



Cathedra

Cathedra Bitcoin Inc.

Consolidated Financial Statements
Year ended December 31, 2022 and 2021

(In Canadian Dollars)



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

April 29, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

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, 2022 and 2021, 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 significant accounting policies.

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, 2022 and 2021, 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 assets mined

We refer to financial statement summary of significant accounting policies on digital assets mined in Note 2 and related disclosure in Note 5.

For the year ended December 31, 2022, revenue generated from digital asset mining amounted to \$8,809,104. 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.

Revenue from digital assets mined is significant to our audit because mining of digital assets is an emerging industry with unique technological aspects that raise a number of auditing challenges. Given the nature of this revenue stream, significant audit efforts are required.

(continues)

Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

To address the risk for material misstatement on revenue from digital assets mined, our audit procedures included, amongst other procedures:

Obtained the assistance from professionals with specialized skills in distributed ledger technology, digital assets and cryptography.

Tested 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 assets received and recognized as revenue directly to the blockchain.

Assessed the recognition and valuation processes and practices.

Tested the value of digital assets received and recognized as revenue using the daily quoted price from a reputable source

We assessed the adequacy of the Company's disclosures related to revenue recognition.

Impairment assessment of property and equipment for the digital asset mining cash-generating units ("CGUs")

We refer to financial statement summary of significant accounting policies on impairment of non-financial assets in Note 2 and related disclosure in Note 9.

At December 31, 2022, the carrying value of mining and mining related equipment amounted to \$11,133,221. The Company reviews for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the plant and equipment for the digital asset mining CGUs may be impaired. We identified the Company's impairment assessment of plant and equipment for the digital asset mining CGUs as a key audit matter.

This impairment test is significant to our audit because the Company identified indicators of impairment for its digital asset mining CGUs, resulting in a significant impairment expense on mining and mining related equipment. In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically Bitcoin price growth, difficulty growth rates, efficiency recovery rates and discount rates, which are impacted by expected future market or economic conditions, giving rise to high estimation uncertainty.

To address the risk for material misstatement on the impairment assessment of property and equipment for the digital asset mining, our audit procedures included, amongst other procedures:

Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.

Review of management's expert valuation report.

Used our valuation experts to assist us in evaluating the assumptions, methodologies and data used by the Company, in particular those relating to Bitcoin price growth, difficulty growth rates, efficiency recovery rates and discount rates.

Tested the completeness and accuracy of the underlying data used in the Company's valuation model.

Performed a sensitivity analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's disclosures related to impairment assessment of property and equipment for the digital asset mining.

Investment acquisition

We refer to financial statement summary of significant accounting policies on investments in Note 2 and related disclosure in Note 3.

(continues)

Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

At December 31, 2022, the value of the investment in Silvermoon Inc. amounted to \$3,014,128. During the year, 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 investment represents 23% of the issued and outstanding common shares of Silvermoon Inc.

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. 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 consideration given up to acquire the investment.

- Tested the fair values of the assets and liabilities included upon the acquisition.

- 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 acquisition.

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.

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.

(continues)

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.
- 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.

Independent Auditor's Report to the Shareholders of Cathedra Bitcoin Inc. *(continued)*

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
(In Canadian Dollars)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 3,224,504	\$ 9,443,618
Digital currencies (Note 5)	39,499	9,924,292
Receivables (Note 15)	157,854	90,197
Accrued receivable (Note 6)	1,240,733	6,055
Prepaid expenses	425,785	19,749
Deposits (Note 8)	3,381,471	18,749,494
Biological assets (Note 7)	-	163,297
	8,469,846	38,396,702
Deposits (Note 8)	215,552	199,331
Receivables (Note 15)	38,035	-
Property and equipment (Note 9)	13,713,264	18,715,533
Intangible assets	-	4,797
Right-of-use asset (Note 10)	-	552,560
Investment in associates (Note 3)	3,014,128	-
Investments (Note 4)	312,925	312,925
Deferred income tax assets (Note 16)	-	185,889
Total assets	\$ 25,763,750	\$ 58,367,737
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 2,314,578	\$ 2,484,412
Interest payable (Note 12)	-	148,151
Income taxes payable (Note 16)	-	1,316,493
Current portion of loan payable (Note 12)	-	555,720
Current portion of lease liability (Note 10)	149,174	128,934
	2,463,752	4,633,710
Non-current liabilities		
Lease liability (Note 10)	328,934	447,538
Loan payable (Note 12)	-	349,632
Convertible loan (Note 13)	18,196,163	18,349,701
Total liabilities	20,988,849	23,780,581
Equity		
Share capital (Note 14)	37,455,772	29,570,903
Reserves (Note 14)	19,064,553	11,730,611
Deficit	(51,745,424)	(6,714,358)
Total equity	4,774,901	34,587,156
Total liabilities and equity	\$ 25,763,750	\$ 58,367,737

Nature of operations (Note 1)
Subsequent events (Note 21)

Approved by the Board of Directors and authorized for issue on April 28, 2023:

“Antonin Scalia” Director

“David Jaques” Director



Cathedra Bitcoin Inc.

Consolidated Statements of Income and Comprehensive Income

(In Canadian Dollars)

	<i>Year ended December 31, 2022</i>	<i>Year ended December 31, 2021</i>
Revenue (Note 5)	\$ 8,809,104	\$ 7,801,311
Cost of revenue		
Operating costs	(6,389,481)	(3,683,625)
Depreciation (Notes 9 and 10)	(7,636,001)	(2,285,704)
Gross profit (loss)	(5,216,378)	1,831,982
Gain (loss) on sale of digital currencies	(5,006,134)	2,707,800
Operating expenses		
Director fees (Note 15)	203,097	195,067
Depreciation (Note 9 and 10)	73,885	909
Interest expense	3,767,144	96,216
Management and consulting fees (Note 15)	153,350	95,938
Office and administration	748,259	1,013,364
Professional fees (Note 15)	591,102	436,712
Salaries and wages (Note 15)	1,262,031	66,192
Share-based compensation (Note 14 and 15)	5,766,906	1,024,147
Transaction costs	276,737	46,649
Travel	72,673	-
	(12,915,184)	(2,975,194)
Operating income (loss)	(23,137,696)	1,564,588
Foreign exchange gains (Note 17)	3,914,326	356,564
Gain on purchase of equipment (Note 9)	102,917	-
Gain on share exchange (Note 3)	784,233	-
Interest income	26,412	35,832
Loss on debt settlement (Note 5)	(39,136)	-
Loss on sale of equipment (Note 9)	(1,096,968)	-
Write down of mining equipment (Note 9)	(26,660,814)	-
	(22,969,030)	392,396
Income (loss) from continuing operations before income taxes	(46,106,726)	1,956,984
Income tax expense		
Current income tax recovery (expense) (Note 16)	1,316,493	(1,316,493)
Deferred income tax recovery (expense) (Note 16)	(198,586)	185,889
	1,117,907	(1,130,604)
Income (loss) from continuing operations	(44,988,819)	826,380
Loss from discontinued operations	(42,247)	(108,268)
Net income (loss)	(45,031,066)	718,112
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation adjustment	(709,302)	37,384
Revaluation gain on digital currencies	724,553	1,128,548
	15,251	1,165,932
Net comprehensive income (loss)	\$ (45,015,815)	\$ 1,884,044
Basic earnings (loss) per share	\$ (0.43)	\$ 0.01
Weighted average number of common shares outstanding - basic	105,035,160	81,223,535
Diluted earnings (loss) per share	\$ (0.34)	\$ 0.01
Weighted average number of common shares outstanding - diluted	133,831,176	112,753,153

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



Cathedra Bitcoin Inc.
Consolidated Statements of Changes in Equity
(In Canadian Dollars)

	Number of shares	Capital amount	Revaluation surplus	Reserve - Cumulative translation adjustment	Reserve - Equity reserved	Accumulated deficit	Total
Balance, December 31, 2020	69,727,984	\$ 21,172,219	\$ 3,541,228	\$ 880,552	\$ 1,407,500	\$ (10,973,698)	\$ 16,027,801
Units issued for private placement (Note 14)	14,794,700	9,320,661	-	-	-	-	9,320,661
Share issuance costs (Note 14)	-	(1,305,842)	-	-	578,705	-	(727,137)
Exercise of stock options (Note 14)	1,700,000	383,865	-	-	(125,865)	-	258,000
Share based compensation	-	-	-	-	1,024,147	-	1,024,147
Equity portion of convertible loan (Note 13)	-	-	-	-	6,799,640	-	6,799,640
Translation adjustment	-	-	-	37,384	-	-	37,384
Realized revaluation gain on digital currencies transfer	-	-	(3,541,228)	-	-	3,541,228	-
Revaluation gain on digital currencies	-	-	1,128,548	-	-	-	1,128,548
Net income for the year	-	-	-	-	-	718,112	718,112
Balance, December 31, 2021	86,222,684	\$ 29,570,903	\$ 1,128,548	\$ 917,936	\$ 9,684,127	\$ (6,714,358)	\$ 34,587,156
Balance, December 31, 2021	86,222,684	\$ 29,570,903	\$ 1,128,548	\$ 917,936	\$ 9,684,127	\$ (6,714,358)	\$ 34,587,156
Shares issued for purchase of assets (Note 14)	1,000,000	455,000	-	-	-	-	455,000
Units issued for private placement (Note 14)	25,916,667	5,748,749	-	-	3,581,251	-	9,330,000
Exercise of stock options (Note 14)	1,900,000	433,694	-	-	(161,194)	-	272,500
Shares issued for restricted share units (Note 14)	3,492,347	1,301,996	-	-	(1,301,996)	-	-
Share issuance costs (Note 14)	-	(54,570)	-	-	-	-	(54,570)
Repayment of convertible debt (Note 13)	-	-	-	-	(566,276)	-	(566,276)
Translation adjustment	-	-	-	(709,302)	-	-	(709,302)
Revaluation gain on digital currencies	-	-	724,553	-	-	-	724,553
Share based compensation (Note 14)	-	-	-	-	5,766,906	-	5,766,906
Net loss for the year	-	-	-	-	-	(45,031,066)	(45,031,066)
Balance, December 31, 2022	118,531,698	\$ 37,455,772	\$ 1,853,101	\$ 208,634	\$ 17,002,818	\$ (51,745,424)	\$ 4,774,901

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



Cathedral Bitcoin Inc.
Consolidated Statements of Cash Flows
(In Canadian Dollars)

	<i>Year ended</i> <i>December 31, 2022</i>	<i>Year ended</i> <i>December 31, 2021</i>
Operating activities		
Net income	\$ (45,031,066)	\$ 718,112
Depreciation	7,709,886	2,286,628
Share-based compensation	5,766,906	1,024,147
Loss on debt settlement	39,136	-
Write down of mining equipment	26,660,814	-
Interest accretion	3,767,143	405,367
Interest income	(1,304)	(35,832)
Loss (gain) on sale of digital currencies	5,006,134	(2,707,800)
Loss on sale of equipment	1,096,968	-
Gain on acquisition of equipment	(102,917)	-
Gain on share exchange agreement	(784,233)	-
Bitcoin paid for services	1,415,832	-
Foreign exchange	(2,576,766)	(356,564)
Current income tax recovery	(1,316,493)	1,316,493
Deferred income tax expense	198,586	(185,889)
Change in non-cash working capital components		
Deposits	12,017,034	(18,497,090)
Receivables	(107,158)	(64,509)
Accrued receivable	(1,240,733)	-
Prepaid expenses	(392,602)	17,636
Accounts payables and accrued liabilities	(169,833)	521,109
Interest payable	(148,151)	148,151
Digital currencies	(8,291,420)	(3,744,500)
Cash flows provided by (used) in operating activities	3,515,763	(19,154,541)
Interest paid	(1,058,385)	-
Interest received	7,359	84,227
Net cash flows provided by (used in) continuing operating activities	2,464,737	(19,070,314)
Net cash flows provided by (used in) operating activities - discontinued operations	84,754	(161,014)
Cash flows provided by (used in) operating activities	2,549,491	(19,231,328)
Investing activities		
Purchase of property and equipment (Note 9)	(25,325,507)	(16,113,969)
Investments	-	(312,925)
Proceeds on sale of bitcoin	12,550,806	9,770,321
Purchase of bitcoin	-	(3,823,914)
Net cash flows used in continuing investing activities	(12,774,701)	(10,480,487)
Net cash flows used in investing activities - discontinued operations	(463,567)	(1,911,267)
Cash used in investing activities	(13,238,268)	(12,391,754)
Financing activities		
Proceeds on issuance of units (Note 14)	9,330,000	9,320,661
Proceeds from exercise of stock options (Note 14)	272,500	258,000
Repayment of loan payable (Note 12)	(15,530,033)	-
Repayment of convertible loan (Note 13)	(2,604,320)	-
Proceeds from convertible loan, net of transaction costs (Note 13)	-	24,836,390
Proceeds from loan payable, net of transaction costs (Note 12)	14,949,538	833,864
Share issuance costs (Note 14)	(54,570)	(727,137)
Payment on lease liability (Note 10)	(174,968)	(168,497)
Net cash flows provided by (used in) continuing financing activities	6,188,147	34,353,281
Net cash flows provided by (used in) financing activities - discontinued operations	-	97,060
Cash provided by financing activities	6,188,147	34,450,341
Change in cash during the year	(4,500,630)	2,827,259
Effect of exchange rate changes on cash	(1,718,484)	(431,691)
Cash, beginning of year	9,443,618	7,048,050
Cash, end of year	\$ 3,224,504	\$ 9,443,618

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



1. Nature of Operations

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

As of December 31, 2022, Cathedra’s diversified bitcoin mining operations span three states and five data center locations across the United States.

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. Significant Accounting Policies

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 April 28, 2023.

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.

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.



2. Significant Accounting Policies (cont'd)

Basis of Consolidation (cont'd)

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, 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.

The Company has sold its wholly-owned subsidiary, The Good Shepherd Land and Livestock Company Limited ("TGS") during the year ended (see note 3).

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, Hash Stream Inc. and Fortress Blockchain Holdings Corp. is the Canadian dollar while the functional currency of Fortress US, Standard, Chonos, Entelechy and Portage is the US dollar and TGS is the UK Sterling.



2. Significant Accounting Policies (cont'd)

Comprehensive income (loss)

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

Critical Accounting Estimates, Judgments and Assumptions

The preparation of the Company's 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"). The Company has previously used daily average bitcoin price data from www.blockchain.com. Although bitcoin price data may vary across different platforms due bitcoin being a decentralized digital currency, the daily average price between the two platform used is fairly consistent. The Company started using bitcoin price data in the beginning of the fiscal year. There has been no material change as a result of the change in source of information on the bitcoin pricing data.

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



2. Significant Accounting Policies (cont'd)

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

Revenue recognition (cont'd)

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.

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



2. Significant Accounting Policies (cont'd)

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

Significant Estimates (cont'd)

Taxes (cont'd)

probable outcome of these matters. The Company has recorded a change in estimate for the initial current income tax expense amount for the year ended December 31, 2021 due to further analysis of the Company's certain tax positions. These positions resulted in changes to the treatment of certain capital gains that were previously recorded as taxable, however upon further analysis, these gains have been deferred. The change in accounting estimate reduces previous income tax accrual and expense from \$1,316,493 to \$nil. The change in estimate will be applied prospectively.

Digital currency valuation

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

Share based compensation

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

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 has 23% interest in the shares of Silvermoon Inc. The Company has determined that it has significant influence in Silvermoon Inc., therefore, the Company accounts for this investment using equity accounting.

Uncertainty of the income/loss recorded in the investment in associates

The financial information of the investment in associates, being a private corporation, was not readily available for the year ended December 31, 2022. 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.



2. Significant Accounting Policies (cont'd)

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

Significant Estimates (cont'd)

Areas of significant estimates and judgments also include:

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

Cash and cash equivalents

Cash and cash equivalents include cash, and short-term money market instruments that are readily convertible to cash.

Revenue recognition

The Company recognizes revenue in accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). 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 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 receipt, based on the daily average from blockchain.com 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.

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.



2. Significant Accounting Policies (cont'd)

Property and Equipment (cont'd)

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
Livestock equipment	straight-line basis over a 10 to 15 year life

Intangible assets

Intangible assets include the entitlements bought with the land in UK. Definite life intangible assets are measured at cost less accumulated depreciation and any net accumulated impairment losses. Depreciation is recognized in profit or 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.

Biological Assets

The Company, through its subsidiary TGS, operates a livestock farm. Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in profit or loss in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. The Company distinguishes between mature and immature biological assets. Mature biological assets are those that have attained harvestable specifications. Immature biological assets are those assets other than mature biological assets.

Management uses estimates over the future price per sheep, foreign exchange rates, and estimated weight and cost of sheep at maturity in the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

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 based payments made of donations as well as mining fees. Payments are measured at fair value using the price of the digital currencies provided at the time of the transaction.



2. Significant Accounting Policies (cont'd)

Reserves

Equity reserves include amounts related to share issuance costs, share based compensation and foreign exchange translation adjustments.

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.



2. Significant Accounting Policies (cont'd)

Convertible Loan

Convertible 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 debenture 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.

The host instrument is accounted for as a hybrid instrument with a debt component and a separate embedded derivative component classified as an equity. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative which is measured at fair value.

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.



2. Significant Accounting Policies (cont'd)

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.

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.



2. Significant Accounting Policies (cont'd)

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 and accrued liabilities, 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, 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 accounts for its investment in an affiliated company, over which it has significant influence, 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 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.



2. Significant Accounting Policies (cont'd)

Investments

The Company analyzes its private equity investment holdings for changes in fair value at each reporting period. The Company uses significant judgement in reviewing internally and externally available financial information to determine if there are indicators that the fair value of the holdings have changed. Changes to the estimated fair value may affect the value of investment asset, and comprehensive income in future periods. The Company does not have controlling interest or significant influence in its investments.

IFRS 16 – 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.



2. Significant Accounting Policies (cont'd)

IFRS 16 – 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.



2. Significant Accounting Policies (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. 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. 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.

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. The principal market or most advantageous market is always unknown. The Company believes any price difference amongst the principal market and the average of quoted rates to be immaterial. 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.



2. Significant Accounting Policies (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

The Company did not adopt any new IFRS standards during the year.

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:

Future accounting pronouncements not yet effective and that have not been adopted early (cont'd)

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.



2. Significant Accounting Policies (cont'd)

New and Future Accounting Pronouncements (cont'd)

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. The amendments effective for annual periods beginning on or after January 1, 2023, with early application permitted. No significant impact to the Company's consolidated financial statements is expected.

Amendments to IAS 12– income taxes

The amendments to IAS 12 implements a so-called "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. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. No significant impact to the Company's income taxes is expected.

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"). Silvermoon Inc. is controlled by the Company's Chairman and director. 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.

Cathedra Bitcoin Inc.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



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 Inc. Management determined that the Company has significant influence over Silvermoon Inc. and accordingly used the equity method to account for this investment. The following table summarizes the change in investment in Silvermoon Inc. for the year ended December 31, 2022:

	\$
Balance, December 31, 2021	-
Consideration paid per share exchange agreement	3,014,128
Equity loss on investment	-
Balance, December 31, 2022	3,014,128

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.

	\$
Balance, December 31, 2021	312,925
Equity loss on investment	-
Balance, December 31, 2022	312,925

5. Digital Currencies and Revenue

For the year ended December 31, 2022, the Company recorded revenue of \$8,809,104 (December 31, 2021 - \$7,801,311).

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.



5. Digital Currencies and Revenue (cont'd)

Bitcoin	Units	Amount
Balance of Bitcoin as at December 31, 2020	168.20	6,179,792
Revenue from Bitcoin mined	120.24	7,801,311
Bitcoin purchased	90.00	3,824,165
Bitcoin paid for fees and services	(28.13)	(2,013,900)
Bitcoin sold	(180.00)	(6,390,352)
Bitcoin donated	(1.06)	(68,857)
Revaluation of Bitcoin	-	592,134
Balance of Bitcoin as at December 31, 2021	169.25	\$ 9,924,292
Revenue from Bitcoin mined	246.85	8,809,104
Bitcoin received as part of asset purchase (<i>Note 9</i>)	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	-	(3,209,351)
Balance of Bitcoin as at December 31, 2022	1.76	\$ 39,449

Kentucky and Tennessee Mine

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 Mines”). 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 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.

North Dakota Mine

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 Mine”), 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 Mine. 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. As of December 31, 2022, the bitcoin mining machines and containers in connection with GAM have been written down (Note 9).



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.

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. Biological Assets

	Livestock
Balance at December 31, 2020	\$ -
Additions and purchases – immature biological assets	163,297
Changes in fair value unrealized	-
Balance at December 31, 2021	\$ 163,297
Disposal	(163,297)
Balance at December 31, 2022	\$ -

8. Deposits

As of December 31, 2022, the Company has a deposit balance of \$3,597,023 (December 31, 2020 – \$18,948,825).

The total is comprised of \$105,643 (December 31, 2021 - \$98,888) deposit held by Grant County Public Utility District, \$105,914 (December 31, 2021 - \$99,143) rent and damage deposit for the Washington Mine, \$3,995 (December 31, 2021 – \$nil) deposit for the Company's New Hampshire warehouse and \$nil (December 31, 2021 - \$1,300) deposit for the Company's Vancouver office as long-term deposits. The deposits are classified as non-current assets as the Company intends to occupy the facility for more than one year. The remaining deposit balance of \$3,381,471 (December 31, 2021 - \$18,705,121) relates to bitcoin miners classified as current assets.

Cathedra Bitcoin Inc.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



8. Deposits (continued)

On October 29, 2021, the Company has purchased 4,500 Bitmain Antminers. As the Company did not complete certain payments to its orders, the revised total for the order is 4,179 Bitmain Antminers of which 1,410 is in transit as at December 31, 2022. As the Company has identified impairment indicators as discussed in Note 9, the Company has recognized an impairment of \$3,878,979 in connection to the 1,410 Bitmain Antminers in transit.

On November 16, 2021, the Company has purchased an additional 600 Bitmain Antminers which are expected to be delivered from July through December 2022 of which 400 were sold in the year and the remaining 200 are in stored in third party warehouse as at December 31, 2022.

	Total (\$)
Balance at December 31, 2020	200,174
Additions	18,748,651
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

Cathedra Bitcoin Inc.

(formerly Fortress Technologies Inc.)

Notes to the Consolidated Financial Statements

Year ended December 31, 2022 and 2021

(In Canadian Dollars)



9. Property and Equipment

	Land (\$)	Livestock Equipment (\$)	Facility Asset (\$)	Mining Equipment (\$)	Mining Equipment (not- available for use) (\$)	Equipment under production (\$)	Office Equipment (\$)	Total (\$)
Cost								
Balance, December 31, 2020	-	-	2,735,632	949,937	-	-	6,351	3,691,920
Additions	1,720,602	185,525	2,379,946	12,623,891	930,807	177,499	1,825	18,020,095
Translation adjustment	(702)	13,544	(15,163)	119,675	(1,393)	1,397	-	117,358
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
Balance, December 31, 2022	-	-	4,663,752	34,041,404	5,797,049	2,578,978	8,176	47,089,359
Accumulated depreciation								
Balance, December 31, 2020	-	-	246,037	692,421	-	-	5,595	944,053
Additions	-	15,956	588,694	1,558,969	-	-	908	2,164,527
Translation adjustment	-	(105)	4,554	811	-	-	-	5,260
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
Balance, December 31, 2022	-	-	2,822,490	27,301,855	3,244,639	-	7,111	33,376,095
Carrying amount								
Balance, December 31, 2021	1,719,900	183,218	4,261,130	11,441,302	929,414	178,896	1,673	18,715,533
Balance, December 31, 2022	-	-	1,841,262	6,739,549	2,552,410	2,578,978	1,065	13,713,264

Depreciation expense of \$7,709,886 of which \$7,576,172 (2021 - \$5,807,501) is from property and equipment, \$143,343 (2021 - \$138,042) is from right of use assets (Note 10) and \$9,629 (2021 - \$15,956) is recognized in discontinued operations. Depreciation has increased significantly for the year ended December 31, 2022 as a result of significant additions and deployment of mining equipment during the year.



9. Property and Equipment(cont'd)

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:

As at December 31, 2022	Recoverable amount (\$)
Cash Generating Units	
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
	13,713,264

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 (\$)
Cash Generating Units	
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.



9. Property and Equipment(cont'd)

Critical assumptions used in the value in use calculations as at December 31, 2022 were as follows:

As at December 31, 2022	Amount
Assumptions	
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, 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

10. 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.

Cathedra Bitcoin Inc.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



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

Washington Mine	Total
Cost	
Balance, December 31, 2020	\$ 700,944
Additions	-
Translation adjustment	2,973
Balance, December 31, 2021	697,971
Additions	-
Translation adjustment	47,677
Balance, December 31, 2022	\$ 745,648
Depreciation	
Balance, December 31, 2020	\$ 5,841
Additions	138,042
Translation adjustment	1,528
Balance, December 31, 2021	145,411
Additions	143,343
Impairment	441,175
Translation adjustment	456,894
Balance, December 31, 2022	\$ 745,648
Net book value	
Balance, December 31, 2021	\$ 552,560
Balance, December 31, 2022	\$ -

Depreciation expense of \$143,343 (2021 - \$138,042) 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.

Lease liability	
Balance, December 31, 2021	\$ 576,472
Additions	-
Interest expense on lease liability	42,491
Payments on lease liability	(129,338)
Translation adjustment	(11,517)
Balance, December 31, 2022	478,108
Less: Current portion	149,174
Balance, December 31, 2022	\$ 328,934

Cathedra Bitcoin Inc.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



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

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

At December 31, 2022, the Company is committed to minimum lease payments as follows:

	December 31, 2022
Maturity analysis	
Less than one year	\$ 182,032
One to three years	356,478
Three to five years	-
Total undiscounted lease liabilities	538,510
Amount representing implicit interest	(60,402)
Lease liability	\$ 478,108

11. Accounts payable and accrued liabilities

	December 31, 2022	December 31, 2021
Accounts payable	\$ 528,899	\$ 1,490,469
Accrued liabilities	1,775,013	938,934
Due to related parties (Note 15)	10,666	55,009
	\$ 2,314,578	\$ 2,484,412



12. Loan payable

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

On December 21, 2021, the Company entered into an equipment financing agreement with NYDIG ABL for total proceeds of \$837,670 (US\$648,000) bearing an interest rate of 15% per annum which will be repaid over the next 18 months. The loan payable is collateralized by the bitcoin mining machines purchased for the Washington Mine during the year ended December 31, 2021. On December 7, 2022, the Company and NYDIG ABL has agreed to terminate the equipment financing agreement. The Company has repaid the outstanding principal balance remaining for a total of \$373,313 (US\$273,690).

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

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

On May 27, 2022, the Company repaid all principal and interest due on the outstanding equipment loans advanced on February 3, 2022 and April 11, 2022 for a total of \$14,622,492 (US\$11,479,425) resulting in a loss on extinguishment of debt of \$992,666 which includes borrowing costs and payment of make-whole amount for early payment, in accordance with the terms of the loans.

	Total
Balance, December 31, 2020	\$ -
Additions	934,730
Interests	3,800
Payments	(13,236)
Transaction fee	(3,806)
Translation adjustment	(16,136)
Balance, December 31, 2021	905,352
Additions	13,850,320
Interests	1,290,662
Payments	(16,784,118)
Transaction fee	(289,670)
Loss from extinguishment of debt	992,666
Extinguishment of debt from share exchange agreement	(67,532)
Translation adjustment	102,320
Balance, December 31, 2022	\$ -

Cathedra Bitcoin Inc.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



13. 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, 2022, the interest payable is \$nil (December 31, 2021 - \$155,556).

Each Convertible Debenture Unit consists of (i) \$1,000 principal amount of senior secured convertible debenture of the Company (each, a “Debenture”); and (ii) 641 common share purchase warrants of the Company (each, a “Warrant”), with each Warrant exercisable for one common share of the Company (a “Common Share”). Each Warrant shall entitle the holder to acquire one Common Share (a “Warrant Share”) at an exercise price of \$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. As of December 31, 2022, the liability component is \$18,196,163 and equity component is \$6,233,364.

Liability Component

	Total
Value on initial recognition	\$ 18,155,564
Transaction costs	(118,814)
Interest expense	(148,151)
Accretion expense	461,102
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

Equity Component

	Total
Convertible loan – equity	\$ 6,844,436
Transaction costs	(44,796)
Balance, December 31, 2021	\$ 6,799,640
Repayment of loan	(566,276)
Balance, December 31, 2022	\$ 6,233,364

14. Share Capital

a. Authorized

Unlimited number of common shares without par value



14. Share Capital (cont'd)

b. Issued and outstanding

On May 20, 2022, the Company completed its first tranche of non-brokered private placement offering (the "Offering") issuing 17,916,667 units ("Units") at a purchase price of \$0.36 per Unit, for gross proceeds of approximately \$6,450,000. 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:

- 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.

During the year ended December 31, 2022, the Company issued 1,900,000 (December 31, 2021 – 1,700,000) common shares for stock options exercised for total proceeds of \$272,500 (December 31, 2021 - \$258,000).

During the year ended December 31, 2022, the Company issued 3,492,347 (December 31, 2021 – nil) common shares for RSUs exercised.



14. Share Capital (cont'd)

b. Issued and outstanding (cont'd)

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

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

c. 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, 2022, the Company recognized share-based compensation expense of \$5,044,907 (December 31, 2021 - \$144,165).

During the year ended December 31, 2022, the Company granted 3,248,976 restricted share units to employees and consultants as follows:



14. Share Capital (cont'd)

c. Restricted share units

Grant Date	Number of Restricted Share Units	Vesting terms
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
Total	3,248,976	

Following is a summary of changes in restricted share units outstanding for the year ended December 31, 2022:

	Outstanding
Balance, December 31, 2020	-
Granted	7,587,244
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

d. 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, 2022 was \$24,175.



14. Share Capital (cont'd)

d. Stock options (cont'd)

- 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, 2022 was \$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 and the share-based compensation expense recognized for year ended December 31, 2022 was \$20,526.
- 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 resulting in a share-based compensation expense of \$23,201.
- granted 88,841 stock options exercisable at \$0.61 expiring five years from the date of the grant to management. 20% of 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.50 and the share-based compensation expense recognized for year ended December 31, 2022 was \$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 88,841 stock options vest six months after the date of grant and every six months thereafter. The fair value per options granted was \$0.42 and the share-based compensation expense recognized for year ended December 31, 2022 was \$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 year ended December 31, 2022 was \$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 year ended December 31, 2022 was \$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 year ended December 31, 2022 was \$542.



14. Share Capital (cont'd)

d. Stock options (cont'd)

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

- granted 100,000 stock options exercisable at \$0.51 expiring three years from the date of the grant vesting immediately to management. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the year ended December 31, 2021, was \$38,015;
- granted 250,000 stock options exercisable at \$0.485 expiring five years from the date of the grant to management. 100,000 stock options vest immediately on the date of the grant and 50,000 on each six-month anniversary of the date of grant thereafter. The fair value per options granted was \$0.38 and the share-based compensation expense recognized for the year ended December 31, 2022 was \$35,245;
- granted 650,000 stock options exercisable at \$0.56 expiring five years from the date of the grant to management. The stock options vest immediately on the date of the grant. The fair value per options granted was \$0.52 and the share-based compensation expense recognized for the year ended December 31, 2021 was \$276,759;
- granted 2,000,000 stock options exercisable at \$0.49 expiring five years from the date of the grant vesting vest three months after the date of the grant and every three months thereafter to a director. The value per option granted was \$0.40 and the share-based compensation expense recognized for the year ended December 31, 2022 was \$314,002; 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 year ended December 31, 2021 was \$974.

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

	2022	2021
Risk-free interest rate	1.27% - 3.66%	0.48% - 1.29%
Expected life (years)	3.06	4.94
Annualized volatility	117.12%	120.27%
Dividend rate	0.00%	0.00%



14. Share Capital (cont'd)

d. Stock options (cont'd)

The following is a summary of changes in stock options:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2020	5,424,928	0.29
Granted	3,088,841	0.51
Exercised	(1,700,000)	0.15
Expired	(138,428)	0.65
Balance, December 31, 2021	6,675,341	0.42
Granted	1,640,364	0.36
Forfeited	(150,000)	0.60
Cancelled	(396,500)	0.53
Exercised	(1,900,000)	0.14
Balance, December 31, 2022	5,869,205	0.48

The stock options outstanding and exercisable as at December 31, 2022, are as follows:

Outstanding	Exercisable	Exercise price (\$)	Expiry date
90,000	90,000	0.500	February 19, 2028
1,050,000	1,050,000	0.600	February 19, 2028
100,000	100,000	0.510	May 3, 2024
250,000	125,000	0.485	August 27, 2026
2,000,000	1,500,000	0.490	September 1, 2026
650,000	650,000	0.560	September 24, 2026
88,841	35,536	0.530	December 21, 2026
88,841	17,768	0.410	January 7, 2027
88,841	17,768	0.410	January 10, 2027
150,000	30,000	0.410	February 7, 2027
88,841	17,768	0.610	April 4, 2027
750,000	150,000	0.500	April 25, 2027
88,841	17,768	0.350	May 18, 2027
385,000	154,000	0.130	October 25, 2027
5,869,205	3,955,608		

For the year ended December 31, 2022, the Company recognized share-based compensation expense of \$721,999 (2021 - \$879,983). The weighted average remaining life of the stock options is 4.13 years.



14. Share Capital (cont'd)

e. Warrants

Following is a summary of changes in warrants outstanding for the year ended December 31, 2022:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2020	7,692,308	0.50
Issued	31,707,382	0.88
Balance, December 31, 2021	39,399,690	0.81
Issued	19,437,500	1.04
Expired	(3,846,154)	0.50
Balance, December 31, 2022	54,991,036	0.91

The warrants outstanding as at December 31, 2022, are as follows:

Outstanding	Exercise price (\$)	Expiry date
3,846,154	0.50	January 7, 2023
14,794,700	0.82	March 26, 2026
887,682	0.63	March 26, 2026
16,025,000	0.95	November 11, 2026
2,687,500	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
54,991,036	0.91	

The weighted average remaining life of the warrants is 3.62 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.

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, 2022, and 2021, are as follows:

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>

Year ended December 31, 2021	Salaries	Professional Fees	Share-based compensation	Total
Chief Executive Officer	\$ 33,096	\$ -	\$ 209,092	\$ 242,188
Chief Operating Officer and President	33,096	-	209,092	242,188
Former Chief Executive Officer	-	60,938	-	60,938
Chief Financial Officer	-	72,500	109,443	181,943
Directors	-	172,433	492,807	665,240
	<u>\$ 66,192</u>	<u>\$ 305,871</u>	<u>\$ 1,020,434</u>	<u>\$ 1,392,497</u>

At December 31, 2022, the Company owes a balance recorded within accounts payable and accrued liabilities:

- \$10,666 to a company controlled by the CFO of the Company.

At December 31, 2022, the Company has receivables of \$95,511, of which \$38,035 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 paid by December 7, 2024.



16. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
Income (loss) before income taxes	\$	(45,031,066)	\$	1,848,716
- Statutory tax rate		30.7%		27.0%
- Expected income tax expense (recovery) at the statutory tax rate	\$	(13,837,134)	\$	499,153
Non-deductible items and other				
- Change in statutory, foreign tax, foreign exchange rates and other		-		(70,468)
- Permanent difference		989,860		2,023,522
- Utilization of non-capital losses		-		-
- Change in deferred tax benefits not recognized		11,530,781		(1,135,714)
- Adjustment to prior years provision versus statutory tax returns		-		-
Income tax expense (recovery)	\$	(1,316,493)	\$	1,316,493

The approximate tax effect of each item that gives rise to the Company's deferred tax assets as at December 31, 2022 and 2021 are as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
Deferred income tax assets				
Non-capital losses	\$	12,965,000	\$	192,074
Property and equipment		(19,000)		-
Other		(214,000)		(6,185)
Net deferred income tax assets	\$	12,732,000	\$	185,889

The Company's movement of net deferred tax assets is described below:

	Year ended December 31, 2022		Year ended December 31, 2021	
At January 1	\$	185,889	\$	-
Deferred income tax recovery through statement of profit or loss		(198,586)		185,889
Translation adjustment		12,697		-
At December 31	\$	-	\$	185,889

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.



16. Income Taxes (cont'd)

The Company has the following deductible temporary differences that have been recognized.

	December 31, 2022	Expiry date range	December 31, 2021	Expiry date range
Deferred tax assets (liabilities)				
Property and equipment	\$ 360,089	No expiry	\$ (562,696)	No expiry
Capital lease	\$ -	No expiry	\$ 552,560	No expiry
Share issuance costs	\$ (793,942)	2034 to 2041	\$ -	2034 to 2040
Non-capital losses				
Canada	\$ 4,656,937	2038 to 2042	\$ -	2038 to 2041
UK	\$ -	No expiry	\$ 108,268	No expiry
USA	\$ 47,432,600	No expiry	\$ 807,029	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 assets represents the maximum credit exposure.

	December 31, 2022	December 31, 2021
Digital currencies	39,499	9,924,292
Deposit	3,381,471	18,749,494
Receivables	157,854	90,197
Accrued receivable	1,240,733	6,055
	\$ 4,819,557	\$ 28,770,038

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, 2022, the Company had a working capital surplus of \$6,006,094 (December 31, 2021 - \$33,762,992), the majority of which is comprised of a cash balance of \$3,224,504 (December 31, 2021 - \$9,443,618), digital currencies balance of \$39,499 (December 31, 2021 - \$9,924,292), accrued receivable of \$1,240,733 (December 31, 2021 - \$6,055) and deposits of \$3,381,471 (December 31, 2021 - \$18,749,494) to settle current liabilities of \$2,463,752 (December 31, 2021 - \$4,633,710).



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, 2022 is as follows:

	Accounts payable and accrued liabilities	Lease liability	Convertible debt	Total
2023	\$ 2,314,578	\$ 182,031	\$ -	\$ 2,496,609
2024	-	182,031	22,395,680	22,577,711
2025	-	174,720	-	174,720
Total	\$ 2,314,578	\$ 538,782	\$22,395,680	\$ 25,249,040

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, 2022, that is subject to market pricing and price volatility. The Company recorded a gain on revaluation of digital currencies in the amount of \$724,553 during the year ended December 31, 2022 (December 31, 2021 - \$1,128,548). Digital currencies have a limited history and have had a high degree of price volatility. The historical performance of digital currencies may not be indicative of their future performance. A decline in the fair value of these digital currencies could have a significant impact on the Company's earnings. In addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required.

The Company does not hedge its Bitcoin balances but will actively monitor Bitcoin pricing, market volatility and its own balance of Bitcoin to determine an appropriate risk mitigation strategy.

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.



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 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 \$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.

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, 2022, 1.76 bitcoin equivalent to \$39,449 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.



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

Fair value hierarchy (cont'd)

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.
Notes to the Consolidated Financial Statements
Years ended December 31, 2022 and 2021
(In Canadian Dollars)



19. Non-Cash Transactions

Cash and cash equivalents consists of:

Cash	\$	1,168,454	\$	7,045,403
Guaranteed investment certificate	\$	2,056,050	\$	2,398,215

Non-cash transactions:

Shares issued for RSU	\$	1,301,996	\$	-
Shares issued for mining equipment	\$	239,816	\$	-
Property and equipment in accounts payable and accrued liabilities	\$	-	\$	1,218,564
Broker's warrants	\$	-	\$	125,865
Realized revaluation gain on digital currencies transfer	\$	-	\$	3,531,288
Warrants issued in connection with private placement	\$	4,141,251	\$	-

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.

December 31, 2022	Canada (\$)	USA (\$)	UK (\$)	Total (\$)
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

December 31, 2021	Canada (\$)	USA (\$)	UK (\$)	Total (\$)
Revenue	-	7,801,311	-	7,801,311
Cost of sales	-	5,969,329	-	5,969,329
Income tax expense (recovery)	1,316,493	(185,889)	-	1,130,604
Net income/(loss)	(637,321)	1,463,701	(108,268)	718,112
Non-current assets	314,598	17,748,522	1,907,915	19,971,035

21. Subsequent Events

Subsequent to December 31, 2022, the Company:

- Granted 1,560,000 restricted share units to the directors of the Company who has opted to reduce their cash compensation;



21. Subsequent Events (cont'd)

- Settled \$2,500,000 of the convertible loan by issuing 18,518,518 common shares of the Company at a price of \$0.135 per common share. The debt is payable to certain debenture holders (the “Debenture Holders”) in respect of 3.5% senior secured convertible debentures of the Company due November 11, 2024 (the “Maturity Date”) in the aggregate principal amount \$25,000,000 issued to the debenture holders on November 11, 2021 (the “Debentures”). The aggregate principal amount outstanding as of the date hereof is \$22,395,680;
- Entered into a hosting agreement under which it will deploy the last of its new machines, consisting of 490 Bitmain Antminer S19J Pro and 50 Bitmain Antminer S19 XP 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. The Company has deployed these machines;
- Entered into an agreement to lease a 2.5-megawatt bitcoin mining facility in Washington State on January 29, 2023. 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. Under the lease agreement, 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;
- Roy Sebag has resigned from his position as Chairman of the Board effective April 4, 2023. President and Chief Operating Officer Drew Armstrong, who has served on the Board since September 2021, assumed the role of Chairman; and
- Sold Bitmain coupons to a 3rd party received subsequent to December 31, 2022 for proceeds of 4.81 bitcoin.