



Cathedra

## Cathedra Bitcoin Inc.

### **Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

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

# Cathedra Bitcoin Inc.

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

For the three and six months ended June 30, 2024

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

| As at:  | Notes     | June 30,<br>2024  | December 31,<br>2023 |
|---|-----------|-------------------|----------------------|
| <b>ASSETS</b>                                 |           |                   |                      |
| <b>Current assets</b>                         |           |                   |                      |
| Cash and cash equivalents                     | \$        | 1,024,293         | \$ 726,973           |
| Digital currencies                            | 3         | 4,028,837         | 1,840,251            |
| Receivables                                   | 10        | 66,445            | 87,548               |
| Prepaid expenses                              |           | 230,764           | 351,609              |
| Deposits                                      |           | 807,290           | 972,943              |
| <b>Total current assets</b>                   | <b>\$</b> | <b>6,157,629</b>  | <b>\$ 3,979,324</b>  |
| <b>Non-current assets</b>                     |           |                   |                      |
| Deposits                                      |           | 826,998           | 752,390              |
| Receivables                                   | 10        | -                 | 44,381               |
| Property and equipment                        | 4         | 7,904,623         | 10,698,471           |
| Right-of-use asset                            | 5         | 1,097,410         | 1,728,176            |
| Investments                                   |           | 1,655,134         | 1,655,134            |
| <b>Total non-current assets</b>               | <b>\$</b> | <b>11,484,165</b> | <b>\$ 14,878,552</b> |
| <b>Total assets</b>                           | <b>\$</b> | <b>17,641,794</b> | <b>\$ 18,857,876</b> |
| <b>LIABILITIES</b>                            |           |                   |                      |
| <b>Current liabilities</b>                    |           |                   |                      |
| Accounts payable and accrued liabilities      | 6,10      | 2,210,838         | 2,177,104            |
| Decommissioning liability                     |           | 77,154            | 74,555               |
| Current portion of lease liabilities          | 5         | 1,410,437         | 1,554,238            |
| <b>Total current liabilities</b>              | <b>\$</b> | <b>3,698,429</b>  | <b>\$ 3,805,897</b>  |
| <b>Non-current liabilities</b>                |           |                   |                      |
| Lease liabilities                             | 5         | 82,503            | 629,369              |
| Convertible loan                              | 7         | 5,415,661         | 5,167,957            |
| <b>Total liabilities</b>                      | <b>\$</b> | <b>9,196,593</b>  | <b>\$ 9,603,223</b>  |
| <b>EQUITY</b>                                 |           |                   |                      |
| Share capital                                 | 8         | 49,918,910        | 49,589,582           |
| Reserves                                      | 9         | 14,439,386        | 14,752,954           |
| Accumulated other comprehensive income (loss) |           | (144,909)         | 1,044,223            |
| Deficit                                       |           | (55,768,186)      | (56,132,106)         |
| <b>Total equity</b>                           | <b>\$</b> | <b>8,445,201</b>  | <b>\$ 9,254,653</b>  |
| <b>Total liabilities and equity</b>           | <b>\$</b> | <b>17,641,794</b> | <b>\$ 18,857,876</b> |

Nature of operations (Note 1)

Events after reporting period (Note 16)

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

“Antonin Scalia” Director

“David Jaques” Director

# Cathdra Bitcoin Inc.

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

For the three and six months ended June 30, 2024

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

|  | Notes | Three months ended    |                       | Six months ended      |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | June 30, 2024         | June 30, 2023         | June 30, 2024         | June 30, 2023         |
| <b>Revenue</b>   | 3     | 3,040,807             | 2,893,204             | 7,163,972             | 4,910,182             |
| <b>Cost of revenue</b>   |       |                       |                       |                       |                       |
| Operating costs  |       | (1,803,927)           | (1,447,556)           | (3,909,186)           | (2,822,053)           |
| Depreciation   | 4,5   | (1,922,322)           | (1,712,241)           | (3,817,296)           | (2,907,187)           |
| <b>Gross loss</b>  |       | <b>\$ (685,442)</b>   | <b>\$ (266,593)</b>   | <b>\$ (562,510)</b>   | <b>\$ (819,058)</b>   |
| Realized gain (loss) on sale of digital currencies             | 3     | 258,436               | (20,911)              | 788,145               | (34,099)              |
| <b>Gain (loss) before operating expenses</b>                   |       | <b>\$ (427,006)</b>   | <b>\$ (287,504)</b>   | <b>\$ 225,635</b>     | <b>\$ (853,157)</b>   |
| <b>Operating expenses</b>                                      |       |                       |                       |                       |                       |
| Director fees  | 10    | 42,554                | 18,502                | 84,684                | 60,921                |
| Depreciation   |       | -                     | 2,720                 | -                     | 5,440                 |
| Interest expense   | 5,7   | 256,810               | 575,573               | 525,200               | 1,453,848             |
| Management and consulting fees                                 | 10    | 84,320                | 40,290                | 126,487               | 72,915                |
| Office and administration                                      |       | 112,912               | 135,814               | 247,381               | 243,756               |
| Professional fees  |       | 274,713               | 98,579                | 571,761               | 228,004               |
| Salaries and wages   | 10    | 171,169               | 182,641               | 369,915               | 320,123               |
| Share-based compensation                                       | 9,10  | 168,220               | 447,840               | 183,061               | 994,302               |
| Travel   |       | 26,273                | 20,511                | 30,841                | 27,569                |
| <b>Total expenses</b>  |       | <b>\$ (1,136,971)</b> | <b>\$ (1,522,470)</b> | <b>\$ (2,139,330)</b> | <b>\$ (3,406,878)</b> |
| <b>Operating loss</b>  |       | <b>\$ (1,563,977)</b> | <b>\$ (1,809,974)</b> | <b>\$ (1,913,695)</b> | <b>\$ (4,260,035)</b> |
| <b>Other income (expenses)</b>                                 |       |                       |                       |                       |                       |
| Foreign exchange gain (losses)                                 |       | 499,066               | (1,156,517)           | 1,703,010             | (1,206,104)           |
| Interest income  |       | 43,724                | 17,477                | 53,735                | 45,009                |
| Write down of investment                                       |       | -                     | -                     | -                     | (32,693)              |
| Other expense  |       | (6,788)               | -                     | (7,138)               | -                     |
| Other income   | 11    | 528,008               | -                     | 528,008               | -                     |
| Gain on sale of coupons and credits                            |       | -                     | -                     | -                     | 264,362               |
| <b>Net (loss) income</b>                                       |       | <b>\$ (499,967)</b>   | <b>\$ (2,949,014)</b> | <b>\$ 363,920</b>     | <b>\$ (5,189,461)</b> |
| <b>Other comprehensive income (loss)</b>                       |       |                       |                       |                       |                       |
| Translation adjustment   |       | (379,569)             | 806,918               | (1,262,915)           | 835,589               |
| Revaluation (loss) gain on digital currencies                  | 3     | (795,273)             | (6,092)               | (3,648)               | 54,893                |
| <b>Total comprehensive loss</b>                                |       | <b>\$ (1,674,809)</b> | <b>\$ (2,148,188)</b> | <b>\$ (902,643)</b>   | <b>\$ (4,298,979)</b> |
| <b>Basic (loss) earnings per common share</b>                  |       | <b>\$ (0.00)</b>      | <b>\$ (0.02)</b>      | <b>\$ 0.00</b>        | <b>\$ (0.04)</b>      |
| Weighted average number of common shares outstanding - basic   |       | 237,316,689           | 135,938,218           | 237,155,005           | 127,283,042           |
| <b>Diluted (loss) earnings per common share</b>                |       | <b>\$ (0.00)</b>      | <b>\$ (0.02)</b>      | <b>\$ 0.00</b>        | <b>\$ (0.04)</b>      |
| Weighted average number of common shares outstanding - diluted |       | 237,316,689           | 135,938,218           | 237,155,005           | 134,725,183           |

## Cathedral Bitcoin Inc.

### Condensed Consolidated Interim Statements of Changes in Equity

For the three and six months ended June 30, 2024

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

|  | Number of<br>Shares | Share<br>Capital     | Revaluation<br>Surplus | Reserve – Cumulative<br>Translation Adjustment | Reserve –<br>Equity Reserve | Accumulated<br>Deficit | Total<br>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> |
| Shares issued for debt settlement        | 18,518,518          | 2,500,000            | -                      | -  | -                           | -                      | 2,500,000           |
| Shares issued for restricted share units | 472,347             | 65,341               | -                      | -  | (65,341)                    | -                      | -                   |
| Share based compensation                 | -                   | -                    | -                      | -  | 994,302                     | -                      | 994,302             |
| Repayment of convertible debt            | -                   | -                    | -                      | -  | (397,054)                   | -                      | (397,054)           |
| Revaluation gain on digital currencies   | -                   | -                    | 54,893                 | -  | -                           | -                      | 54,893              |
| Translation adjustment                   | -                   | -                    | -                      | 835,589  | -                           | -                      | 835,589             |
| Net loss for the period                  | -                   | -                    | -                      | -  | -                           | (5,189,461)            | (5,189,461)         |
| <b>Balance – June 30, 2023</b>           | <b>137,522,563</b>  | <b>\$ 40,021,113</b> | <b>\$ 1,907,994</b>    | <b>\$ 1,044,223</b>                            | <b>\$ 17,534,725</b>        | <b>\$ (56,934,885)</b> | <b>\$ 3,573,170</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 | 1,484,901           | 329,328              | -                      | -  | (329,328)                   | -                      | -                   |
| Share-based compensation                 | -                   | -                    | -                      | -  | 211,385                     | -                      | 211,385             |
| Forfeiture of stock options              | -                   | -                    | -                      | -  | (118,211)                   | -                      | (118,211)           |
| Revaluation loss on digital currencies   | -                   | -                    | (3,648)                | -  | -                           | -                      | (3,648)             |
| Translation adjustment                   | -                   | -                    | -                      | (1,262,915)                                    | -                           | -                      | (1,262,915)         |
| Net loss for the period                  | -                   | -                    | -                      | -  | -                           | 363,920                | 363,920             |
| <b>Balance – June 30, 2024</b>           | <b>237,513,935</b>  | <b>\$ 49,918,910</b> | <b>\$ 1,990,139</b>    | <b>\$ (144,926)</b>                            | <b>\$ 12,449,247</b>        | <b>\$ (55,768,186)</b> | <b>\$ 8,445,184</b> |

# Cathedra Bitcoin Inc.

## Condensed Consolidated Interim Statements of Cash Flows

For the three and six months ended June 30, 2024

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

| For the six months ended:                         | June 30,<br>2024      | June 30,<br>2023      |
|---|-----------------------|-----------------------|
| <b>OPERATING ACTIVITIES</b>                       |                       |                       |
| Net income (loss) for the period                  | \$ 363,920            | \$ (5,189,461)        |
| <b>Non-cash items:</b>                            |                       |                       |
| Interest expense                                  | 525,200               | 1,453,848             |
| Depreciation                                      | 3,817,296             | 2,912,627             |
| Share-based compensation                          | 211,384               | 994,302               |
| Forfeiture of stock options                       | (118,211)             | -                     |
| Foreign exchange                                  | (1,702,680)           | 1,116,347             |
| Loss (gain) on sale of digital currencies         | (788,145)             | 34,099                |
| Write down of investment                          | -                     | 32,693                |
| Bitcoin paid for services                         | -                     | 468,971               |
| <b>Changes in non-cash working capital items:</b> |                       |                       |
| Prepaid expenses                                  | 120,845               | 39,138                |
| Receivables                                       | 65,485                | 72,395                |
| Accounts payable and accrued liabilities          | 30,987                | (113,031)             |
| Deposits  | 91,045                | (848,976)             |
| Accrued receivable                                | -                     | 1,240,733             |
| Digital currencies                                | (6,820,765)           | (4,845,228)           |
| <b>Cash flows used in operating activities</b>    | <b>\$ (4,203,639)</b> | <b>\$ (2,631,543)</b> |
| Interest paid                                     | (100,340)             | (371,508)             |
| <b>Net cash used in operating activities</b>      | <b>\$ (4,303,979)</b> | <b>\$ (3,003,051)</b> |
| <b>INVESTING ACTIVITIES</b>                       |                       |                       |
| Purchase of bitcoin                               | \$ (567,382)          | \$ -                  |
| Proceeds from sale of bitcoin, net of fees        | 6,068,567             | 4,055,725             |
| Purchase of property and equipment                | -                     | (25,629)              |
| <b>Net cash provided by investing activities</b>  | <b>\$ 5,501,185</b>   | <b>\$ 4,030,096</b>   |
| <b>FINANCING ACTIVITIES</b>                       |                       |                       |
| Payment of lease obligations                      | \$ (936,419)          | \$ (434,403)          |
| Repayment of convertible loan                     | -                     | (85,289)              |
| <b>Net cash used in financing activities</b>      | <b>\$ (936,419)</b>   | <b>\$ (519,692)</b>   |
| Effect of foreign exchange rate fluctuation       | 36,533                | (439,052)             |
| <b>Increase in cash</b>                           | <b>\$ 297,320</b>     | <b>\$ 68,301</b>      |
| <b>Cash, beginning of period</b>                  | <b>\$ 726,973</b>     | <b>\$ 3,224,504</b>   |
| <b>Cash, end of period</b>                        | <b>\$ 1,024,293</b>   | <b>\$ 3,292,805</b>   |

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

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### 1. Nature of Operations

Cathedra Bitcoin Inc. (“Cathedra”, “we”, “our” or the “Company”) develops and operates high-density compute infrastructure across North America. We host bitcoin mining clients across a portfolio of three data centers (30 megawatts total) in Tennessee and Kentucky. Additionally, we are a 25% partner in a joint venture that is developing a 60-megawatt data center in North Dakota which will also host bitcoin miners upon its expected completion in Q3 2024. Cathedra also operates a fleet of proprietary bitcoin mining machines at our own and third-party data centers, producing approximately 400 PH/s of hash rate. We are focused on expanding our portfolio of data center infrastructure for high-density compute applications including bitcoin mining and artificial intelligence. Cathedra is headquartered in Vancouver, British Columbia, and our shares trade on the TSX Venture Exchange (the “TSXV”) under the symbol CBIT. The Company was incorporated under the Business Corporations Act (Ontario) on July 13, 2011, and our registered and records office is located at 320 – 638 Broughton Street, Vancouver, British Columbia, Canada, V6G 3K3.

These condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

### 2. Basis of Presentation

#### Statement of Compliance

The Interim Financial Statements as at June 30, 2024, and for the period then ended have been prepared in accordance with International Accounting Standard (“IAS 34”) Interim Financial Reporting. The Company has consistently applied the same accounting policies throughout all periods presented. The Interim Financial Statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for the annual audited consolidated financial statements for the year ended December 31, 2023 (“Audited Financial Statements”). The Interim Financial Statements should be read in conjunction with the Company’s Audited Financial Statements. Selected explanatory notes are included in the Interim Financial Statements to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last audited financial statements.

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

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

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

# Cathedra Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

### Basis of Consolidation

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

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

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

| Entity Name                                      | Place of Business and Operations | Functional Currency | Equity Percentage    |
|--|----------------------------------|---------------------|----------------------|
| Cathedra Bitcoin Inc. (the “Company”) – parent   | Canada                           | CAD                 | n/a                  |
| Fortress Blockchain Holdings Corp. (“FBHC”)      | Canada                           | CAD                 | 100% owned by parent |
| Fortress Blockchain (US) Holdings Corp. (“FBUS”) | United States                    | USD                 | 100% owned by FBHC   |
| Cathedra Lease Co LLC (“CLC”)                    | United States                    | USD                 | 100% owned by FBUS   |

### Functional and Presentation Currency

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

### Comprehensive Income (Loss)

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

Significant accounting policies applied to these 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

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024 and adoption of these amendments did not have an effect on our financial statements

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

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

##### Amendments to IAS 21 – Lack of Exchangeability

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

##### Implementation of IFRS 18 – Presentation and Disclosure of Financial Statements

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

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

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

#### Use of Estimates, Assumptions, and Judgements

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

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

##### *Revenue Recognition*

The Company recognizes revenue from the provision of transaction 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.

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For the three and six months ended June 30, 2024

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

### Significant Estimates

#### *Fair Value of Financial Instruments*

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

#### *Useful Life and Residual Value*

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

#### *Impairment of Non-Financial Assets*

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

#### *Taxes*

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

#### *Digital Currency Valuation*

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

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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 in Associates*

The financial information of the investment in associates, being a private corporation, was not readily available for the three and six months ended June 30, 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

For the three and six months ended June 30, 2024

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

### 3. Digital Currencies and Revenue

For the three and six months ended June 30, 2024, the Company generated revenues of \$3,040,807 and \$7,163,972 respectively (three and six months ended June 30, 2023 - \$2,893,204 and \$4,910,182 respectively).

#### 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>     |
|---|--------------|-------------------|
| <b>Bitcoin balance as at December 31, 2022</b>    | <b>1.76</b>  | <b>\$ 39,449</b>  |
| Revenue from bitcoin mined                        | 141.65       | 4,910,182         |
| Bitcoin paid for fees and services                | (13.28)      | (364,007)         |
| Bitcoin received from sale of coupons and credits | 4.80         | 185,313           |
| Bitcoin sold                                      | (118.43)     | (4,055,725)       |
| Revaluation and loss from sale of bitcoin         | –            | (52,024)          |
| <b>Bitcoin balance as at June 30, 2023</b>        | <b>16.50</b> | <b>\$ 663,188</b> |
| <b>Bitcoin balance as at December 31, 2023</b>    | <b>32.91</b> | <b>1,840,251</b>  |
| Revenue from bitcoin mined                        | 91.30        | 7,163,412         |
| Purchase of bitcoin                               | 6.41         | 567,382           |
| Bitcoin paid for fees                             | (4.37)       | (365,306)         |
| Bitcoin sold                                      | (79.28)      | (6,045,907)       |
| Gain on sale of bitcoin                           | –            | 788,145           |
| Revaluation loss                                  | –            | (3,648)           |
| Translation adjustment                            | –            | 84,508            |
| <b>Bitcoin balance as at June 30, 2024</b>        | <b>46.97</b> | <b>4,028,837</b>  |

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

(Unaudited and 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)    |                  | -            | -                    |
| Disposals                                      |                | -                |                  | -                 |                            | (4,440)        |                  | -            | (4,440)              |
| Translation adjustment                         |                | 230,922          |                  | 1,524,061         |                            | 33,764         |                  | -            | 1,788,747            |
| <b>Balance, June 30, 2024</b>                  | <b>\$</b>      | <b>6,400,691</b> | <b>\$</b>        | <b>43,154,875</b> | <b>\$</b>                  | <b>969,788</b> | <b>\$</b>        | <b>8,176</b> | <b>\$ 50,533,530</b> |
| <b>Accumulated depreciation and impairment</b> |                |                  |                  |                   |                            |                |                  |              |                      |
| Balance, December 31, 2023                     | \$             | 3,365,307        | \$               | 34,677,726        | \$                         | -              | \$               | 7,719        | \$ 38,050,752        |
| Additions                                      |                | 516,606          |                  | 2,614,509         |                            | -              |                  | 304          | 3,131,419            |
| Translation adjustment                         |                | 137,030          |                  | 1,309,706         |                            | -              |                  | -            | 1,446,736            |
| <b>Balance, June 30, 2024</b>                  | <b>\$</b>      | <b>4,018,943</b> | <b>\$</b>        | <b>38,601,941</b> | <b>\$</b>                  | <b>-</b>       | <b>\$</b>        | <b>8,023</b> | <b>\$ 42,628,907</b> |
| <b>Carrying amount</b>                         |                |                  |                  |                   |                            |                |                  |              |                      |
| Balance, December 31, 2023                     | \$             | 1,565,800        | \$               | 6,953,088         | \$                         | 2,179,126      | \$               | 457          | \$ 10,698,471        |
| <b>Balance, June 30, 2024</b>                  | <b>\$</b>      | <b>2,381,748</b> | <b>\$</b>        | <b>4,552,934</b>  | <b>\$</b>                  | <b>969,788</b> | <b>\$</b>        | <b>153</b>   | <b>\$ 7,904,623</b>  |

Depreciation expense of \$1,576,931 and \$3,131,419 is included in cost of revenue for the three and six months ended June 30, 2024, respectively.

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

(Unaudited and 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                | Legacy Washington | New Washington | Total        |
|-----------------------------------|-------------------|----------------|--------------|
| <b>Cost</b>                       |                   |                |              |
| <b>Balance, January 1, 2023</b>   | \$ 745,648        | \$ -           | \$ 745,648   |
| Additions                         | -                 | 2,724,228      | 2,724,228    |
| Translation adjustment            | (17,507)          | (53,314)       | (70,821)     |
| <b>Balance, December 31, 2023</b> | \$ 728,141        | \$ 2,670,914   | \$ 3,399,055 |
| Translation adjustment            | 25,379            | 93,096         | 118,475      |
| <b>Balance, June 30, 2024</b>     | \$ 753,520        | \$ 2,764,010   | \$ 3,517,530 |
| <b>Depreciation</b>               |                   |                |              |
| <b>Balance, January 1, 2023</b>   | \$ 745,648        | \$ -           | \$ 745,648   |
| Depreciation charge in the year   | -                 | 961,312        | 961,312      |
| Translation adjustment            | (17,508)          | (18,573)       | (36,081)     |
| <b>Balance, December 31, 2023</b> | \$ 728,140        | \$ 942,739     | \$ 1,670,879 |
| Depreciation charge in the period | -                 | 685,877        | 685,877      |
| Translation adjustment            | 25,380            | 37,984         | 63,364       |
| <b>Balance, June 30, 2024</b>     | \$ 753,520        | \$ 1,666,600   | \$ 2,420,120 |
| <b>Net Book Value</b>             |                   |                |              |
| Balance, December 31, 2023        | \$ 1              | \$ 1,728,175   | \$ 1,728,176 |
| <b>Balance, June 30, 2024</b>     | \$ -              | \$ 1,097,410   | \$ 1,097,410 |

For the three and six months ended June 30, 2024, depreciation expense of \$345,398 and \$685,877 respectively (three and six months ended June 30, 2023 - \$279,052 and \$279,052 respectively) is included in cost of revenue. As at June 30, 2024, the Company is committed to minimum lease payments as follows:

|  | June 30, 2024  | December 31, 2023 |
|--|----------------|-------------------|
| <b>Maturity analysis – contractual undiscounted cash flows</b> |                |                   |
| Less than one year   | \$ 1,536,162   | \$ 1,823,283      |
| One to five years  | 84,312         | 654,252           |
| More than five years   | -              | -                 |
| <b>Total undiscounted lease liabilities</b>                    | \$ 1,620,474   | \$ 2,477,535      |
| <b>Lease liabilities</b>                                       |                |                   |
| Current  | \$ (1,410,437) | \$ (1,554,238)    |
| Non-current  | \$ 82,503      | \$ 629,369        |

During the three and six months ended June 30, 2024, the Company recognized total interest expense of \$79,386 and \$175,330 respectively (three and six months ended June 30, 2024 - \$100,210 and \$142,701 respectively) in connection with its lease liabilities.

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

#### 6. Accounts Payable and Accrued Liabilities

|   |           | June 30,<br>2024 |           | December 31,<br>2023 |
|---|-----------|------------------|-----------|----------------------|
| Accounts payable                                      | \$        | 429,018          | \$        | 284,571              |
| Accrued liabilities                                   |           | 1,761,725        |           | 1,866,927            |
| Due to related parties (Note 10)                      |           | 20,095           |           | 25,606               |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$</b> | <b>2,210,838</b> | <b>\$</b> | <b>2,177,104</b>     |

#### 7. Convertible Loan

*Liability Component*

|                                   |  |           |                  |
|-----------------------------------|--|-----------|------------------|
| <b>Balance, December 31, 2023</b> |  | <b>\$</b> | <b>5,167,957</b> |
| Interest expense                  |  |           | 100,340          |
| Accretion expense (i)             |  |           | 247,704          |
| Repayment of interest             |  |           | (100,340)        |
| <b>Balance, June 30, 2024</b>     |  | <b>\$</b> | <b>5,415,661</b> |

(i) Accretion expense is included in interest expense in the statement of income or loss.

#### 8. Share Capital

*Authorized*

Unlimited number of common shares without par value.

*Issued and Outstanding*

On January 17, 2024, the Company issued 1,170,000 common shares on exercise of restricted share units (RSUs).

On May 28, 2024, the Company issued 314,901 common shares on exercise of restricted share units (RSUs).

#### 9. Reserves

*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 and six months ended June 30, 2024, the Company recognized share-based compensation of \$75,473 and \$205,114, respectively (2023 - \$405,601 and \$908,297, respectively).

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

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

|                                   |                  |
|-----------------------------------|------------------|
| <b>Balance, December 31, 2022</b> | <b>5,882,141</b> |
| Granted                           | 1,560,000        |
| Forfeited                         | (390,000)        |
| Exercised                         | (2,539,591)      |
| <b>Balance, December 31, 2023</b> | <b>4,512,550</b> |
| Exercised                         | (1,484,901)      |
| Cancelled                         | (1,310,768)      |
| <b>Balance, June 30, 2024</b>     | <b>1,716,881</b> |

On January 17, 2024 and May 28, 2024, the Company issued 1,170,000 common shares for 1,170,000 vested RSUs and 314,901 common shares for 314,901 vested RSUs respectively.

The Company cancelled 1,310,768 RSUs to settle receivables from officers for withholding taxes previously paid on officers' behalf.

#### Stock Options

The Company did not grant stock options during the six months ended June 30, 2024, and 2023.

A summary of changes in stock options follows:

|                                   | Number of Stock<br>Options | Weighted average<br>exercise price |
|-----------------------------------|----------------------------|------------------------------------|
| <b>Balance, December 31, 2022</b> | <b>5,869,205</b>           | <b>0.49</b>                        |
| Forfeited                         | (2,263,841)                | 0.48                               |
| <b>Balance, December 31, 2023</b> | <b>3,605,364</b>           | <b>0.50</b>                        |
| Expired                           | (100,000)                  | 0.51                               |
| <b>Balance, June 30, 2024</b>     | <b>3,505,364</b>           | <b>0.50</b>                        |

The weighted average remaining life of outstanding stock options as of June 30, 2024, was 2.33 years (December 31, 2023 - 2.21 years).

The stock options outstanding and exercisable as at June 30, 2024, are as follows:

| Exercise<br>Price (\$) | Number of Stock<br>Options Outstanding | Weighted Avg.<br>Remaining Life (Years) |
|------------------------|--|---|
| 0.13                   | 10,000                                 | 3.32                                    |
| 0.35                   | 88,841                                 | 2.88                                    |
| 0.41                   | 177,682                                | 2.52                                    |
| 0.49                   | 250,000                                | 2.16                                    |
| 0.49                   | 2,000,000                              | 2.17                                    |
| 0.50                   | 90,000                                 | 3.64                                    |
| 0.53                   | 88,841                                 | 2.48                                    |
| 0.56                   | 650,000                                | 2.24                                    |
| 0.60                   | 150,000                                | 3.64                                    |
| <b>Outstanding</b>     | <b>3,505,364</b>                       | <b>2.33</b>                             |
| <b>Exercisable</b>     | <b>3,452,059</b>                       | <b>2.00</b>                             |

The weighted average exercise price of options outstanding and exercisable as at June 30, 2024, is \$0.50 (December 31, 2023 - \$0.50).

For the three and six months ended June 30, 2024, the Company recognized share-based compensation of \$2,859 and \$6,271, respectively (2023 - \$42,239 and \$86,005, respectively). The Company reversed

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

\$118,211 of share-based compensation expense previously recognized on unvested stock options, which were forfeited.

#### Warrants

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

|   | Number of Warrants | Weighted Avg. Exercise Price |
|---|--------------------|------------------------------|
| Balance, December 31, 2022                          | 54,991,036         | 0.94                         |
| Expired   | (3,846,154)        | 0.50                         |
| <b>Balance, December 31, 2023 and June 30, 2024</b> | <b>51,144,882</b>  | <b>0.94</b>                  |

The warrants outstanding as at June 30, 2024, are as follows:

| Exercise Price (\$) | Number of Warrants Outstanding | Weighted Avg. Remaining Life (Years) |
|---------------------|--------------------------------|--------------------------------------|
| 0.54                | 2,687,500                      | 2.89                                 |
| 0.54                | 1,200,000                      | 2.94                                 |
| 0.63                | 887,682                        | 1.74                                 |
| 0.79                | 2,687,500                      | 2.89                                 |
| 0.79                | 1,200,000                      | 2.94                                 |
| 0.82                | 14,794,700                     | 1.74                                 |
| 0.95                | 16,025,000                     | 2.37                                 |
| 1.04                | 2,687,500                      | 2.89                                 |
| 1.04                | 1,200,000                      | 2.94                                 |
| 1.29                | 2,687,500                      | 2.89                                 |
| 1.29                | 1,200,000                      | 2.94                                 |
| 1.54                | 2,687,500                      | 2.89                                 |
| 1.54                | 1,200,000                      | 2.94                                 |
| <b>0.94</b>         | <b>51,144,882</b>              | <b>2.38</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 and six months ended June 30, 2024, and 2023 are as follows:

|                                     | Three months ended: |                   | Six months ended: |                     |
|-------------------------------------|---------------------|-------------------|-------------------|---------------------|
|                                     | June 30, 2024       | June 30, 2023     | June 30, 2024     | June 30, 2023       |
| Director fees                       | \$ 42,554           | \$ 29,279         | \$ 84,684         | \$ 60,920           |
| Consulting or professional fees (i) | 77,195              | 40,215            | 119,362           | 72,915              |
| Share-based payments (ii)           | 57,263              | 344,525           | 159,354           | 765,380             |
| Salaries and wages (iii)            | 136,665             | 148,718           | 302,462           | 258,565             |
| <b>Total</b>                        | <b>\$ 313,677</b>   | <b>\$ 562,737</b> | <b>\$ 665,862</b> | <b>\$ 1,157,780</b> |



## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

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- i. During the three months ended June 30, 2024, the following consulting fees were paid to members of key management:

- a. CFO of the company \$41,563 (2023 - \$40,215)
- b. CEO of the company \$35,632 (2023 - \$nil)

During the six months ended June 30, 2024, the following consulting fees were paid to member of key management:

- a. CFO of the company \$83,730 (2023 - \$72,915)
- b. CEO of the company \$35,632 (2023 - \$nil)

- ii. During the three months ended June 30, 2024, the following share-based payments were incurred by members of key management:

- a. CEO of the Company \$20,510 (2023 - \$126,013)
- b. CFO of the Company \$nil (2023 - \$18,856)
- c. COO of the Company \$20,510 (2023 - \$126,013)
- d. CMO of the Company \$9,016 (2023 - \$34,140)
- e. CTO of the Company \$7,227 (2023 - \$30,921)
- f. Directors of the Company \$nil (2023 - \$8,582)

During the six months ended June 30, 2024, the following share-based payments were incurred by members of key management:

- a. CEO of the Company \$59,939 (2023 - \$284,378)
- b. CFO of the Company \$5,675 (2023 - \$40,379)
- c. COO of the Company \$59,939 (2023 - \$284,378)
- d. CMO of the Company \$18,108 (2023 - \$69,389)
- e. CTO of the Company \$15,148 (2023 - \$63,016)
- f. Directors of the Company \$545 (2023 - \$23,840)

- iii. During the three months ended June 30, 2024, the following wages and salaries were paid to members of key management:

- a. CEO of the Company \$7,127 (2023 - \$33,546)
- b. COO of the Company \$42,759 (2023 - \$36,356)
- c. CMO of the Company \$44,020 (2023 - \$39,408)
- d. CTO of the Company \$42,759 (2023 - \$39,408)

During the six months ended June 30, 2024, the following wages and salaries were paid to members of key management:

- a. CEO of the Company \$49,277 (2023 - \$50,446)
- b. COO of the Company \$84,909 (2023 - \$61,705)
- c. CMO of the Company \$83,367 (2023 - \$73,207)
- d. CTO of the Company \$84,909 (2023 - \$73,207)

At June 30, 2024, the Company owes a balance recorded within accounts payable and accrued liabilities:

- \$12,966 to a company controlled by the CFO of the Company.
- \$7,129 to a trust controlled by the CEO of the Company.

As at June 30, 2024, we have receivables of \$nil (December 31, 2023 - \$101,518) in connection with payroll tax liabilities for RSU grants issued to management. The outstanding balance was fully repaid during the three months ended June 30, 2024. The interest rate charged to these loans was 110% of the applicable federal rates derived from the Internal Revenue Agency.

# Cathedral Bitcoin Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

### 11. Other Income

FBUS, the Company's wholly owned subsidiary, received a refund of \$528,008 from an audit reassessment completed by a state-level Department of Revenue.

### 12. Financial Instruments and Risk Management

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

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instruments that represent a potential concentration of credit risk consist primarily of cash, digital currencies, deposits and receivables. Under certain of our hosting agreements, we are obligated to pay security deposits to the hosting provider at the beginning of the term. If one or more of our hosting providers suffers an adverse credit event, we may be unable to recover part or all of the outstanding deposits. We limit our exposure to credit loss by holding our cash with reputable, well-capitalized financial institutions and performing careful due diligence on potential hosting partners prior to entering into a binding agreement which would require us to pay a security deposit. The carrying amount of financial assets represents the maximum credit exposure for each.

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

|                    |           | June 30, 2024    |           | December 31, 2023 |
|--------------------|-----------|------------------|-----------|-------------------|
| Digital currencies | \$        | 4,028,837        | \$        | 1,840,251         |
| Deposits           |           | 1,634,288        |           | 1,725,333         |
| Receivables        |           | 66,445           |           | 131,929           |
| <b>Total</b>       | <b>\$</b> | <b>5,729,570</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 June 30, 2024, we had a working capital surplus of \$2.5 million (December 31, 2023 - \$0.2 million), the majority of which is comprised of a cash balance of \$1.0 million (December 31, 2023 - \$0.7 million), a digital currencies balance of \$4.0 million (December 31, 2023 - \$1.8 million), and deposits of \$0.8 million (December 31, 2023 - \$1.0 million) to settle current liabilities of \$3.7 million (December 31, 2023 - \$3.8 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 June 30, 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 (\$) |
| <b>As at June 30, 2024</b>           |                                     |                             |                       |                    |                        |
| Accts. payable & accrued liabilities | 2,210,838                           | 2,210,838                   | 2,210,838             | -                  | -                      |
| Lease liabilities                    | 1,492,940                           | 1,620,474                   | 1,536,162             | 84,312             | -                      |
| Convertible loan                     | 5,415,661                           | 5,733,728                   | -                     | 5,733,728          | -                      |
| <b>Total</b>                         | <b>\$9,119,439</b>                  | <b>\$9,565,040</b>          | <b>\$3,747,000</b>    | <b>\$5,818,040</b> | <b>-</b>               |

## Cathedra Bitcoin Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024

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

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#### *Market Risk*

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

#### *Bitcoin Price Volatility*

As at June 30, 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, exchange 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 less than \$0.1 million during the six months ended June 30, 2024 (June 30, 2023 - a gain of less than \$0.1 million).

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 \$60,000, resulting from the translation of the US dollar denominated financial instruments.

#### *Custody Risk*

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

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

# Cathedra Bitcoin Inc.

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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 June 30, 2024, 46.97 bitcoin equivalent to \$4.0 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.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The carrying value of our 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.

## 13. Capital Management

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

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

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

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

## 14. Supplemental Cash Flow Information

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

| For the six months ended June 30:               | 2024       | 2023      |
|---|------------|-----------|
| Issuance of common shares upon exercise of RSUs | \$ 329,328 | \$ -      |
| Shares issued for convertible debt settlement   | -          | 2,500,000 |
| Transfer of deposits to property and equipment  | -          | 2,683,456 |

## Cathedra Bitcoin Inc.

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#### 15. Segmented Information

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

Our bitcoin mining operations are located in the US. The following table summarizes relevant financial information geographically.

Three months ended June 30, 2024, and 2023:

|                    | Canada    | US        | Total      |
|--------------------|-----------|-----------|------------|
| June 30, 2024      | (\$)      | (\$)      | (\$)       |
| Revenue            | -         | 3,040,807 | 3,040,807  |
| Cost of revenue    | -         | 3,726,249 | 3,726,249  |
| Net income/(loss)  | (196,138) | (303,829) | (499,967)  |
| Non-current assets | 1,661,279 | 9,822,886 | 11,484,165 |

|                    | Canada      | US         | Total       |
|--------------------|-------------|------------|-------------|
| June 30, 2023      | (\$)        | (\$)       | (\$)        |
| Revenue            | -           | 2,893,204  | 2,893,204   |
| Cost of sales      | -           | 3,159,797  | 3,159,797   |
| Net income/(loss)  | (2,296,199) | (652,815)  | (2,949,014) |
| Non-current assets | 3,311,384   | 16,696,894 | 20,008,278  |

Six months ended June 30, 2024, and 2023:

|                    | Canada    | US        | Total      |
|--------------------|-----------|-----------|------------|
| June 30, 2024      | (\$)      | (\$)      | (\$)       |
| Revenue            | -         | 7,163,972 | 7,163,972  |
| Cost of revenue    | -         | 7,726,482 | 7,726,482  |
| Net income/(loss)  | 352,674   | 11,246    | 363,920    |
| Non-current assets | 1,661,279 | 9,822,886 | 11,484,165 |

|                    | Canada      | US          | Total       |
|--------------------|-------------|-------------|-------------|
| June 30, 2023      | (\$)        | (\$)        | (\$)        |
| Revenue            | -           | 4,910,182   | 4,910,182   |
| Cost of sales      | -           | 5,729,240   | 5,729,240   |
| Net income/(loss)  | (3,769,869) | (1,419,592) | (5,189,461) |
| Non-current assets | 3,311,384   | 16,696,894  | 20,008,278  |

#### 16. Events After Reporting Period

*Business Combination with Kungsleden, Inc.*

On July 23, 2024, we completed a business combination (the “Transaction”) with Kungsleden, Inc. (“Kungsleden”), a developer and operator of alternative high-density compute infrastructure.

The Transaction was completed according to the terms of a share exchange agreement dated March 6, 2024, as amended on June 18, 2024 (together, the “Share Exchange Agreement”) between Cathedra,

## Cathedra Bitcoin Inc.

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Kungsleden, and Kungsleden's shareholders (the "Vendors", and together with Cathedra and Kungsleden, the "Parties").

Pursuant to the terms of the Share Exchange Agreement, Cathedra acquired all of the outstanding shares of Kungsleden from the Vendors in exchange for 6,253,429 multiple voting shares of Cathedra (the "Multiple Voting Shares") on the basis of an exchange ratio of one common share of Kungsleden for approximately 6.253429078 Multiple Voting Shares. The 6,253,429 Multiple Voting Shares issued to the Vendors are convertible into 625,342,900 subordinate voting shares of Cathedra (the "Subordinate Voting Shares"). The Transaction resulted in the Vendors owning (on a non-diluted basis) approximately 72.5% of the equity of the Company and existing Cathedra shareholders owning the remaining 27.5% of the equity of the Company. The Vendors hold approximately 80% of the voting rights of Cathedra and existing Cathedra shareholders own the remaining 20%.

In connection with the Transaction, Cathedra's articles and notice of articles were amended to, among other things (the "Share Structure Alteration"): (a) change the name of Cathedra's common shares to 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 are entitled to 152 votes per Multiple Voting Share held (or 1.52 votes per Subordinate Voting Share on an as converted basis). The Transaction constituted a "reverse takeover" of the Company pursuant to Policy 5.2 of the TSXV.

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

An aggregate of 8,141,544 restricted share units ("RSUs") were granted to certain directors and officers of the Company in accordance with our amended long-term incentive plan which was approved by shareholders at the Meeting. 1/3 of the RSUs will vest on the date that is one year from the date of the grant, 1/3 of the RSUs will vest on the date that is two years from the date of the grant, and the remaining RSUs will vest on the date that is three years from the date of the grant. All such RSUs are subject to escrow, as further detailed below.

#### *Consolidated Capitalization*

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

#### *Repricing of Convertible Debentures*

In connection with the closing of the Transaction, we amended the conversion price (the "Debenture Repricing") of our outstanding 3.5% senior secured convertible debentures due November 11, 2025 (the "Maturity Date"), originally issued to the debenture holder on November 11, 2021 (the "Debentures"), from \$0.78 to \$0.15. The aggregate principal amount outstanding of the Debentures as of the date hereof is \$5,733,728. We expect that the Debenture Repricing will optimize our capital structure and prepare us to focus on profitable growth. The remaining outstanding principal amount of the Debentures continues 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.

#### *Escrow*

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

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options to purchase Subordinate Voting Shares, and 7,414,415 RSUs have been deposited with the Escrow Agent in accordance with a Tier 1 Value Escrow Agreement (the "Tier 1 Escrow Agreement").

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

The initial accounting for business combination has not been completed and is still ongoing due to the number of judgments and estimates involved in determining components and valuation of consideration paid, net assets acquired, and acquisition costs related to the transaction.

On August 7, 2024, the Company issued 580,708 subordinate voting shares of the Company to employees in connection with RSU exercises. Concurrently, at employees' discretion the Company cancelled 363,984 RSUs to settle employees' portion of withholding taxes which were due.

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

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

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

The Amendments are subject to approval by both the TSXV and the holders of Warrants. All of the holders of the Debenture Warrants and Unit Warrants must consent to the Amendments for their respective Warrants. The Bought Deal Warrants were issued under a warrant indenture dated March 26, 2021, and in accordance with the terms thereof, the Company must receive the consent of holders of Bought Deal Warrants representing 66 2/3% of the outstanding Bought Deal Warrants to enter into a supplemental warrant indenture to effect the Amendments with respect to the Bought Deal Warrants. The Company is seeking the written approval of the holders of the requisite number of Warrants for the Amendments. The Company intends to issue an updated news release upon receipt, if any, of the approval of the Amendments.