	\$ (49,689,032)	
					2(a)	26,352,562	26,353,917
Reserves	-	1.3550	-	15,386,205	2(a)	(15,386,205)	
					2(b)	(577,210)	(577,210)
Accumulated other comprehensive income				234,643	2(a)	(234,643)	-
Deficit	2,265,542	1.3550	3,069,809	(55,268,217)	2(a)	55,268,217	
					2(b)	(2,721,801)	
					2(c)	(177,560)	170,448
<b>Total shareholders' equity</b>	<b>\$ 2,266,542</b>		<b>\$ 3,071,164</b>	<b>\$ 10,041,663</b>		<b>\$ 12,834,328</b>	<b>\$ 25,947,155</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,053,905</b>		<b>\$ 12,268,040</b>	<b>\$ 19,946,487</b>		<b>\$ 16,042,876</b>	<b>\$ 48,257,403</b>

See accompanying notes to the Unaudited Pro Forma Consolidated Financial Statements.

## Cathedra Bitcoin Inc.

Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss  
(Expressed in Canadian dollars, unless otherwise noted)  
For the three months ended March 31, 2024

	USD		CAD		Note	Pro Forma	Consolidated
	Kungsleden, Inc.	Exchange rate	Kungsleden, Inc.	Cathedra Bitcoin Inc.		Adjustments	Pro Forma
Revenues	\$ 4,349,829	1.3488	\$ 5,867,049	\$ 4,123,165	2(d)	\$ (1,440,330)	\$ 8,549,884
Cost of revenues	(3,091,687)	1.3488	(4,170,067)	(4,000,230)	2(d)	1,440,330	(6,729,967)
<b>Gross profit/(loss)</b>	<b>\$ 1,258,142</b>		<b>\$ 1,696,982</b>	<b>\$ 122,935</b>		<b>\$ -</b>	<b>\$ 1,819,917</b>
Selling, general and administrative expenses	(256,376)	1.3488	(345,800)	(733,971)	2(c)	(177,560)	(1,257,331)
Depreciation	(143,678)	1.3488	(193,793)	-			(193,793)
Gain on sale of digital currencies	-	1.3488	-	529,709		-	529,709
Impairment loss on cryptocurrencies	(144)	1.3488	(194)	-			(194)
Realized gain on disposal of cryptocurrencies	4,666	1.3488	6,294	-		-	6,294
<b>Operating income/(loss)</b>	<b>\$ 862,610</b>		<b>\$ 1,163,489</b>	<b>\$ (81,327)</b>		<b>\$ (177,560)</b>	<b>\$ 904,602</b>
Interest income	543	1.3488	732	10,011		-	10,743
Interest expense	(7,703)	1.3488	(10,390)	(268,390)		-	(278,780)
Foreign exchange gain (loss)	-	1.3488	-	1,203,945		-	1,203,945
Loss on settlement of debt	-	1.3488	-	-	2(b)	(2,721,801)	(2,721,801)
Other income	300,000	1.3488	404,640	-		-	404,640
Share of profit of an associate	1,660	1.3488	2,239	-		-	2,239
Other expense	-	1.3488	-	(350)		-	(350)
<b>Income/(Loss) before taxation</b>	<b>\$ 1,157,110</b>		<b>\$ 1,560,710</b>	<b>\$ 863,889</b>		<b>\$ (2,899,361)</b>	<b>\$ (474,762)</b>
Income tax provision	(325,009)	1.3488	(438,372)	-		-	(438,372)
<b>Net income/(loss)</b>	<b>\$ 832,101</b>		<b>\$ 1,122,338</b>	<b>\$ 863,889</b>		<b>\$ (2,899,361)</b>	<b>\$ (913,134)</b>
<b>Other comprehensive income</b>							
Translation adjustment	-	1.3488	-	(883,346)		-	(883,346)
Revaluation gain/(loss) on digital currencies	-	1.3488	-	791,625		-	791,625
<b>Comprehensive income/(loss)</b>	<b>\$ 832,101</b>		<b>\$ 1,122,338</b>	<b>\$ 772,168</b>		<b>\$ (2,899,361)</b>	<b>\$ (1,004,855)</b>
Weighted average multiple voting shares - basic and diluted							862,336,220
<b>Loss per share - basic and diluted</b>							<b>\$ (0.00)</b>

See accompanying notes to the Unaudited Pro Forma Consolidated Financial Statements.

## Cathedra Bitcoin Inc.

Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss  
(Expressed in Canadian dollars, unless otherwise noted)  
For the year ended December 31, 2023

	USD		CAD		Note	Pro Forma	Consolidated
	Kungsleden, Inc.	Exchange rate	Kungsleden, Inc.	Cathedra Bitcoin Inc.		Adjustments	Pro Forma
Revenues	\$ 11,303,301	1.3497	\$ 15,256,065	\$ 10,924,611	2(e)	\$ (1,421,493)	\$ 24,759,183
Cost of revenues	(8,040,958)	1.3497	(10,852,881)	(12,951,226)	2(e)	1,421,493	(22,382,614)
<b>Gross profit/(loss)</b>	<b>\$ 3,262,343</b>		<b>\$ 4,403,184</b>	<b>\$ (2,026,615)</b>		<b>\$ -</b>	<b>\$ 2,376,569</b>
Selling, general and administrative expenses	(671,024)	1.3497	(905,681)	(3,645,320)	2(f)	(250,000)	(4,801,001)
Depreciation	(438,801)	1.3497	(592,250)	(10,880)			(603,130)
Gain on sale of digital currencies	-	1.3497	-	72,756		-	72,756
Gain on sale of coupons and credits	-	1.3497	-	264,362			264,362
Impairment loss on cryptocurrencies	(6,919)	1.3497	(9,339)	-			(9,339)
Realized gain on disposal of cryptocurrencies	74,334	1.3497	100,329	-		-	100,329
<b>Operating income/(loss)</b>	<b>\$ 2,219,933</b>		<b>\$ 2,996,243</b>	<b>\$ (5,345,697)</b>		<b>\$ (250,000)</b>	<b>\$ (2,599,454)</b>
Interest income	20,482	1.3497	27,645	116,926		-	144,571
Interest expense	(26,250)	1.3497	(35,430)	(2,930,701)		-	(2,966,131)
Foreign exchange loss	-	1.3497	-	(1,128,898)		-	(1,128,898)
Gain on settlement of debt	-	1.3497	-	5,482,266	2(g)	(4,224,761)	1,257,505
Unrealized gain on investment	-	1.3497	-	72,210		-	72,210
Write-down of investment	-	1.3497	-	(1,744,128)		-	(1,744,128)
<b>Income/(Loss) before taxation</b>	<b>\$ 2,214,165</b>		<b>\$ 2,988,458</b>	<b>\$ (5,478,022)</b>		<b>\$ (4,474,761)</b>	<b>\$ (6,964,325)</b>
Income tax provision	(603,029)	1.3497	(813,908)	(3,147)		-	(817,055)
<b>Net income/(loss)</b>	<b>\$ 1,611,136</b>		<b>\$ 2,174,550</b>	<b>\$ (5,481,169)</b>		<b>\$ (4,474,761)</b>	<b>\$ (7,781,380)</b>
<b>Other comprehensive income</b>							
Translation adjustment	-	1.3497	-	909,355		-	909,355
Revaluation gain/(loss) on digital currencies	-	1.3497	-	140,686		-	140,686
<b>Comprehensive income/(loss)</b>	<b>\$ 1,611,136</b>		<b>\$ 2,174,550</b>	<b>\$ (4,431,128)</b>		<b>\$ (4,474,761)</b>	<b>\$ (6,731,339)</b>
Weighted average multiple voting shares - basic and diluted							762,366,389
<b>Loss per share - basic and diluted</b>							<b>\$ (0.01)</b>

See accompanying notes to the Unaudited Pro Forma Consolidated Financial Statements.

## Cathedra Bitcoin Inc.

Notes to Unaudited Pro Forma Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise noted)  
For the three months ended March 31, 2024

### 1. Basis of presentation

In connection with a binding share exchange agreement (the "Share Exchange Agreement") entered into between Kungsleden, Inc. ("Kungsleden") and Cathedra Bitcoin Inc. ("Cathedra" or the "Company") on March 6, 2024, as amended on June 18, 2024, the following unaudited Pro Forma Consolidated Statement of Financial Position as at March 31, 2024 and the unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss for the three months ended March 31, 2024 (the "Pro Forma Consolidated Financial Statements") have been prepared by management after giving effect to the proposed transaction (the "Transaction").

Pursuant to the Transaction, Cathedra will merge with and into Kungsleden being the accounting acquirer. Kungsleden shareholders will receive shares of Cathedra, the legal acquirer, based on the exchange ratio of 6.25 as detailed below.

The Share Exchange Agreement provides that all issued and outstanding common shares of Kungsleden will be exchanged for multiple voting shares of Cathedra (the "Multiple Voting Shares"), with each common share of Kungsleden being exchanged for approximately 6.25 Multiple Voting Shares of Cathedra (the "Exchange Ratio"), such that the total consideration payable in connection with the Transaction is expected to be approximately 6,253,429 Multiple Voting Shares, which could be converted into 625,342,900 Subordinate Voting Shares (as defined below). The Multiple Voting Shares are expected to be created pursuant to the Share Structure Alteration (as defined hereinafter), subject to approval by the shareholders of Cathedra, which approval will be sought at a shareholder meeting to be held prior to completion of the Transaction. Immediately following completion of the Transaction, it is expected that Cathedra shareholders will own approximately 27.5% of the stock of the Resulting Issuer, with Kungsleden shareholders owning approximately 72.5%.

In connection with the Transaction, Cathedra will hold a shareholder meeting (the "Meeting") to approve the following:

1. Alterations to the articles of the Corporation (the "Share Structure Alteration") such that Cathedra shall:
  - a. change the name of its common shares to "subordinate voting shares" (the "Subordinate Voting Shares");
  - b. create a new class of unlimited Multiple Voting Shares, with each Multiple Voting Share convertible into 100 Subordinate Voting Shares;
  - c. add special rights and restrictions to the Subordinate Voting Shares and the Multiple Voting Shares, pursuant to which, among other things, the holders of the Multiple Voting Shares will be entitled to 1.52 votes per Multiple Voting Share held. On an "as converted" basis, assuming the conversion of the Multiple Voting Shares to Subordinate Voting Shares, the holders of Multiple Voting Shares will have 1.52 votes per Subordinate Voting Share compared to 1 vote per Subordinate Voting Share held by the holders of the Subordinate Voting Shares.
2. A consolidation of the common shares of the Corporation (the "Consolidation") on the basis of one post-Consolidation common share for up to one-hundred fifty (150) pre-Consolidation common shares, to be determined definitively by the directors of the Corporation at a later date; and
3. Other matters requiring shareholder approval.

The Transaction is also subject to shareholder approval.

The Transaction has been accounted for in the Pro Forma Consolidated Financial Statements using the acquisition method under IFRS 3, *Business Combinations* ("IFRS 3"). IFRS 3 requires that one of Cathedra or Kungsleden be determined to be the acquirer for accounting purposes. The Transaction has been accounted for as a reverse take-over of Cathedra by Kungsleden. The entities which are party to the Transaction meet the definition of a business, the Transaction has been accounted for in accordance with IFRS 3. The Pro Forma Consolidated Financial Statements reflect the continuance of Kungsleden and the acquisition and assumption of Cathedra's identifiable assets and liabilities, respectively, at fair value.



## **Cathedra Bitcoin Inc.**

Notes to Unaudited Pro Forma Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise noted)  
For the three months ended March 31, 2024

The Pro Forma Consolidated Financial Statements have been prepared incorporating the assumptions and adjustments described in Note 2 and include the effect of the Transaction as if it occurred on March 31, 2024 for the Consolidated Statement of Financial Position and January 1, 2024 for the Consolidated Statement of Net Loss and Comprehensive Loss, as described in Note 2(a).

The unaudited Pro Forma Consolidated Statement of Financial Position as at March 31, 2024 has been derived from the following financial statements:

- Audited consolidated statement of financial position of Kungsleden as at March 31, 2024; and
- Audited consolidated statement of financial position of Cathedra as at March 31, 2024.

The unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss for the three months ended March 31, 2024 has been derived from the following financial statements:

- Audited consolidated statement of income and comprehensive income of Kungsleden for the three months ended March 31, 2024, of which certain financial statement line items on the consolidated statement of loss and comprehensive loss of Kungsleden have been reclassified to align with Cathedra's presentation; and
- Audited consolidated statement of comprehensive loss of Cathedra for the three months ended March 31, 2024, of which certain financial statement line items on the consolidated statement of comprehensive loss of Cathedra have been reclassified to align with Kungsleden's presentation.

The historical financial statements have been 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"). These Pro Forma Consolidated Financial Statements have been prepared by management using the accounting policies in Kungsleden's financial statements. Kungsleden has undertaken a process to identify material accounting policy differences between Kungsleden and Cathedra. While management believes that all significant accounting policies of Kungsleden and Cathedra presented in these Pro Forma Consolidated Financial Statements are consistent in all material respects, accounting policy differences may be identified upon completion of the Transaction.

The unaudited Pro Forma Consolidated Financial Statements have been prepared for illustrative purposes only and are not intended to reflect results of operations or the financial position of Kungsleden which would have resulted had the Transaction been consummated. Further, the unaudited Pro Forma Consolidated Financial Statements are not necessarily indicative of the results of operations that may be obtained in the future and future results may differ materially from the amounts reflected herein. The pro forma adjustments presented are preliminary and subject to revision pending additional information.

Unless otherwise indicated, all amounts presented in these financial statements are denominated in Canadian dollars.

## **2. Pro forma adjustments to the Pro Forma Consolidated Financial Statements**

The pro forma assumptions and adjustments to the unaudited Pro Forma Consolidated Financial Statements have been prepared to account for the Transaction based on available information.

### **(a) Merger of Kungsleden and Cathedra – Reverse Takeover**

The Kungsleden shareholders have been deemed the accounting acquirer in accordance with IFRS 3; therefore, the Transaction is treated as a reverse takeover with Kungsleden as the accounting acquirer. Cathedra's identifiable assets acquired and liabilities assumed by Kungsleden are measured at their fair values at December 31, 2023 (the "Acquisition Date"). The excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed is attributable to goodwill.

The shareholders' equity of Cathedra, including share capital of \$49,689,032, reserves of \$15,386,205, accumulated other comprehensive income of \$234,643 and deficit of \$55,268,217, was eliminated on consolidation.

## Cathedra Bitcoin Inc.

Notes to Unaudited Pro Forma Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise noted)

For the three months ended March 31, 2024

As part of the Transaction, Kungsleden is deemed to issue 379,310 common shares in exchange for all of the issued and outstanding shares of Cathedra. The consideration for shares issued is \$26,352,562, based on Kungsleden's enterprise value of \$69,475,000 and price of \$69.48 per share.

The following table summarizes the fair value of Cathedra's assets acquired and liabilities assumed by Kungsleden:

<u>Asset acquired</u>	\$
Cash and cash equivalents	833,112
Digital currencies	4,339,535
Trade and other receivables	140,248
Prepaid expenses and other current assets	391,859
Deposits	1,767,599
Property and equipment	8,704,000
Right-of-use assets	1,993,842
Investments	1,655,134
	<hr/>
	19,825,329
	<hr/>
<u>Liabilities assumed</u>	
Trade payables and accrued liabilities	2,671,714
Decommissioning liability	76,381
Lease liabilities	1,993,842
Convertible loan	5,290,359
	<hr/>
	10,032,296
	<hr/>
Net assets acquired	9,793,033
Consideration	26,352,562
Goodwill	16,559,529
	<hr/>
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This purchase price allocation ("PPA") is preliminary and will be finalized on the effective date of the Transaction. The final figures could be materially different to those presented in these unaudited Pro Forma Consolidated Financial Statements. Associated transaction costs are expensed and noted in Note 2(c).

### (b) Modification of the conversion price of convertible debentures

On February 6, 2024, Cathedra agreed with the holder of the 3.5% senior secured convertible debentures of the Company, originally issued on November 11, 2021, and due November 11, 2025, with an aggregate principal amount of \$5,733,728 outstanding (the "Debentures"), to amend the conversion price of the Debentures as follows:

- The conversion price was revised from \$0.78 per common share to the greater of: (a) \$0.10, and (b) a 50% premium to the price of the common share on the TSX Venture Exchange based on the 5-day VWAP ending on the date prior to the announcement of the reverse takeover transaction (on March 7, 2024).

Management accounted for the change in conversion price terms as debt extinguishment in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). The convertible loan with unmodified terms was de-recognized, including a liability and an equity component, and the convertible loan with new, modified terms was recognized on the consolidated statement of financial position with the difference recognized as a loss on debt modification (presented as a gain on debt settlement in the consolidated statement of loss and comprehensive loss). The new conversion feature was accounted for a derivative liability as a conversion mechanism did not pass a fixed-for-fixed test.

### (c) Transaction costs

Transaction costs that are expected to be incurred after March 31, 2024 in relation to the Transaction.

## **Cathedra Bitcoin Inc.**

Notes to Unaudited Pro Forma Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise noted)

For the three months ended March 31, 2024

### **(d) Intercompany transactions**

Kungsleden and Cathedra had an ongoing economic relationship with each other during the three months ended March 31, 2024 whereby Kungsleden earned hosting and revenue share fees in exchange for providing hosting services to Cathedra. These fees have been eliminated on consolidation.

Cathedra held \$395,495 of deposits with Kungsleden as at March 31, 2024, which were also eliminated on consolidation.

### **(e) Intercompany transactions**

Kungsleden and Cathedra had an ongoing economic relationship with each other during the year ended December 31, 2023 whereby Kungsleden earned hosting and revenue share fees in exchange for providing hosting services to Cathedra. These fees have been eliminated on consolidation.

### **(f) Transaction costs**

Transaction costs that are expected to be incurred after December 31, 2023 in relation to the Transaction.

### **(g) Modification of the conversion price of convertible debentures**

On February 6, 2024, Cathedra agreed with the holder of the 3.5% senior secured convertible debentures of the Company, originally issued on November 11, 2021, and due November 11, 2025, with an aggregate principal amount of \$5,733,728 outstanding (the "Debentures"), to amend the conversion price of the Debentures as follows:

- The conversion price was revised from \$0.78 per common share to the greater of: (a) \$0.10, and (b) a 50% premium to the price of the common share on the TSX Venture Exchange based on the 5-day VWAP ending on the date prior to the announcement of the reverse takeover transaction (on March 7, 2024).

Management accounted for the change in conversion price terms as debt extinguishment in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). The convertible loan with unmodified terms was de-recognized, including a liability and an equity component, and the convertible loan with new, modified terms was recognized on the consolidated statement of financial position with the difference recognized as a loss on debt modification (presented as a gain on debt settlement in the consolidated statement of loss and comprehensive loss). The new conversion feature was accounted for a derivative liability as a conversion mechanism did not pass a fixed-for-fixed test.

### **(h) Receivables from related parties**

As at March 31, 2024, the Company has receivables of \$90,981 (December 31, 2023 - \$101,518), of which \$38,000 (December 31, 2023 - \$44,381) is non-current. The outstanding balance is fully extinguished subsequent to period end by the members of key management personnel via cancellation of 1,310,768 RSUs. This receivable is not subject to adjustment in preparation of pro forma statements because it originates in the normal course of business and has no impact on consummation of the reverse take-over transaction.

## Cathedra Bitcoin Inc.

Notes to Unaudited Pro Forma Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise noted)

For the three months ended March 31, 2024

### 3. Pro forma share capital continuity

Cathedra, the legal parent company, is authorized to issue an unlimited number of common shares. The continuities show the outstanding number of multiple voting shares ("MVS") and subordinate voting shares ("SVS").

	MVS Shares (No.)	Amount (\$)
<b>Multiple voting shares continuity</b>		
Balance, December 31, 2023 Kungsleden common shares	1,000,000	1,355
Exchange ratio on Transaction	6.253429078	26,352,562
<b>Multiple voting shares issued in exchange for Kungsleden common shares</b>	<b>6,253,429</b>	<b>26,353,917</b>
<b>Subordinate voting shares (SVS) equivalent of Multiple voting shares (MVS)</b>	<b>625,342,900</b>	<b>26,353,917</b>

	SVS Shares (No.)	Amount (\$)
<b>Subordinate voting shares continuity</b>		
Balance, March 31, 2024 Cathedra common shares	237,199,034	49,689,032
Exchange ratio on Transaction	1.00	(49,689,032)
<b>Balance on Transaction</b>	<b>237,199,034</b>	<b>-</b>

**SCHEDULE "J"**

**LONG TERM INCENTIVE PLAN OF THE RESULTING ISSUER**

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**CATHEDRA BITCOIN INC.**  
**LONG TERM INCENTIVE PLAN**

Approved by the Board of Directors on June 18, 2024.

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# LONG TERM INCENTIVE PLAN

## SECTION 1 DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) “Administrator” means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, if any.
- (b) “Associate” means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) “Award” means any award of Restricted Share Units or Options granted under this Plan.
- (d) “Award Agreement” means any written agreement, contract, or other instrument or document, including an electronic communication, as may from time to time be designated by the Company as evidencing any Award granted under this Plan.
- (e) “Award Holder” means Option Holder or RSU Holder, as applicable.
- (f) “Black-Out” means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company.
- (g) “Board” means the board of directors of the Company.
- (h) “Change of Control” means an occurrence when either:
  - (i) a Person or Entity, other than the current “control person” of the Company (as that term is defined in the *Securities Act*), becomes a “control person” of the Company; or
  - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.
- (i) “Committee” means a committee of the Board appointed in accordance with this Plan or if no such committee is appointed, the Board itself.
- (j) “Company” means Cathedra Bitcoin Inc.
- (k) “Consultant” has the meaning given to such term in Policy 4.4;
- (l) “Disability” means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage

in any substantial gainful activity, or any other condition of impairment that the Committee, acting reasonably, determines constitutes a disability.

- (m) “Disinterested Shareholder Approval” means the approval of a majority of shareholders of the Company voting at a duly called and held meeting of such shareholders, excluding votes of Insiders to whom options may be granted under the Plan
- (n) “Employee” means:
  - (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options or RSUs as an employee or as an equivalent thereto; or
  - (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,and includes:
  - (iii) a corporation wholly-owned by such individual; and
  - (iv) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (o) “Executive” means an individual who is a director or officer of the Company or a Subsidiary, and includes:
  - (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (p) “Exercise Notice” means the written notice of the exercise of an Option, in the form set out as Schedule “B” hereto, duly executed by the Option Holder.
- (q) “Exercise Period” means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (r) “Exercise Price” means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (s) “Expiry Date” means the date the Option or RSU, as applicable, expires as set out in the Option Certificate or Award Agreement or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, 6.4 or 12.4.
- (t) “Expiry Time” means the time the Option or RSU, as applicable, expires on the Expiry Date, which is 5:00 p.m. local time in Toronto, Ontario on the Expiry Date.
- (u) “Grant Date” means the date on which the Committee grants a particular Option or RSU, which is the date the Option or RSU comes into effect provided however that no Option or RSU can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (v) “Insider” means:
  - (i) a director or an officer of the Company;
  - (ii) a director or an officer of a company that is itself an Insider or a Subsidiary;
  - (iii) a Person that has (i) beneficial ownership of, or control or direction over, directly or indirectly, or (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of the Company carrying more than 10% of the voting rights attached to all the Company’s outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the Person as underwriter in the course of a distribution

- (iv) the Company if it has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security.
- (w) “Investor Relations Activities” has the meaning given to such term in Policy 1.1 of the TSXV and any amendment thereto or replacement thereof;
- (x) “Investor Relations Service Provider” includes any Consultant that performs Investor Relations Activities and any Director, Officer, Employee or Management Company Employee whose role and duties primarily consist of Investor Relations Activities;
- (y) “Market Price” means:
  - (i) Prior to an initial public offering of the Subordinate Voting Shares, such price as is determined by the Board to constitute their fair market value, using such reasonable valuation mechanism as it selects; and
  - (ii) After an initial public offering of the Subordinate Voting Shares, the closing price of the Subordinate Voting Shares as reported on the TSXV on the last Business Day preceding the date on which the Option is granted by the Corporation (or, if such Subordinate Voting Shares are not then listed and posted for trading on the TSXV, on such stock exchange in Canada on which the Subordinate Voting Shares are listed and posted for trading as may be selected for such purpose by the Board); provided however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the TSXV. In the event that the Subordinate Voting Shares did not trade on such Business Day, the Market Price shall be the average of the bid and ask prices in respect of the Subordinate Voting Shares at the close of trading on such date, provided, however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the TSXV. In the event that the Subordinate Voting Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Subordinate Voting Shares as determined by the Board in its sole discretion
- (z) “Multiple Voting Shares” means the multiple voting shares in the capital of the Corporation.
- (aa) “Option” means an incentive share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Subordinate Voting Shares of the Company.
- (bb) “Option Certificate” means the certificate, in substantially the form set out as Schedule “A” hereto, evidencing the Option.
- (cc) “Option Holder” means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (dd) “Outstanding Issue” means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Subordinate Voting Share issuance or grant of Option or RSU in question.
- (ee) “Participant” means any person eligible to receive an Award under this Plan.
- (ff) “Person” or “Entity” means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (gg) “Personal Representative” means:
  - (i) in the case of a deceased Option Holder or RSU Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder or RSU Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder or RSU Holder.
- (hh) “Plan” means this long term incentive plan as from time to time amended.

- (ii) “Policy 4.4” means Policy 4.4 of the TSXV and any amendment thereto or replacement thereof;
- (jj) “Regulatory Approvals” means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options or RSUs granted from time to time hereunder.
- (kk) “Regulatory Authorities” means all organized trading facilities on which the Subordinate Voting Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options or RSUs granted from time to time hereunder.
- (ll) “Regulatory Rules” means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options or RSUs granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.
- (mm) “Restricted Share Unit” or “RSU” means a right awarded to a Participant to receive a payment in Subordinate Voting Shares as provided in section 8 hereof and subject to the terms and conditions of this Plan and the applicable Award Agreement.
- (nn) “Restriction Period” means the time period between the Grant Date and the date of vesting of an Award of RSUs specified by the Board in the applicable Award Agreement, which period shall not be less than 12 months, provided the Board may, in its discretion, subject to Section 8.3 and to the requirements of Policy 4.4, permit earlier vesting of the RSUs.
- (oo) “RSU Holder” means a Person or Entity who holds an unexercised and unexpired RSU or, where applicable, the Personal Representative of such person.
- (pp) “*Securities Act*” means the *Securities Act* (British Columbia), R.S.B.C. 1996, c. 418 as from time to time amended.
- (qq) “Section 409A” means Section 409A of the United States Internal Revenue Code of 1986, as amended, and the applicable rules, regulations and guidance promulgated thereunder.
- (rr) “Security Based Compensation” has the meaning given to such term in Policy 4.4;
- (ss) “Share” or “Shares” means, the Subordinate Voting Shares and the Multiple Voting Shares.
- (tt) “Share Compensation Arrangements” means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism of the Company involving the issuance or potential issuance of Shares, including a share purchase from treasury which is financially assisted by the Company by way of a loan, guarantee or otherwise;
- (uu) “Stock Exchange” means the TSXV, and any other stock exchange on which the Subordinate Voting Shares are listed or traded;
- (vv) “Subordinate Voting Shares” means the subordinate voting shares in the capital of the Corporation;
- (ww) “Subsidiary” means a wholly-owned or controlled subsidiary corporation of the Company.
- (xx) “Triggering Event” means:
  - (i) the proposed dissolution, liquidation or wind-up of the Company;
  - (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;

- (iii) the proposed acquisition of all or substantially all of the issued and outstanding Shares by one or more Persons or Entities;
  - (iv) a proposed Change of Control of the Company;
  - (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
  - (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options or RSUs granted hereunder to permit the Plan and Options or RSUs granted hereunder to stay in effect.
- (yy) “TSXV” means the TSX Venture Exchange Inc.
- (zz) “Vest” or “Vesting” means that a portion of the Option or RSU granted to the Option Holder or RSU Holder which is available to be exercised by the Option Holder or RSU Holder at any time and from time to time.

## **1.2 Choice of Law**

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed in accordance with, the laws of the Province of British Columbia. The Company and each Option Holder and RSU Holder hereby attorn to the jurisdiction of the Courts of British Columbia.

## **1.3 Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

# **SECTION 2 GRANT OF AWARDS**

## **2.1 Grant of Awards**

The Committee shall, from time to time in its sole discretion, grant Options or RSUs to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

## **2.2 Record of Awards Grants**

The Committee shall be responsible to maintain a record of all Options and RSUs granted under this Plan and such record shall contain, in respect of each Option and RSU:

- (a) the name and address of the Option Holder or RSU Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option or RSU was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option or RSU;
- (d) the number of Subordinate Voting Shares which may be acquired on the exercise of the Option and, if applicable, the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option or RSU; and
- (f) the particulars of each and every time the Option or RSU is exercised.

## **2.3 Effect of Plan**

All Options and RSUs granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Certificates or Award Agreements issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. The Option Certificates and

Award Agreements will be issued for convenience only and in the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate or Award Agreement. Each Option or RSU will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate or Award Agreement for such Option or RSU, as applicable. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, the provisions of the Plan will supersede such terms and conditions.

#### **2.4 Limits with Respect to Certain Persons**

- (a) The maximum number of Options or RSUs which may be issued to:
  - (A) Any Consultant in any twelve (12) month period under this Plan may be no more than two percent (2%) of the outstanding Shares of the Corporation;
  - (B) All Persons conducting Investor Relations Activities for the Corporation in any twelve (12) month period may be, in aggregate, no more than two percent (2%) of the outstanding Shares of the Corporation,  
  
less the aggregate number of shares reserved for issuance or issuable under any other Share Compensation Arrangement of the Corporation.
- (b) Investor Relations Service Providers may not receive any Security Based Compensation other than Options.
- (c) Options granted to Consultants conducting Investor Relations Activities of the Corporation shall vest over a period of not less than twelve (12) months with no more than twenty-five percent (25%) of the Options vesting in any three (3) month period.
- (d) Options Granted to Insiders are subject to Section 10.2.
- (e) The maximum aggregate number of Options and RSUs that are issuable pursuant to this Plan together with all Share Compensation Arrangements granted or issued to Insiders (as a group) must not exceed 10% of the issued and outstanding Shares of the Corporation at any point in time, unless the Company has obtained Disinterested Shareholder Approval.
- (f) The maximum aggregate number of Subordinate Voting Shares that are issuable pursuant to the Plan together with all Share Compensation Arrangements granted or issued in any twelve (12) month period to Insiders (as a group) must not exceed 10% of the outstanding Shares, calculated as at the date any Share Compensation Arrangement is granted or issued to any Insider, unless the Company has obtained Disinterested Shareholder Approval.
- (g) There may be no acceleration of the vesting requirements applicable to Options granted to persons conducting Investor Relations Activities unless the prior written approval of the TSXV has been obtained.
- (h) Unless disinterested approval is obtained and except as otherwise may be permitted by the policies of the TSXV, the maximum aggregate number of Subordinate Voting Shares that are issuable pursuant to the Plan together with all Share Compensation Arrangements granted or issued in any 12 month period to any one Eligible Person must not exceed 5% of the Shares, calculated as at the date any Security Based Compensation is granted or issued to the Eligible Person.

#### **2.5 Non-Assignability and Non-Transferability**

All Security Based Compensation issued pursuant to this Plan is non-assignable and non-transferable except as provided for in SECTION 6.

## **2.6 Grants to Employees, Consultants or Management Company Employees**

For Options or RSUs granted to employees of the Corporation, Consultants or individuals employed by a company or individual providing management services to the Corporation, the Corporation and the Participant are responsible for ensuring and confirming that the Participant is a bona fide employee of the Corporation, Consultant or individual employed by a company or individual providing management services to the Corporation, as the case may be.

### **SECTION 3 PURPOSE AND PARTICIPATION**

#### **3.1 Purpose of Plan**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants, to incentivize such individuals to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Subordinate Voting Shares of the Company as long term investments.

#### **3.2 Participation in Plan**

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants, if any, to whom Options and RSUs are to be granted.

#### **3.3 Limits on Option Grants**

If the Company is listed on TSXV, the following limitations shall apply to the Plan and all Options thereunder so long as such limitations are required by the TSXV:

- (a) The maximum aggregate number of Subordinate Voting Shares issuable under this Plan pursuant to Options shall not exceed 10% of the outstanding Shares at any one time;
- (b) the maximum number of Options which may be granted to any one Option Holder under the Plan within any 12-month period shall be 5% of the Outstanding Issue (unless the Company has obtained Disinterested Shareholder Approval as required by the TSXV); and
- (c) with respect to section 5.1, the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option;

and such limitation will not be an amendment to this Plan requiring the Option Holders consent under section 10.2 of this Plan.

#### **3.4 Limits on RSU Grants**

With respect to RSUs:

- (a) The maximum aggregate number of Subordinate Voting Shares issuable under this Plan pursuant to RSUs shall not exceed 86,254,193 at any one time, subject to section 4.2;
- (b) The total number of Subordinate Voting Shares issuable pursuant to RSUs to any Participant under this Plan shall not exceed five (5.0%) percent of the issued and outstanding Shares at the time of the Award;
- (c) The total number of Subordinate Voting Shares issuable to any Participant pursuant to RSUs under this Plan shall not, in the aggregate, exceed five (5.0%) percent of the issued and outstanding Shares in any twelve month period; and
- (d) Persons performing investor relations activities may receive only Options as Awards under this Plan.



### **3.5 Notification of Grant**

Following the granting of an Award, the Administrator shall, within a reasonable period of time, notify the Option Holder or RSU Holder in writing of the grant and shall enclose with such notice the Option Certificate or Award Agreement representing the Option or RSU, as applicable, so granted. In no case will the Company be required to deliver an Option Certificate or Award Agreement to an Option Holder or RSU Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option or RSU.

### **3.6 Copy of Plan**

Each Option Holder and RSU Holder, concurrently with the notice of the grant of the Option or RSU, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder and RSU Holder.

### **3.7 Limitation on Service**

The Plan does not give any Option Holder or RSU Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder or RSU Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

### **3.8 No Obligation to Exercise**

Option Holders and RSU Holders shall be under no obligation to exercise Options or RSUs granted under this Plan.

### **3.9 Agreement**

The Company and every Option Holder and RSU Holder granted an Option or RSU hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option or RSU granted hereunder, the Option Holder or RSU Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder or RSU Holder receives their Options or RSUs pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder or RSU Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options and RSUs in that agreement and the terms attaching to the Options or RSUs as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

### **3.10 Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder or RSU Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder or RSU Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

### **3.11 Representation to TSXV**

As a condition precedent to the issuance of an Option or RSU, the Company must be able to represent to TSXV as of the Grant Date that the Option Holder or RSU Holder, as applicable, is a *bona fide* Executive, Employee or Consultant of the Company or any Subsidiary. Both the Company and the Option Holder or RSU Holder are responsible for confirming that the Option Holder or RSU Holder is a bona fide Employee, Consultant or Management Company Employee, as the case may be.

## **SECTION 4 NUMBER OF SHARES UNDER PLAN**

### **4.1 Board to Approve Issuance of Shares**

The Board shall approve by resolution the issuance of all Subordinate Voting Shares to be issued to Option Holders or RSU Holders upon the exercise of Options or RSUs, such authorization to be deemed effective as of the Grant Date of such Options or RSUs regardless of when it is actually done. The Board shall be entitled to approve the issuance of Subordinate Voting Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

#### **4.2 Number of Shares**

Subject to adjustment as provided for herein, the aggregate number of Subordinate Voting Shares which will be available for purchase pursuant to Options granted pursuant to this Plan and any other incentive plan of the Company will not exceed 10% of the issued and outstanding Shares as at the time of grant. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Subordinate Voting Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

Subject to adjustment as provided for herein, the aggregate number of Subordinate Voting Shares which will be available for purchase pursuant to RSUs granted pursuant to this Plan will not exceed 86,254,193 Subordinate Voting Shares. If any RSU expires or otherwise terminates for any reason without having been exercised in full, the number of Subordinate Voting Shares in respect of such expired or terminated RSU shall again be available for the purposes of granting RSUs pursuant to this Plan.

#### **4.3 Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option or RSU and, if as a result of any adjustment, an Option Holder or RSU Holder would become entitled to a fractional share, such Option Holder or RSU Holder shall have the right to purchase only the next lowest whole number of Subordinate Voting Shares and no payment or other adjustment will be made for the fractional interest.

### **SECTION 5 TERMS AND CONDITIONS OF OPTIONS**

#### **5.1 Exercise Period of Option**

Subject to sections 5.4, 6.2, 6.3, 6.4, 7.1 and 12.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Certificate issued in respect of such Option.

Except as provided otherwise in SECTION 6, Options are non-assignable and non-transferable.

#### **5.2 Number of Shares Under Option**

The number of Subordinate Voting Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option.

#### **5.3 Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Subordinate Voting Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option, but in any case shall be no less than the Discounted Market Price. If the Company does not issue a news release to announce the grant and exercise price of an Option, the Discounted Market Price is the last closing price of the Subordinate Voting Shares before the date of the grant of the Option, less the applicable discount.

#### **5.4 Termination of Option**

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, or 12.4 of this Plan:

- (a) *Ceasing to Hold Office* - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of

the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 90<sup>th</sup> day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:

- (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
- (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position, and in no event shall the Expiry Date of the Option shall be later than the first anniversary of the date the Option Holder ceases to hold such position with the Company; OR

- (b) *Ceasing to be Employed or Engaged* - In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 90<sup>th</sup> day following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

- (i) termination for cause;
- (ii) resigning their position; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position, and in no event shall the Expiry Date of the Option shall be later than the first anniversary of the date the Option Holder ceases to hold such position with the Company.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 10.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

#### **5.5 Vesting of Option and Acceleration**

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 10.2 of this Plan.

#### **5.6 Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Certificate. The Option Certificates will be issued for convenience only, and in the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, the provisions of the Plan shall supersede such terms and conditions.

## SECTION 6 TRANSFERABILITY OF AWARDS

### 6.1 Non-transferable

Except as provided otherwise in this SECTION 6, Awards are non-assignable and non-transferable.

### 6.2 Death of Award Holder

In the event of the death of an Award Holder, any Awards held by such Award Holder shall pass to the Personal Representative of the Award Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

### 6.3 Disability of Award Holder

If the employment or engagement of an Award Holder as an Employee or Consultant or the position of an Award Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Disability of Award Holder, any Awards held by such Award Holder shall be exercisable by such Award Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

### 6.4 Disability and Death of Award Holder

If an Award Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Award Holder's Disability and such Award Holder dies within one year after the termination of such engagement, any Awards held by such Award Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Award Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment of such Award Holder due to the Award Holder's Disability and the applicable Expiry Date.

### 6.5 Vesting

Unless the Committee determines otherwise, Awards held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Awards are subject.

Unless the Committee determines otherwise, Options issued pursuant to the LTIP are generally subject to a vesting schedule as follows: (i) 1/3 upon the date of grant; (ii) 1/3 upon the first anniversary of the date of grant; and (iii) 1/3 upon the second anniversary of the date of grant.

### 6.6 Deemed Non-Interruption of Engagement

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other *bona fide* leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Award Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Award Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

## SECTION 7 EXERCISE OF AWARD

### 7.1 Exercise of Award

An Option or RSU may be exercised only by the Award Holder or the Personal Representative of any Award Holder. An Award Holder or the Personal Representative of any Award Holder may exercise an Option or RSU in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, and if applicable, the applicable Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the

Subordinate Voting Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options and RSUs may not be exercised during a Black-Out unless the Committee determines otherwise. If the expiry date of an Option or RSU falls within a Black-Out, the Committee shall have the option to extend the expiry date of the Option or RSU for no later than ten (10) business days after the expiry of the blackout period.

### **7.2 Issue of Share Certificates**

As soon as reasonably practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Award Holder a certificate for the Subordinate Voting Shares so purchased. If the number of Subordinate Voting Shares so purchased is less than the number of Subordinate Voting Shares subject to the Option Certificate or Award Agreement surrendered, the Administrator shall also provide a new Option Certificate for the balance of Subordinate Voting Shares available under the Option or RSU to the Award Holder concurrent with delivery of the Share Certificate.

### **7.3 No Rights as Shareholder**

Until the date of the issuance of the certificate for the Subordinate Voting Shares purchased pursuant to the exercise of an Award, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Subordinate Voting Shares, notwithstanding the exercise of the Award. In the event of any dispute over the date of the issuance of the certificates, the decision of the Committee shall be final, conclusive and binding.

## **SECTION 8 RESTRICTED SHARE UNITS**

### **8.1 Eligibility and participation.**

Subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant RSUs to eligible Participants. RSUs granted to a Participant shall be credited, as of the Grant Date, to the Participant's account. The number of RSUs to be credited to each Participant shall be determined by the Committee in its sole discretion in accordance with this Plan. Each RSU shall, contingent upon the lapse of any restrictions, represent one (1) Subordinate Voting Share. The number of RSUs granted pursuant to an Award and the Restriction Period in respect of such RSU shall be specified in the applicable Award Agreement.

### **8.2 Restrictions.**

RSUs shall be subject to such restrictions as the Committee, in its sole discretion, may establish in the applicable Award Agreement, which restrictions may lapse separately or in combination at such time or times and on such terms, conditions and satisfaction of objectives as the Committee may, in its discretion, determine at the time an Award is granted.

### **8.3 Vesting.**

RSUs may not vest before the date that is one year following the date they are granted or issued, subject to the following:

(i) if a Participant ceases to become eligible for grants of RSUs upon occurrence of a Change of Control, all RSUs granted to that Participant that are subject to a vesting provision shall be deemed to have immediately vested upon the occurrence of the Change of Control, and

(ii) in the case of the death of a Participant, the Company shall have the option, in its sole discretion, to accelerate the vesting period of any RSUs granted to the Participant which have not vested at the date of death, and if such discretion is exercised, such RSUs shall be deemed to have immediately vested upon the date of death and upon such vesting, may be exercised by the Participant's lawful personal representatives, heirs or executors until up to one year after the date of death of such Participant. If such discretion is not exercised to accelerate the vesting period of any RSUs, Section 8.5 shall be applied in the case of the death of a Participant.

### **8.4 Change of control.**

In the event of a Change of Control, all restrictions upon any RSUs shall lapse immediately and all such RSUs shall become fully vested in the Participant and will accrue to the Participant in accordance with Section 8.9 hereof.

### **8.5 Death.**

Other than as may be set forth in the applicable Award Agreement, upon the death of a Participant, any RSUs granted to such Participant which, prior to the Participant's death, have not vested, will be immediately and automatically forfeited and cancelled without further action and without any cost or payment, and the Participant or his or her estate, as the case may be, shall have no right, title or interest therein whatsoever. Any RSUs granted to such Participant which, prior to the Participant's death, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant's estate in accordance with SECTION 5(a)(x) hereof.

### **8.6 Termination of employment or service.**

- (a) Where, in the case of Employees or Consultants, a Participant's employment is terminated by the Company or a Subsidiary for cause, or consulting contract, subject to the applicable Award Agreement, is terminated as a result of the Consultant's breach, all RSUs granted to the Participant under this Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.
- (b) Where, in the case of Employees or Consultants, a Participant's employment or consulting contract is terminated by the Company or a Subsidiary without cause, by voluntary termination or due to Retirement by the Participant, all RSUs granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date, provided, however, that any RSUs granted to such Participant which, prior to the Participant's termination without cause, voluntary termination or Retirement, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 8.9 hereof.
- (c) Upon termination of a Participant's employment with the Company or a Subsidiary, or upon termination of a Consultant's contract, the Participant's eligibility to receive further grants of Awards of RSUs under this Plan shall cease as of the Termination Date.

In the event that the RSU Holder ceases to hold the position of Executive, Employee or Consultant for which the RSU was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the RSU, the Committee may, in its sole discretion, choose to permit the RSU to stay in place for that RSU Holder with such RSU then to be treated as being held by that RSU Holder in his or her new position and such will not be considered to be an amendment to the RSU in question requiring the consent of the RSU Holder under section 10.2 of this Plan. Notwithstanding anything else contained herein, in no case will an RSU be exercisable later than the Expiry Date of the RSU.

- (d) Notwithstanding any other provisions herein, upon termination of a Participant's employment with the Company or a Subsidiary, any Award held by the Participant must expire within a reasonable period which shall not exceed 12 months from the date of termination.

### **8.7 Disability.**

Where, in the case of Employees or Consultants, a Participant becomes afflicted by a Disability, all RSUs granted to the Participant under this Plan will continue to vest in accordance with the terms of such RSUs, provided, however, that no RSUs may be redeemed during a leave of absence. Where, in the case of Employees or Consultants, a Participant's employment or consulting contract is terminated due to Disability, all RSUs granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date, provided, however, that any RSUs granted to such Participant which, prior to the Participant's termination due to Disability, had vested pursuant to terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 8.9 hereof.

### **8.8 Cessation of directorship.**

Where, in the case of Directors, a Participant ceases to be a Director for any reason, any RSUs granted to the Participant under this Plan that have not yet vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Cessation Date, provided, however, that any RSUs granted to such Participant which, prior to

the Cessation Date for any reason, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 8.9 hereof.

**8.9 Payment of award.**

As soon as practicable after each Vesting Date of an Award of RSUs, and subject to the applicable Award Agreement, the Company shall issue from treasury to the Participant, or if Section 8.5 applies, to the Participant's estate, a number of Subordinate Voting Shares equal to the number of RSUs credited to the Participant's Account that become payable on the Vesting Date. As of the Vesting Date, the RSUs in respect of which such Subordinate Voting Shares are issued shall be cancelled and no further payments shall be made to the Participant under this Plan in relation to such RSUs.

**SECTION 9  
ADMINISTRATION**

**9.1 Board or Committee**

The Plan shall be administered by the Board, by a Committee of the Board appointed in accordance with section 9.2 below, or by an Administrator appointed in accordance with subsection 9.4(e).

**9.2 Appointment of Committee**

The Board may at any time appoint a Committee, consisting of not less than two of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

**9.3 Quorum and Voting**

A majority of the members of the Committee shall constitute a quorum and, subject to the limitations in this SECTION 9, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Options or RSUs pursuant to the Plan, except that no such member shall act upon the granting of an Option or RSU to himself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to the granting of Options or RSUs to that member). The Committee may approve matters by written resolution signed by a majority of the quorum.

**9.4 Powers of Committee**

The Committee (or the Board if no Committee is in place) shall have the authority to do the following:

- (a) administer the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) hire an employ or engage a consultant to administrate the Plan;
- (d) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Price of the Subordinate Voting Shares;
- (e) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (f) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;

- (g) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders or RSU Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (h) do the following with respect to the granting of Options or RSUs, as applicable:
  - (i) determine the Executives, Employees or Consultants to whom Options or RSUs shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option or RSU to be granted to an Option Holder or RSU Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and vesting schedule, as applicable(which need not be identical with the terms of any other Option or RSU);
  - (iii) subject to any necessary Regulatory Approvals and section 10.2, amend the terms of any Options or RSUs;
  - (iv) determine when Options or RSUs shall be granted; and
  - (v) determine the number of Subordinate Voting Shares subject to each Option or RSU;
- (i) accelerate the vesting schedule of any Option or RSU previously granted, subject to any necessary Regulatory Approvals and Sections 2.4(g) and 8.3 hereof; and
- (j) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

#### **9.5 Administration by Committee**

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

#### **9.6 Interpretation**

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder or RSU Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

### **SECTION 10 APPROVALS AND AMENDMENT**

#### **10.1 Shareholder Approval of Plan**

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of a majority of the votes cast at a meeting of the shareholders of the Company or by a majority of votes cast by disinterested shareholders at a meeting of shareholders of the Company. If shareholder approval is required, any Options or RSUs granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

#### **10.2 Amendment of Option or RSU or Plan**

The Board may from time to time, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option or RSU granted under the Plan and any Certificate relating thereto, provided that no such suspension, termination, amendment or revision will be made:

- (i) Except in compliance with applicable law and with the prior approval, if required, of the TSXV or any other regulatory body having authority over the Corporation, the Plan or the Shareholders; and



- (ii) In the case of an amendment or revision, if it materially adversely affects the rights of any Participant, without the consent of the Participant.

If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of the termination will continue in effect as long as any Option or RSU, or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such amendments to the Plan or the Options or RSU as they would have been entitled to make if the Plan were still in effect.

Subject to any applicable rules of the TSXV, the Board may from time to time, in its absolute discretion and without the approval of Shareholders, make the following amendments:

- (i) Amendments to fix typographical errors; and
- (ii) Amendments to clarify existing provisions of the Plan that do not have the effect of altering the scope, nature and intent of such provisions.

Shareholder approval is required for any change that would materially modify the eligibility requirements for participation in the Plan.

Disinterested Shareholder Approval is required for the following amendments to the Plan;

- (i) Any individual grant that would result in any of the limitations set forth in Section 2.4, Section 3.3 or Section 3.4 being exceeded;
- (ii) Any individual grant that would result in the grant to Insiders (as a group), within a twelve (12) month period, of an aggregate number of Options or RSUs exceeding ten percent (10%) of the issued Shares, calculated on the date an Option or RSU, as applicable, is granted to any Insider;
- (iii) Any individual grant that would result in the number of Subordinate Voting Shares issued to any individual in any twelve (12) month period under this Plan exceeding five percent (5%) of the issued Shares of the Corporation, less the aggregate number of shares reserved for issuance or issuable under any other Share Compensation Arrangement of the Corporation;
- (iv) Any amendment to Options or RSUs held by Insiders that would have the effect of decreasing the exercise price of the Options or RSUs;
- (v) Any extension of the Expiry Date of an Option held by an Insider.

For the purposes of the limitations set forth in items (ii) and (iv) above, Options or RSUs held by an Insider at any point in time that were granted to such Participant prior to it becoming an Insider shall be considered Options or RSUs granted to an Insider irrespective of the fact that the Participant was not an Insider at the time of grant.

### **10.3 Limits with Respect to Insiders**

The aggregate number of Subordinate Voting Shares reserved for issuance to Insiders under this Plan and all Share Compensation Arrangements of the Company, in the aggregate, shall not exceed 10% of the outstanding Shares, and the number of Subordinate Voting Shares issued to Insiders, within any one year period, under this Plan and all Share Compensation Arrangements of the Company, in the aggregate, shall not exceed 10% of the outstanding Shares (on a non-diluted basis), unless Disinterested Shareholder Approval is received.

## **SECTION 11 CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

### **11.1 Compliance with Laws**

An Option or RSU shall not be granted or exercised, and Subordinate Voting Shares shall not be issued pursuant to the exercise of any Option or RSU, unless the grant and exercise of such Option or RSU and the issuance and delivery of such Subordinate Voting Shares comply with all applicable Regulatory Rules, and such Options and RSUs and Subordinate Voting Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Certificates or Award Agreements and the certificates representing such Subordinate Voting Shares accordingly.

**11.2 Obligation to Obtain Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options or RSUs to be granted without first obtaining the necessary Regulatory Approvals unless such Options or RSUs are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options or RSUs hereunder. No Option or RSUs granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options and RSUs granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders and RSU Holders under section 10.2 of this Plan.

**11.3 Inability to Obtain Regulatory Approvals**

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options or RSUs hereunder, the exercise of those Options or RSUs or the lawful issuance and sale of any Subordinate Voting Shares pursuant to such Options or RSUs, shall relieve the Company of any liability with respect to the failure to complete such transaction.

**SECTION 12  
ADJUSTMENTS AND TERMINATION**

**12.1 Termination of Plan**

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan. Unless earlier terminated as provided in this SECTION 12, the Plan shall terminate on, and no more Options or RSUs shall be granted under the Plan after, the tenth anniversary of the Effective Date of the Plan.

**12.2 No Grant During Suspension of Plan**

No Option or RSU may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder or RSU Holder, alter or impair any rights or obligations under any Option or RSU previously granted.

**12.3 Alteration in Capital Structure**

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options and RSUs then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder and RSU Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options or RSUs; and
- (b) a change in the Exercise Price payable per Subordinate Voting Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Subordinate Voting Share and the number of Subordinate Voting Shares subject thereto.

Any adjustment made to any Options or RSUs pursuant to this section 12.3 shall not be considered an amendment requiring the Option Holder's consent or RSU Holder's consent, as applicable, for the purposes of Section 10.2 of this Plan.

#### **12.4 Triggering Events**

Subject to the Company complying with section 12.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Certificate or Award Agreement, the Committee may, without the consent of the RSU Holder, Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options or RSUs granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options or RSUs granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's or RSU Holder's consent for the purpose of section 10.2 of the Plan.

#### **12.5 Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options or RSUs granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders or RSU Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder or RSU Holder the opportunity to exercise the vested portion of the Options or RSUs prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options and RSUs or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options or RSUs may have otherwise been subject.

#### **12.6 Determinations to be Made By Committee**

Any adjustment, other than in connection with a security consolidation or security split, to Awards granted or issued under this Plan must be subject to the prior acceptance of any necessary Regulatory Approvals, including adjustments related to an amalgamation, merger, arrangement, reorganization, spin-off, dividend or recapitalization. Subject to the foregoing, Adjustments and determinations under this SECTION 12 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

### **SECTION 13 GENERAL TERMS APPLICABLE TO AWARDS**

#### **13.1 Forfeiture Events.**

The Board will specify in an Award Agreement at the time of the Award that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company policies, fraud, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant or other conduct by the Participant that is detrimental to the business or reputation of the Company.

#### **13.2 Awards may be granted separately or together.**

Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution for any other Award. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

#### **13.3 Non-transferability of awards.**

Except as otherwise provided in an Award Agreement, no Award and no right under any such Award, shall be assignable, alienable, saleable, or transferable by a Participant otherwise than by will or by the laws of descent and distribution. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company. The Company does not intend to make Awards assignable or transferable, except where required by law or in certain estate proceedings described herein.

**13.4 Conditions and restrictions upon securities subject to awards.**

The Board may provide that the Subordinate Voting Shares issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Board in its sole discretion may specify, including without limitation, conditions on vesting or transferability and forfeiture or repurchase provisions or provisions on payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Subordinate Voting Shares issued under an Award, including without limitation: (A) restrictions under an insider trading policy or pursuant to applicable law; (B) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Awards; (C) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and (D) provisions requiring Subordinate Voting Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

**13.5 Share certificates.**

All Subordinate Voting Shares delivered under this Plan pursuant to any Award shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under this Plan or the rules, regulations, and other requirements of any securities commission, the Exchange, and any applicable securities legislation, regulations, rules, policies or orders, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

**13.6 Conformity to plan.**

In the event that an Award is granted which does not conform in all particulars with the provisions of this Plan, or purports to grant an Award on terms different from those set out in this Plan, the Award shall not be in any way void or invalidated, but the Award shall be adjusted by the Board to become, in all respects, in conformity with this Plan.

**13.7 Performance evaluation; adjustment of goals.**

At the time that a performance-based Award is first issued, the Board, in the Award Agreement or in another written document, may specify whether performance will be evaluated including or excluding the effect of any of the following events that occur during the Restriction Period, as the case may be: (A) judgments entered or settlements reached in litigation; (B) the write down of assets; (C) the impact of any reorganization or restructuring; (D) the impact of changes in tax laws, accounting principles, regulatory actions or other laws affecting reported results; (E) extraordinary non-recurring items as may be described in the Company's management's discussion and analysis of financial condition and results of operations for the applicable financial year; (F) the impact of any mergers, acquisitions, spin-offs or other divestitures; and (G) foreign exchange gains and losses.

**13.8 Adjustment of performance-based awards.**

The Board shall have the sole discretion to adjust the determinations of the degree of attainment of the pre-established performance criteria or restrictions, as the case may be, as may be set out in the applicable Award Agreement governing the relevant performance-based Award. Notwithstanding any provision herein to the contrary, the Board may not make any adjustment or take any other action with respect to any performance-based Award that will increase the amount payable under any such Award. The Board shall retain the sole discretion to adjust performance-based Awards downward or to otherwise reduce the amount payable with respect to any performance-based Award.

**SECTION 14  
MISCELLANEOUS**

**14.1 No right as shareholder.**

Neither the Participant nor any representatives of a Participant's estate shall have any rights whatsoever as Shareholders in respect of any Subordinate Voting Shares covered by such Participant's Award, until the date of issuance of a share certificate to such Participant or representatives of a Participant's estate for such Subordinate Voting Shares.

**14.2 No trust or fund created.**

Neither this Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company.

**14.3 No representations or covenants with respect to tax qualification; Section 409A.**

- (a) Although the Company may, in its discretion, endeavor to (i) qualify an Award for favourable Canadian tax treatment or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under this Plan.
- (b) For Participants who are residents or citizens of the United States of America, this Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Section 409A. Where reasonably possible and practicable, this Plan shall be administered in a manner to avoid the imposition on Participants of immediate tax recognition and additional taxes pursuant to Section 409A. To the extent that an Award or the payment, settlement or deferral thereof is subject to Section 409A, the Award shall be granted, paid, settled or deferred in a manner that will comply with Section 409A, except as otherwise determined by the Committee. If a Participant is a “specified employee” (within the meaning of Section 409A) and should any portion of the Award that would otherwise be payable under such Award be determined to be a payment that is not exempt from Section 409A, such payment, to the extent otherwise payable within six (6) months after a “separation from service” (within the meaning of Section 409A), and to the extent necessary to avoid the imposition of taxes under Section 409A, will be settled on the earlier of the date that is six (6) months and one (1) day after the date of such of separation from service or the date of Participant’s death. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.
- (c) Notwithstanding the foregoing, neither the Company nor the Committee, nor any of the Company’s directors, officers or employees shall have any liability to any person in the event any Award results in adverse tax consequences for the Participant or any of his or her beneficiaries or transferees.

\* \* \* \* \*

## SCHEDULE "A"

[Include the following Exchange hold period if i) the exercise price of the stock options is based on less than Market Price; or ii) if the certificate is issued to persons holding securities carrying more than 10% of the voting rights attached to the Company's securities; or if the certificate is issued to directors, officers or promoters of the Company]

[Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until <insert date four months and one day after Grant Date>.]

### CATHEDRA BITCOIN INC. STOCK OPTION PLAN - OPTION CERTIFICATE

This Option Certificate is issued pursuant to the provisions of the Stock Option Plan (the "Plan") of Fortress Technologies Inc. (the "Company") and evidences that <insert name of Option Holder> is the holder (the "Option Holder") of an option (the "Option") to purchase up to ● subordinate voting shares (the "Shares") in the capital stock of the Company at a purchase price of CAD\$● per Share (the "Exercise Price"). This Option may be exercised at any time and from time to time from and including the following Grant Date through to and including up to 5:00 p.m. local time in Toronto, Ontario (the "Expiry Time") on the following Expiry Date:

- (a) the Grant Date of this Option is ●, 20\_\_\_\_; and
- (b) subject to sections 5.4, 6.2, 6.3, 6.4 and 12.4 of the Plan, the Expiry Date of this Option is ●, 20\_\_\_\_.

To exercise this Option, the Option Holder must deliver to the Administrator of the Plan, prior to the Expiry Time on the Expiry Date, an Exercise Notice, in the form provided in the Plan, which is incorporated by reference herein, together with the original of this Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail. This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

[Include the following Exchange hold period only if the exercise price of the stock options is based on less than Market Price. or ii) if the certificate is issued to persons holding securities carrying more than 10% of the voting rights attached to the Company's securities; or if the certificate is issued to directors, officers or promoters of the Company]

[Any share certificates issued pursuant to an exercise of the Option before < insert date four months and one day after Grant Date> will contain the following legend:

**"Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until <insert date four months and one day after Grant Date>."**]

If the Option Holder is a resident or citizen of the United States of America at the time of the exercise of the Option, the certificate(s) representing the Shares will be endorsed with the following or a similar legend:

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, of the United States of America (the “**Act**”) or the securities laws of any state (“**State**”) of the United States of America and may not be sold, transferred, pledged, hypothecated or distributed, directly or indirectly, to a U.S. person (as defined in Regulation S adopted by the U.S. Securities and Exchange Commission under the Act) or within the United States unless such securities are (i) registered under the Act and any applicable State securities act (a “**State Act**”), or (ii) exempt from registration under the Act and any applicable State Act and the Company has received an opinion of counsel to such effect reasonably satisfactory to it, or (iii) sold in accordance with Regulation S and the Company has received an opinion of counsel to such effect reasonably satisfactory to it.”

This Option was granted to the Option Holder in his or her capacity as a ●[pick one: Director, Officer, Employee, Consultant] of the Company, and shall continue in effect should his or her status change and he or she continue in a new capacity as a Director, Officer, Employee or Consultant of the Company.

**Cathedra Bitcoin Inc.**

Per:

\_\_\_\_\_

Director

The Option Holder acknowledges receipt of a copy of the Plan and represents to the Company that the Option Holder is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Option Holder agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by the Regulatory Authorities. The Option Holder further acknowledges that if the Plan has not been approved by the shareholders of the Company on the Grant Date, this Option is not exercisable until such approval has been obtained.

Signature of Option Holder:

\_\_\_\_\_

Signature

Date signed: \_\_\_\_\_

\_\_\_\_\_

Print Name

\_\_\_\_\_

Address

\_\_\_\_\_

## OPTION CERTIFICATE – SCHEDULE

[Complete the following additional terms and any other special terms, if applicable, or remove the inapplicable terms or this schedule entirely.]

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

1. The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. The Options will vest in accordance with the following:
  - (a) ● Shares (●%) will vest and be exercisable on or after the Grant Date;
  - (b) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
  - (c) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
  - (d) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
2. Upon the Option Holder ceasing to hold a position with the Company, other than as a result of the events set out in paragraphs 5.4(a) or 5.4(b) of the Plan, the Expiry Date of the Option shall be *<if applicable, insert date desired that is longer or shorter than the standard 90 days set out in the Plan>* following the date the Option Holder ceases to hold such position.

\* \* \* \* \*



**SCHEDULE "B"**

**STOCK OPTION PLAN  
NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
**Cathdra Bitcoin Inc.**  
320 – 638 Broughton Street  
  
Vancouver, British Columbia V6G 3K3  
  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the "**Plan**") of Cathdra Bitcoin Inc. (the "**Company**"), of the exercise of the Option to acquire and hereby subscribes for (**cross out inapplicable item**):

- (a) all of the Shares; or
- (b) \_\_\_\_\_ of the Shares;

which are the subject of the Option Certificate attached hereto (**attach your original Option Certificate**).

The undersigned tenders herewith a certified cheque or bank draft (**circle one**) payable to "●" in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue the certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address (**provide full complete address**):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 5:00 p.m. local time in Toronto, Ontario on the Expiry Date of the Option.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
**Signature of Option Holder**

**SCHEDULE "K"**

**AMENDED AND RESTATED ARTICLES**

*[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]*

**CATHEDRA BITCOIN INC.**  
(the "Company")

INCORPORATION NUMBER ◆

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**CATHEDRA BITCOIN INC.**  
**((the "Company"))**

**1. INTERPRETATION**

**1.1 Definitions**

In these Articles, unless the context otherwise requires:

- (1) "board of directors", "directors" and "board" mean the directors or sole director of the Company, as the case may be;
- (2) "*Business Corporations Act*" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (3) "*Interpretation Act*" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (4) "legal personal representative" means the personal or other legal representative of a shareholder, and includes a trustee in bankruptcy of the shareholder;
- (5) "registered address" of a shareholder means that shareholder's address as recorded in the central securities register;
- (6) "seal" means the seal of the Company, if any
- (7) "shareholder" means any holder of Subordinate Voting Shares (as defined herein) and any holder of any class or series of Preferred Shares of the Company.

**1.2 *Business Corporations Act and Interpretation Act Definitions Applicable***

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if these Articles were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles.

**1.3 *Conflicts Between Articles and the Business Corporations Act***

If there is a conflict or inconsistency between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

**2. SHARES AND SHARE CERTIFICATES**

**2.1 Authorized Share Structure**

The authorized share structure of the Company is as follows:

- (1) An unlimited number of common shares designated as "Subordinate Voting Shares", without nominal or par value, having attached thereto the rights, privileges, restrictions and conditions as set forth below:

- (a) The holders of the Subordinate Voting Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share so held;
  - (b) Subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares of the Company, the **board of directors** may from time-to-time declare a dividend, and the Company shall pay thereon out of the monies or property of the Company properly applicable to the payment of the dividends to the holders of Subordinate Voting Shares *pari passu*. For the purpose hereof, the holders of Subordinate Voting Shares receive dividends as shall be determined from time-to-time by the **board of directors** whose determination shall be conclusive and binding upon the Company and the holders of Subordinate Voting Shares; and
  - (c) Subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares of the Company, in the event of liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends) the holders of Subordinate Voting Shares shall be entitled to participate rateably with all other holders of Subordinate Voting Shares.
- (2) An unlimited number of preferred shares (“Preferred Shares”), without nominal or par value, having attached thereto the rights, privileges, restrictions and conditions as set forth below:
- (a) The **board of directors** of the Company may from time-to-time issue the Preferred Shares in one or more series, each series to consist of such numbers of shares as may before issuance thereof be determined by the **board of directors**;
  - (b) The **board of directors** of the Company may by resolution alter the Articles of the Company (subject as hereinafter provided) to create any series of Preferred Shares and to fix before issuance, the designation, rights, privileges, restrictions and conditions to attach to the Preferred Shares of each series, including, without limiting the generality of the foregoing, the rate, form, entitlement and payment of preferential dividends, the dates and place to payment thereof, the redemption price, terms, procedures and conditions of redemption, if any, voting rights and conversion rights (if any) and any sinking fund, purchase fund or other provisions attaching to the Preferred Shares of such series; and provided, however, that no shares of any series shall be issued until the Company has filed an alteration to the Notice of Articles with the Registrar of Companies, if required, or such designated person in any other jurisdiction in which the Company may be continued;
  - (c) If any cumulative dividends or amounts payable on return of capital in respect of a series of shares are not paid in full the shares of all series shall participate rateably in respect of accumulated dividends and return of capital;
  - (d) The Preferred Shares shall be entitled to preference over the Common Shares of the Company and any other shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends, if any, and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, and may also be given such other preferences over the Common Shares and any other shares of the Company ranking junior to the Preferred Shares as may be fixed by the resolution of the **board of directors** of the Company as to the respective series authorized to be issued;



- (e) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority and payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, exclusive of any conversion rights that may affect the aforesaid;
  - (f) No dividends shall at any time be declared or paid on or set apart for payment on any shares of the Company ranking junior to the Preferred Shares unless all dividends, if any, up to and including the dividend payable for the last completed period for which such dividend shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the Preferred Shares nor shall the Company call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of the Preferred Shares (less than the total amount then outstanding) or any shares of the Company ranking junior to the Preferred Shares unless all dividends up to and including the dividend payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment;
  - (g) Preferred Shares of any series may be purchased for cancellation or made subject to redemption by the Company out of capital pursuant to the provisions of the *Business Corporations Act*, if the **board of directors** so provide in the resolution of the **board of directors** of the Company relating to the issuance of such Preferred Shares, and upon such other terms and conditions as may be specified in the designations, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each such series as set forth in the said Resolution of the **board of directors** and Articles of Amendment of the Company relating to the issuance of such series;
  - (h) The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or bonds, debentures or other securities of the Company now or hereafter authorized; and
  - (i) No class of shares may be created or rights and privileges increased to rank in parity or priority with the Preferred Shares with regard to the rights and privileges thereof and without limiting the generality of the foregoing, capital and dividends, without the approval of the holders of the Preferred Shares.
- (3) An unlimited number of series a Preferred Shares designated as “Multiple Voting Shares”, without nominal or par value, having the special rights and restrictions attached hereto as Schedule “A”.

## 2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

## 2.3 Shareholder Entitled to Share Certificate or Acknowledgement

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgement of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgement, and delivery of a share certificate or acknowledgement, for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

## **2.4 Delivery by Mail**

Any share certificate or non-transferable written acknowledgement of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

## **2.5 Replacement of Worn Out or Defaced Share Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is worn out or defaced, the directors must, on production to them of the share certificate or acknowledgement, as the case may be, and on such other terms, if any, the directors think fit:

- (1) order the share certificate or acknowledgement, as the case may be, to be cancelled; and
- (2) issue a replacement share certificate or acknowledgement, as the case may be.

## **2.6 Replacement of Lost, Stolen or Destroyed Share Certificate or Acknowledgement**

If a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgement, as the case may be, must be issued to the person entitled to that share certificate or acknowledgement, as the case may be, if the directors receive:

- (1) proof satisfactory to the directors that the share certificate or acknowledgement is lost, stolen or destroyed; and
- (2) any indemnity the directors consider adequate.

## **2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

## **2.8 Share Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

## **2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## **3. ISSUE OF SHARES**

### **3.1 Directors Authorized**

Subject to the *Business Corporations Act* and rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times,

to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### **3.2 Commissions and Discounts**

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

### **3.3 Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### **3.4 Conditions of Issue**

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (a) past services performed for the Company;
  - (b) property;
  - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### **3.5 Share Purchase Warrants and Rights**

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## **4. SECURITIES REGISTERS**

### **4.1 Central Securities Register**

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### **4.2 Closing Register**

The Company must not at any time close its central securities register.

## **5. SHARE TRANSFERS**

### **5.1 Registering Transfers**

A transfer of a share of the Company must not be registered unless:

- (1) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and
- (3) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgement has been surrendered to the Company.

### **5.2 Transferor Remains Shareholder**

Except to the extent that the *Business Corporations Act* otherwise provides, a transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

### **5.3 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgements deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer; or
- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

### **5.4 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgement of a right to obtain a share certificate for such shares.

### **5.5 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

## **6. TRANSMISSION OF SHARES**

### **6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof

of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

## **6.2 Rights of Legal Personal Representative**

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

## **7. PURCHASE OR REDEMPTION OF SHARES**

### **7.1 Company Authorized to Purchase or Redeem Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

### **7.2 Purchase or Redemption When Insolvent**

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

### **7.3 Sale and Voting of Purchased Shares**

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and
- (3) must not make any other distribution in respect of the share.

## **8. BORROWING POWERS**

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;
- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;
- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## 9. ALTERATIONS

### 9.1 Alteration of Authorized Share Structure

- (1) Subject to the *Business Corporations Act*, the Company may by resolution of the **board of directors**:
  - (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
  - (b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
  - (c) subject to Article 2.1(2), alter the identifying name of any of its shares;
  - (d) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
  - (e) if the Company is authorized to issue shares of a class of shares with par value:
    - (A) decrease the par value of those shares; or
    - (B) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
  - (f) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value; or
  - (g) subject to Article 2.1(2), otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

### 9.2 Change of Name

The Company may by resolution of the **board of directors** authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

### 9.3 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by a director's resolution or an ordinary resolution, in each case as determined by the directors, alter these Articles.

## 10. MEETINGS OF SHAREHOLDERS

### 10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

## **10.2 Resolution Instead of Annual General Meeting**

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

## **10.3 Calling of Meetings of Shareholders**

The directors may, whenever they think fit, call a meeting of shareholders.

## **10.4 Location of Meeting**

A general meeting of the Company may be held anywhere in the world as determined by the directors.

## **10.5 Notice for Meetings of Shareholders**

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

## **10.6 Record Date for Notice**

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

## **10.7 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

## **10.8 Class Meetings and Series Meetings of Shareholders**

Subject to the provisions of the *Business Corporations Act*, unless specified otherwise in these Articles or in the special rights and restrictions attached to any class or series of shares, the provisions of these Articles relating to general

meetings will apply, with the necessary changes and so far as they are applicable, to a class meeting or series meeting of shareholders holding a particular class or series of shares.

### **10.9 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

## **11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

### **11.1 Special Business**

At a meeting of shareholders, the following business is special business:

- (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of, or voting at, the meeting;
- (2) at an annual general meeting, all business is special business except for the following:
  - (a) business relating to the conduct of, or voting at, the meeting;
  - (b) consideration of any financial statements of the Company presented to the meeting;
  - (c) consideration of any reports of the directors or auditor;
  - (d) the setting or changing of the number of directors;
  - (e) the election or appointment of directors;
  - (f) the appointment of an auditor;
  - (g) the setting of the remuneration of an auditor;
  - (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
  - (i) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

### **11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

### **11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two (2) shareholders entitled to vote at the meeting, present in person or represented by proxy.

### **11.4 One Shareholder May Constitute Quorum**

If there is only one shareholder entitled to vote at a meeting of shareholders:



- (1) the quorum is one person who is, or who represents by proxy, that shareholder, and
- (2) that shareholder, present in person or by proxy, may constitute the meeting.

#### **11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), the auditor of the Company, the lawyers for the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

#### **11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

#### **11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved; and
- (2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

#### **11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

#### **11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

- (1) the chair of the board, if any;
- (2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any; or
- (3) such other person designated by the directors.

#### **11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, the person appointed under section 11.9 above is not present within 15 minutes after the time set for holding the meeting, or if such person is unwilling to act as chair of the meeting, or if such person has advised the secretary, if any, or any director present at the meeting, that such person will not be present at the meeting, the directors present must choose: one of their number, a senior officer or counsel to the Company to chair the meeting or if the director, senior officer or counsel present declines to take the chair or if the directors fail to so choose or if no director, senior officer or counsel is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

### **11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

### **11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for thirty days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

### **11.13 Decisions by Show of Hands or Poll**

Every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

### **11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

### **11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

### **11.16 Casting Vote**

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

### **11.17 Manner of Taking Poll**

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (1) the poll must be taken:
  - (a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
  - (b) in the manner, at the time and at the place that the chair of the meeting directs;
- (2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
- (3) the demand for the poll may be withdrawn by the person who demanded it.

### **11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

### **11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of a meeting of the shareholders must determine the dispute, and his or her determination made in good faith is final and conclusive.

### **11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

### **11.21 Demand for Poll**

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

### **11.22 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

### **11.23 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and during that period, make such ballots and proxies available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

## **12. VOTES OF SHAREHOLDERS**

### **12.1 Number of Votes by Shareholder or by Shares**

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

### **12.2 Votes of Persons in Representative Capacity**

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative for a shareholder who is entitled to vote at the meeting.

### **12.3 Votes by Joint Holders**

If there are joint shareholders registered in respect of any share:

- (1) any one of the joint shareholders may vote at any meeting of the shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (2) if more than one of the joint shareholders is present at any meeting of the shareholders, personally or by proxy, and more than one of the joint shareholders votes in respect of that share, then only the

vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

#### **12.4 Legal Personal Representatives as Joint Shareholders**

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

#### **12.5 Representative of a Corporate Shareholder**

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of the shareholders by written instrument, fax or any other method of transmitting legibly recorded messages and:

- (1) for that purpose, the instrument appointing a representative must:
  - (a) be received at the registered office of the Company or at any other place specified for the receipt of proxies, in the notice calling the meeting, at least the number of business days for the receipt of proxies specified in the notice, or if no number of days is specified in the notice, at least, two business days before the day set for the holding of the meeting; or
  - (b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (2) if a representative is appointed under this Article 12.5:
  - (a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
  - (b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

#### **12.6 Proxy Provisions Do Not Apply to All Companies**

Article 12.9 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply. Sections 12.7 to 12.15 apply to the Company only insofar as they are not inconsistent with any applicable securities legislation and any regulations and rules made and promulgated under such legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commission or similar authorities appointed under that legislation.

#### **12.7 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of the shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the instrument of proxy.

#### **12.8 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

### 12.9 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form designated by the directors, the scrutineer or the chair of the meeting:

*[name of company]*  
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned): \_\_\_\_\_.

Signed *[month, day, year]*

\_\_\_\_\_  
*[Signature of shareholder]*

\_\_\_\_\_  
*[Name of shareholder- printed]*

### 12.10 Deposit of Proxy

A proxy for a meeting of shareholders must be by written instrument, fax or any other method of transmitting legibly messages and must:

- (1) be received at the registered office of the Company or at any other place specified for the receipt of proxies, in the notice calling the meeting, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, in the notice, at least two business days before the day set for the holding of the meeting; or
- (2) unless the notice provides otherwise, be deposited at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

### 12.11 Revocation of Proxy

Subject to Article 12.12, every proxy may be revoked by an instrument in writing that is :

- (1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (2) deposited with the chair of the meeting, at the meeting, before any vote in respect of which the proxy is to be used shall have been taken.

### 12.12 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.12 must be signed as follows:

- (1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative;
- (2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

### **12.13 Production of Evidence of Authority to Vote**

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## **13. DIRECTORS**

### **13.1 First Directors; Number of Directors**

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;
- (2) if the Company is a public company, the greater of three and the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4;
- (3) if the Company is not a public company, the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4.

### **13.2 Change in Number of Directors**

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

- (1) the shareholders may elect or appoint the directors needed to fill any vacancies in the **board of directors** up to that number;
- (2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the **board of directors** up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

### **13.3 Directors' Acts Valid Despite Vacancy**

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### 13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

### 13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

### 13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### 13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### 13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## 14. ELECTION AND REMOVAL OF DIRECTORS

### 14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

- (1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a **board of directors** consisting of the number of directors for the time being set under these Articles; and
- (2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

### 14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

- (1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

- (3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

#### **14.3 Failure to Elect or Appoint Directors**

If:

- (1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (3) the date on which his or her successor is elected or appointed; and
- (4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

#### **14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

#### **14.5 Directors May Fill Casual Vacancies,**

Any casual vacancy occurring in the **board of directors** may be filled by the directors.

#### **14.6 Remaining Directors Power to Act**

The directors may act notwithstanding any vacancy in the **board of directors**, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the **board of directors** or, subject to the *Business Corporations Act*, for any other purpose.

#### **14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the **board of directors**.

#### **14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:



- (1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

#### **14.9 Ceasing to be a Director**

A director ceases to be a director when:

- (1) the term of office of the director expires;
- (2) the director dies;
- (3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or
- (4) the director is removed from office pursuant to Articles 14.10 or 14.11.

#### **14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

#### **14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceased to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

### **15. POWERS AND DUTIES OF DIRECTORS**

#### **15.1 Powers of Management**

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

#### **15.2 Appointment of Attorney of Company**

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the **board of directors**, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as

the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

## **16. DISCLOSURE OF INTEREST OF DIRECTORS**

### **16.1 Obligation to Account for Profits**

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### **16.2 Restrictions on Voting by Reason of Interest**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### **16.3 Interested Director Counted in Quorum**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### **16.4 Disclosure of Conflict of Interest or Property**

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

### **16.5 Director Holding Other Office in the Company**

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

### **16.6 No Disqualification**

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

### **16.7 Professional Services by Director or Officer**

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

## **16.8 Director or Officer in Other Corporations**

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## **17. PROCEEDINGS OF DIRECTORS**

### **17.1 Meetings of Directors**

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as the directors think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### **17.2 Voting at Meetings**

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **17.3 Chair of Meetings**

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any;
- (2) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (3) any other director chosen by the directors if:
  - (a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
  - (b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
  - (c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that the chair of the board and the president will not be present at the meeting.

### **17.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

### **17.5 Calling of Meetings**

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

### **17.6 Notice of Meetings,**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

### **17.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director if:

- (1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (2) the director has waived notice of the meeting.

### **17.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

### **17.9 Waiver of Notice of Meetings**

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director.

### **17.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at two directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

### **17.11 Validity of Acts Where Appointment Defective**

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

### **17.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors may be passed without a meeting:

- (a) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or
- (b) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who are entitled to vote on the resolution consents to it in writing.

A consent in writing under this Article 17 may be evidence by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one entire document. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is deemed to effective on the date stated in the consent in writing and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be valid and effective as if it

had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to such meetings.

## **18. EXECUTIVE AND OTHER COMMITTEES**

### **18.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (1) the power to fill vacancies in the **board of directors**;
- (2) the power to remove a director;
- (3) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

### **18.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

- (1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:
  - (a) the power to fill vacancies in the **board of directors**;
  - (b) the power to remove a director;
  - (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
  - (d) the power to appoint or remove officers appointed by the directors; and
- (3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

### **18.3 Obligations of Committees**

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must:

- (1) conform to any rules that may from time to time be imposed on it by the directors; and
- (2) report every act or thing done in exercise of those powers at such times as the directors may require.

### **18.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

- (2) terminate the appointment of, or change the membership of, the committee; and
- (3) fill vacancies in the committee.

### **18.5 Committee Meetings**

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) the committee may meet and adjourn as it thinks proper;
- (2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (3) a majority of the members of the committee constitutes a quorum of the committee; and
- (4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

## **19. OFFICERS**

### **19.1 Directors May Appoint Officers**

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

### **19.2 Functions, Duties and Powers of Officers**

The directors may, for each officer:

- (1) determine the functions and duties of the officer;
- (2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### **19.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

### **19.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## **20. INDEMNIFICATION**

### **20.1 Definitions**

In this Article 20:

- (1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
- (2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director, officer, or former officer of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director, former director, officer or former officer of the Company:
  - (a) is or may be joined as a party; or
  - (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (3) "expenses" has the meaning set out in the *Business Corporations Act*.

### **20.2 Mandatory Indemnification of Directors and Former Directors**

Subject to the *Business Corporations Act*, the Company may indemnify a director, former director, officer or former officer of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company may, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and officer is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

### **20.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

### **20.4 Non-Compliance with *Business Corporations Act***

The failure of a director, former director, officer or former officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

### **20.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (1) is or was a director, alternate director, officer, employee or agent of the Company;
- (2) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (3) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

## **21. DIVIDENDS**

### **21.1 Payment of Dividends Subject to Special Rights**

The provisions of this Article 21 are subject to Article 2.1 and to the rights, if any, of shareholders holding shares with special rights as to dividends.

### **21.2 Declaration of Dividends**

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as the directors may deem advisable.

### **21.3 No Notice Required**

The directors need not give notice to any shareholder of any declaration under Article 21.2.

### **21.4 Record Date**

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5:00 p.m. on the date on which the directors pass the resolution declaring the dividend.

### **21.5 Manner of Paying Dividend**

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

### **21.6 Settlement of Difficulties**

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as the directors deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

### **21.7 When Dividend Payable**

Any dividend may be made payable on such date as is fixed by the directors.

### **21.8 Dividends to be Paid in Accordance with Number of Shares**

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.



### **21.9 Receipt by Joint Shareholders**

If several persons are joint shareholders of any share, any one of such joint shareholders may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

### **21.10 Dividend Bears No Interest**

No dividend bears interest against the Company.

### **21.11 Fractional Dividends**

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

### **21.12 Payment of Dividends**

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

### **21.13 Capitalization of Surplus**

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

## **22. DOCUMENTS, RECORDS AND REPORTS**

### **22.1 Recording of Financial Affairs**

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

### **22.2 Inspection of Accounting Records**

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## **23. NOTICES**

### **23.1 Method of Giving Notice**

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
  - (a) for a record mailed to a shareholder, the shareholder's registered address;

- (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the mailing address of the intended recipient;
- (2) delivery at the applicable address for that person as follows, addressed to the person:
- (a) for a record delivered to a shareholder, the shareholder's registered address;
  - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the delivery address of the intended recipient;
- (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- (4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (5) physical delivery to the intended recipient.

### **23.2 Deemed Receipt of Mailing**

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

### **23.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 23.1, prepaid and mailed or otherwise sent as permitted by Article 23.1 is conclusive evidence of that fact.

### **23.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

### **23.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

- (1) mailing the record, addressed to such person:
  - (a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
  - (b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

- (2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

## **24. SEAL**

### **24.1 Who May Attest Seal**

Except as provided in Articles 24.2 and 24.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

- (1) any two directors;
- (2) any officer, together with any director;
- (3) if the Company only has one director, that director; or
- (4) any one or more directors or officers or persons as may be determined by the directors.

### **24.2 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.1, the impression of the seal may be attested by the signature of any director or officer.

### **24.3 Mechanical Reproduction of Seal**

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as the directors may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## **25. PROHIBITIONS**

### **25.1 Definitions**

In this Article 25:

- (1) "designated security" means:
  - (a) a voting security of the Company;
  - (b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or

- (c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);
- (2) "security" has the meaning assigned in the *Securities Act* (British Columbia);
- (3) "voting security" means a security of the Company that:
  - (a) is not a debt security, and
  - (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

## 25.2 Application

Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

## 25.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## 26. ADVANCE NOTICE PROVISIONS

### 26.1 Nomination of Directors

- (1) Nominations of persons for election to the Board may be made at any Annual Meeting of shareholders or at any Special Meeting of shareholders if one of the purposes for which the Special Meeting was called was the election of directors. In order to be eligible for election to the Board at any Annual Meeting or Special Meeting of shareholders, persons must be nominated in accordance with one of the following procedures:
  - (a) by or at the direction of the Board or an authorized officer, including pursuant to a notice of meeting;
  - (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Business Corporations Act (British Columbia) (the "BCA"), or a requisition of the shareholders made in accordance with the provisions of the BCA; or
  - (c) by any person (a "Nominating Shareholder"): (A) who, at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this Article 26.1 and at the close of business on the record date for notice of such meeting, is entered in the central securities register of the Company as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Article 26.1.
- (2) In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must give notice which is both timely (in accordance with paragraph (3) below) and in proper written form (in accordance with paragraph (4) below) to the Secretary of the Company at the principal executive offices of the Company.

- (3) A Nominating Shareholder's notice to the Secretary of the Company will be deemed to be timely if:
- (a) in the case of an Annual Meeting of shareholders, such notice is made not less than 30 nor more than 65 days prior to the date of the Annual Meeting of shareholders; provided, however, that in the event that the Annual Meeting of shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the Annual Meeting is made, notice by the Nominating Shareholder is made not later than the close of business on the tenth (10th) day following the Notice Date; and
  - (b) in the case of a Special Meeting (which is not also an Annual Meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), such notice is made not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the Special Meeting of shareholders was made. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement of this paragraph (3).

For greater certainty, the time periods for the giving of notice by a Nominating Shareholder as aforesaid shall, in all cases, be determined based on the original date of the applicable Annual Meeting or Special Meeting, and in no event shall any adjournment or postponement of an Annual Meeting or Special Meeting or the announcement thereof commence a new time period for the giving of such notice.

- (4) A Nominating Shareholder's notice to the Secretary of the Company will be deemed to be in proper form if:
- (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director, such notice sets forth: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the BCA and Applicable Securities Laws (as defined in paragraph 7 below); and
  - (b) as to the Nominating Shareholder giving the notice, such notice sets forth any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws (as defined in paragraph 7 below).
- (5) The Company may require any proposed nominee for election as a Director to furnish such additional information as may reasonably be requested by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.
- (6) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Article 26.1; provided, however, that nothing in this Article 26.1 shall be deemed to restrict or preclude discussion by a shareholder (as distinct from the nomination of directors) at an Annual Meeting or Special Meeting of any matter that is properly brought before such meeting pursuant to the provisions of the BCA or at the discretion of the Chairman of the meeting. The Chairman of the meeting shall have the power and duty to determine whether any nomination for election of a director was made in accordance with the procedures set forth in this

Article 26.1 and, if any proposed nomination is not in compliance with such procedures, to declare such nomination defective and that it be disregarded.

- (7) For purposes of this Article 26:
- (a) "**Annual Meeting**" means any annual meeting of shareholders;
  - (b) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such laws and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission or similar securities regulatory authority of each province and territory of Canada;
  - (c) "**BCA**" means the *Business Corporations Act* (British Columbia), as amended;
  - (d) "**Board**" means the **board of directors** of the Company as constituted from time to time;
  - (e) "**Public Announcement**" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com);
  - (f) "**Special Meeting**" means any special meeting of shareholders if one of the purposes for which such meeting is called is the election of directors.
- (8) Notwithstanding any other provision of this Article 26.1, notice given to the Secretary of the Company pursuant to this Article 26.1 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Secretary of the Company for purposes of this Article 26.1), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Secretary at the address of the principal executive offices of the Company, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

## 26.2 Application

- (1) Article 26.1 does not apply to the Company in the following circumstances:
- (a) if and for so long as the Company is not a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply; or
  - (b) to the election or appointment of a director or directors in the circumstances set forth in Article 14.7.
- (2) Any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or make or cause to be delivered or made all such filings and documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing.

**SCHEDULE “A”**  
**MULTIPLE VOTING SHARES**  
**SPECIAL RIGHTS AND RESTRICTIONS**

The rights, privileges, restrictions and conditions attaching to the Multiple Voting Shares (the “**Multiple Voting Shares**”) are as follows:

1. **Notice and Voting Rights.** Each holder of Multiple Voting Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each meeting holders of Multiple Voting Shares shall be entitled to 117 votes in respect of each Multiple Voting Share so held;
2. **Dividends.** The board of directors may from time-to-time declare a dividend, and the Company shall pay thereon out of the monies or property of the Company properly applicable to the payment of the dividends to the holders of Multiple Voting Shares *pari passu* (on a post-converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares on the conversion ratio of 1:100 (the “Conversion Ratio”)) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares and Multiple Voting Shares. For the purpose hereof, the holders of Multiple Voting Shares shall receive dividends as shall be determined from time-to-time by the board of directors whose determination shall be conclusive and binding upon the Company and the holders of Multiple Voting Shares. No dividend shall be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on a post-converted basis, based on the Conversion Ratio) on the Subordinate Voting Shares;
3. **Liquidation, Dissolution or Winding-up.** In the event of liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends), the holders of Multiple Voting Shares shall be entitled to participate rateably with all other holders of Multiple Voting Shares (on a post-converted basis, based on the Conversion Ratio) and Subordinate Voting Shares.
4. **Subdivision or Consolidation.** No subdivision or consolidation of the Multiple Voting Shares shall be carried out unless, at the same time, the Subordinate Voting Shares are subdivided or consolidated in the same manner and on the same basis so as to preserve the relative economic and voting interests of the two classes.
5. **Restrictions on Transfer.**
  - (a) Except as permitted pursuant to Paragraph 6(b), no Multiple Voting Share may be transferred by the holder thereof unless such transfer is to an immediate family member (an “Immediate Family Member”) or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by such holder or Immediate Family Members of such holder or which such holder or Immediate Family Members of such holder are the sole beneficiaries thereof (in each case, a “Permitted Transfer”). In order to be effective, any Permitted Transfer shall require the prior written consent the Company. For greater clarity, “Immediate Family Member” means with respect to any individual, each parent (whether by birth or adoption), spouse (including if such person is legally married to such individual, lives in civil union with such individual or is a common law partner with such individual, as defined in the *Income Tax Act* (Canada), as amended), child or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned persons. For greater certainty, a person who was a spouse of an individual within the meaning of this paragraph shall continue to be considered a spouse of such individual after the death of such individual.

- (b) No Multiple Voting Shares shall be transferred by any holder thereof pursuant to an exclusionary offer (“Exclusionary Offer”) unless, concurrently with the Exclusionary Offer, an offer to acquire Subordinate Voting Shares is made that is identical to the Exclusionary Offer in terms of price per share (on a post-converted basis, based on the Conversion Ratio), percentage of outstanding shares to be taken up (exclusive of Subordinate Voting Shares owned immediately before the Exclusionary Offer by the offeror) and in all other material respects. For greater clarity, an “Exclusionary Offer” means an offer to purchase Multiple Voting Shares which must be made, by reason of applicable securities legislation or by the rules or policies of a stock exchange on which any shares of the Cathedra or the Resulting Issuer are listed, to all or substantially all holders of Multiple Voting Shares (and not, for greater certainty, to the holders of Subordinate Voting Shares).
6. **Optional Conversion.** Subject to the Conversion Limitation set out in paragraph 6(f) below, each outstanding Multiple Voting Share may be converted into fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares by the Conversion Ratio, in either of the following manners (the “Conversion Rights”):
- (a) **Voluntary Conversion.** Each Multiple Voting Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares by the Conversion Ratio, determined as hereafter provided, in effect on the date the Multiple Voting Share is surrendered for conversion.
- (b) **Automatic Conversion.** Subject to the prior written approval of the Company for any such transfer, upon the date that any that Multiple Voting Shares are transferred by a holder of Multiple Voting Shares, other than to an Immediate Family Member pursuant to a Permitted Transfer (as such term is defined below), the holder thereof, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert Multiple Voting Shares into fully paid and non-assessable Subordinate Voting Shares pursuant to the Conversion Ratio, effective immediately upon such transfer.
- (c) **Mechanics of Exercise of Optional Conversion Rights.** Before any holder of Multiple Voting Shares shall be entitled to convert Multiple Voting Shares into Subordinate Voting Shares pursuant to paragraph 6(a) or 6(b) the holder thereof shall surrender the certificate or certificates therefor (if any), duly endorsed, at the office of the transfer agent for Subordinate Voting Shares, and shall give written notice to the Company at its principal corporate office of the election to convert the same (each, a "Conversion Notice") and the Subordinate Voting Shares resulting therefrom shall be registered in the name of the registered holder of the Multiple Voting Shares converted or, subject to payment by the registered holder of any share transfer, certificate or Acknowledgement fee or applicable taxes and compliance with any other reasonable requirements of the Company (including, for certainty and without limitation, the 40% Threshold and the FPI Protective Restriction) in respect of such transfer, in such name or names as such registered holder may direct in writing. Upon receipt of such Conversion Notice and certificate(s) or Acknowledgement(s), the Company shall (or shall cause its transfer agent to), at its expense, as soon as practicable thereafter, remove or cause the removal of such holder from the register of holders in respect of the Multiple Voting Shares for which the Conversion Right is being exercised, add the holder (or any person or persons in whose name or names such converting holder shall have directed the resulting Subordinate Voting Shares to be registered) to the securities register of holders in respect of the resulting Subordinate Voting Shares, cancel or cause the cancellation of the certificate(s) or Acknowledgement(s) representing such Multiple Voting Shares and issue and deliver at such office to such holder, or to the nominee or nominees of such holder, a certificate or certificates or Acknowledgement representing the Subordinate Voting Shares to which such holder shall be entitled upon the conversion of such Multiple Voting Shares. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Multiple Voting Shares to be converted, and the person or persons entitled to receive the Subordinate Voting Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Subordinate



Voting Shares as of such date. If less than all of the Multiple Voting Shares represented by any certificate or Acknowledgement are to be converted, the holder shall be entitled to receive a new certificate or Acknowledgement representing the Multiple Voting Shares represented by the original certificate or Acknowledgement which are not to be converted. A Multiple Voting Share that is converted into Subordinate Voting Shares as provided for in this Paragraph (6)(c) will automatically be cancelled.

- (d) **Conversion Limitation Officer.** Before any holder of Multiple Voting Shares shall be entitled to convert the same into Subordinate Voting Shares, the board of directors (or a committee thereof) shall designate an officer of the Company (the "Conversion Limitation Officer") to determine if any conversion limitation set forth in Paragraph (6)(f) shall apply to the conversion of Multiple Voting Shares.
- (e) **Foreign Private Issuer Protection Limitation.** The Company will use commercially reasonable efforts to maintain its status as a "foreign private issuer" (as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, the Company shall not effect any optional voluntary or automatic conversion of Multiple Voting Shares, and the holders of Multiple Voting Shares shall not have the right to elect to convert any portion of the Multiple Voting Shares, pursuant to Paragraph (6)(a) or 6(b), to the extent that after giving effect to all permitted issuances after such conversions of Multiple Voting Shares, the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act ("U.S. Residents")) would exceed forty percent (40%) (the "40% Threshold") of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions (the "FPI Protective Restriction"). The **board of directors** may by resolution increase the 40% Threshold to an amount not to exceed 50% and, in the event of any such increase, all references to the 40% Threshold herein shall refer instead to the amended threshold set by such resolution.
- (f) **Conversion Limitations.** In order to effect the FPI Protective Restriction, each holder of Multiple Voting Shares will be subject to the 40% Threshold based on the number of Multiple Voting Shares held by such holder as of the date of the initial issuance of the Multiple Voting Shares and thereafter at the end of each of the Company's subsequent fiscal quarters (each, a "Determination Date"), calculated as follows:

$$X = [(A \times 0.4) - B] \times (C/D)$$

Where, on the Determination Date:

X = Maximum number of Subordinate Voting Shares available for issue upon conversion of Multiple Voting Shares by a holder.

A = The aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding on the Determination Date.

B = Aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by U.S. Residents on the Determination Date.

C = Aggregate number of Multiple Voting Shares held by a holder on the Determination Date.

D = Aggregate number of all Multiple Voting Shares on the Determination Date.

The Conversion Limitation Officer shall determine as of each Determination Date: (i) the 40% Threshold and (ii) the FPI Protective Restriction, all in accordance with the formula set forth immediately above. Within thirty (30) days following each Determination Date (a "Notice of

Conversion Limitation"), the Company will provide each holder of record a notice of the FPI Protective Restriction and the impact the FPI Protective Restriction has on the ability of each holder to exercise the right to convert Multiple Voting Shares held by the holder. To the extent that requests for conversion of Multiple Voting Shares subject to the FPI Protective Restriction would result in the 40% Threshold being exceeded, the number of such Multiple Voting Shares eligible for conversion held by a particular holder shall be prorated relative to the number of Multiple Voting Shares submitted for conversion. To the extent that the FPI Protective Restriction contained in this Paragraph (6)(f) applies, the determination of whether Multiple Voting Shares are convertible shall be in the sole discretion of the Company.

Notwithstanding the provisions of Paragraphs (6)(e) and (6)(f), the directors may by resolution waive the application of the FPI Protective Restriction to any exercise or exercises of the Conversion Rights to which the FPI Protective Restriction would otherwise apply, or to future Conversion Rights generally, including with respect to a period of time, if the directors determine that the exercise of such Conversion Rights is in the best interests of the Company.

All Multiple Voting Shares which shall have been surrendered for conversion pursuant to Paragraph 6(a) or 6(b) or which shall have been deemed to have been converted as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the time of such conversion or deemed conversion, except only the right of the holders thereof to receive Subordinate Voting Shares in exchange therefor.

7. **Conversion of Multiple Voting Shares Upon an Offer.** In addition to the conversion rights set out in Paragraph 6, in the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required to be made to all or substantially all of the holders of Subordinate Voting Shares in a province or territory of Canada pursuant to (i) applicable securities laws or (ii) the rules of any stock exchange on which the Subordinate Voting Shares of the Company are listed, then unless an identical offer concurrently is made to purchase Multiple Voting Shares, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares at the Conversion Ratio, at any time while such offer is in effect until one day after the time prescribed by Applicable Securities Laws for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right in this Paragraph 7 may only be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Subordinate Voting Shares under the offer, and for no other reason. In such event, the Company shall or shall cause its transfer agent for the Subordinate Voting Shares to deposit under the offer the resulting Subordinate Voting Shares, on behalf of the holder.

To exercise such conversion right, the holder or his or its attorney duly authorized in writing shall:

- (a) give written notice to the transfer agent of the Company of the exercise of such right, and of the number of Multiple Voting Shares in respect of which the right is being exercised;
- (b) deliver to the transfer agent the share certificate or certificates, or Acknowledgement(s), if any, representing the Multiple Voting Shares in respect of which the right is being exercised, if applicable; and
- (c) pay any applicable share certificate or Acknowledgment fee, stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Subordinate Voting Shares, resulting from the conversion of the Multiple Voting Shares will be delivered to the holders on whose behalf such deposit is being made. If Subordinate Voting Shares, resulting from the conversion and deposited pursuant to the offer, are withdrawn by the holder or are not taken up by the offeror, or the offer is abandoned, withdrawn or terminated by the offeror or the offer otherwise expires without such Subordinate Voting Shares being taken up and paid for, the Subordinate Voting Shares resulting from the conversion will be re-converted into Multiple Voting Shares at the inverse of Conversion Ratio then in effect and the Company shall send, or cause its transfer agent to send, to the holder a share certificate or Acknowledgment representing the Multiple Voting Shares. In the

event that the offeror takes up and pays for the Subordinate Voting Shares resulting from conversion, the Company shall or shall cause its transfer agent to deliver to the holders thereof the consideration paid for such shares by the offeror. For greater certainty, the Conversion Limitation set forth in Paragraph 6(f) shall not apply to the conversion of Multiple Voting Shares into Subordinate Voting Shares pursuant to this Paragraph 7.

8. **Listing.** The Multiple Voting Shares will not be listed on any exchange.
9. **Single Class.** Except as otherwise provided herein, Subordinate Voting Shares and Multiple Voting Shares are equal in all respects and shall be treated as shares of a single class for all purposes under the *Business Corporations Act* (British Columbia).

## **SCHEDULE "L"**

### **AUDIT COMMITTEE CHARTER**

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**CATHEDRA BITCOIN INC.**  
**AUDIT COMMITTEE CHARTER**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Cathedra Bitcoin Inc. (“**Cathedra**” or the “**Corporation**”).

**1.0 Mandate**

The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Corporation’s risk management and compliance practices;
- (c) assess the independent auditor’s performance, qualifications and independence;
- (d) assess the performance of the Corporation’s internal audit function;
- (e) ensure the Corporation’s compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

**2.0 Composition and Membership**

The committee shall be composed of not less than three members, each of whom shall be a director of the Corporation. A majority of the members of the Committee shall not be an officer or employee of the Corporation. All members shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, the applicable stock exchanges on which the Corporation’s securities are listed and applicable securities regulatory authorities.

Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Members of the Committee shall be appointed or reappointed at the annual meeting of the Corporation and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Corporation a Chairman among their number. The Chairman shall not be a former Officer of the Corporation. Such Chairman shall serve as a liaison between members and senior management.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;
- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email

or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting;

- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

#### **4.0 Duties and Responsibilities**

##### ***4.1 Oversight of the Independent Auditor***

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Corporation.
- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (g) Review as necessary policies for the Corporation's hiring of partners, employees or former partners and employees of the independent auditor.

##### ***4.2 Financial Reporting***

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
- (b) Review and discuss with Management the Corporation's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation.

- (c) Review and discuss with Management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.
- (d) Review and discuss with Management the Corporation's quarterly financial statements prior to the publication of earnings.
- (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
- (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Corporation.
- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Corporation's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.
- (i) Discuss with Management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.
- (l) Review disclosures made by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Corporation's internal controls.
- (m) Discuss with the Corporation's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Corporation or any of its subsidiaries from regulators or governmental agencies.

#### ***4.3 Oversight of Risk Management***

- (a) Review and approve periodically Management's risk philosophy and risk management policies.

- (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
- (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
- (d) Review reports from the independent auditor at least annually relating to the adequacy of the Corporation's risk management practices together with Management's responses.
- (e) Discuss with Management at least annually the Corporation's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

#### ***4.4 Oversight of Regulatory Compliance***

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting.
- (c) Meet with the Corporation's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **5.0 Funding for the Independent Auditor and Retention of Other Independent Advisors**

The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report, performing other audit, review or attest services and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Cathedra's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

#### **6.0 Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Corporation shall inform employees on the Corporation's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.



5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

### **7.0 Procedures for Approval of Non-Audit Services**

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;
  - (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;
  - (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

### **8.0 Reporting**

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

### **9.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Cathedra that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members.

### **10.0 Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: June 18, 2024

Approved by: Audit Committee  
Board of Directors

## CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of the Company assuming completion of the Transaction.

June 18, 2024

/s/ "Antonin Scalia"

Antonin Scalia  
Chief Executive Officer

/s/ "Inar Kamaletdinov"

Inar Kamaletdinov  
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ "Thomas Armstrong"

Thomas Armstrong  
Director

/s/ "David Jaques"

David Jaques  
Director

## CERTIFICATE OF KUNGSLEDEN, INC.

The foregoing, as it relates to Kungsleden, Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Kungsleden, Inc

June 18, 2024

/s/ "Thomas Masiero"

Thomas Masiero  
Chief Executive Officer  
and Director

/s/ "Jialin Qu"

Jialin Qu  
Director

ON BEHALF OF THE BOARD OF DIRECTORS

## CERTIFICATE OF PROMOTER

June 18, 2024

The foregoing, to the knowledge of the Togetsu Trust and Thy Kingdom Trust, as it relates to Kungsleden, Inc. and the Resulting Issuer, constitutes full, true and plain disclosure of all material facts relating to the securities of Kungsleden, Inc and the Resulting Issuer,

### TOGETSU TRUST

          /s/ "Jialin Qu"          

Name: Jialin Qu  
Position: Trustee

### THY KINGDOM TRUST

          /s/ "Thomas Masiero"          

Name: Thomas Masiero  
Position: Trustee

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