Cathedra Bitcoin Inc.

Management's Discussion and Analysis

For the three and six months ended June 30, 2023

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Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Cathedra Bitcoin Inc. constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2023. The MD&A is intended to help the reader understand Cathedra Bitcoin Inc. ("Cathedra", "we", "our" or the "Company"), our operations, financial performance, current and future business environment and the opportunities and risks facing the Company. The risks are explicitly set out in the "Business Risks and Uncertainties" section of this MD&A. In addition, certain statements in this MD&A incorporate forward-looking information and readers are advised to review the cautionary note regarding forward-looking statements in the "Forward-Looking Statements" of this MD&A.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited consolidated financial statements ("Financial Statements") for the Company for the quarter ended June 30, 2023, and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the reporting period are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Company and its operations can be obtained from SEDAR on www.sedar.com.

This MD&A contains information up to and including August 29, 2023.

Forward-Looking Statements

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

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

Overview

Cathedra Bitcoin Inc. (TSX-V: CBIT; OTCQB: CBTTF) is a Bitcoin company that believes sound money and abundant energy are the keys to human flourishing. We have diversified bitcoin mining operations which produce approximately 387 petahashes per second ("PH/s") of hash rate across four states and six locations in the United States. We are focused on managing and expanding our portfolio of hash rate through a diversified approach to site selection and operations, utilizing multiple energy sources across various jurisdictions.

We are headquartered in Vancouver, British Columbia, with operations across two locations in Washington State, two locations in Tennessee, one location in Kentucky, and one location in Texas. True to our diversified approach, we are the only publicly traded bitcoin miner with operations powered by on- and off-grid energy sources.

In the near term, our primary objectives are to:

- expand our diversified hash rate portfolio in a cost-efficient manner;
- continue building the Company's bitcoin treasury; and
- cultivate relationships with the leading energy companies to leverage synergies between bitcoin mining in the energy sector and source low-cost power for bitcoin mining.

Recent Developments

Treasury Management

Beginning in March 2023, we began retaining a portion of our mined bitcoin on the Company's balance sheet again. As of August 29, 2023, the Company holds 19.55 bitcoin in treasury worth approximately $0.7 million. Going forward, we intend to liquidate bitcoin to meet monthly cash obligations and hold any remaining bitcoin in treasury indefinitely.

Board of Directors Change

Effective April 4, 2023, Roy Sebag resigned from the Company's board of directors (the "Board") due to other business and personal demands on his time. President and Chief Operating Officer Drew Armstrong, who has also served on the Board since September 2021, subsequently assumed the role of Chairman. The Board has begun searching for a worthy replacement for Mr. Sebag. In the meantime, the Board will consist of Drew Armstrong (Chairman and President), AJ Scalia (Chief Executive Officer), David Jaques (independent), and Marcus Dent (independent).

Closing of Debt Settlement

On April 10, 2023, we settled a portion of the outstanding principal amount of our convertible debentures equal to $2.5 million into approximately 18.5 million common shares of the Company. The shares were issued at a deemed price of $0.135 per share. The debt is payable to certain debenture holders in respect of 3.5% senior secured convertible debentures of the Company due November 11, 2024. The aggregate principal amount of the debentures outstanding as of August 29, 2023, is approximately $19.9 million. The remaining principal will continue to bear interest at a rate of 3.5% per annum, payable quarterly in arrears on the last day of March, June, September, and December of each year until the maturity date. All securities issued pursuant to the debt settlement were subject to a hold period of four months and one day from the settlement closing date.

Kentucky, Washington, and Tennessee Deployments

During the three months ended June 30, 2023, we deployed 490 Bitmain Antminer S19J Pro and 50 Bitmain Antminer S19 XP machines under a hosting agreement we entered into on February 3, 2023, with a third-party data center operator in Kentucky. Additionally, we deployed the final 773 Bitmain Antminer S19J Pro machines from our November 2021 futures order at our newly leased Washington facility and an existing third-party hosting site in Tennessee.

In June 2023, we renewed our hosting agreement with an existing data center operator in Tennessee for another 12-month term beginning in July 2023. Under the terms of the renewed agreement, we will pay a fixed rate of US$72.50 per megawatt hour for electricity and hosting services for 1,129 Bitmain Antminer S19J Pro machines, which produce approximately 113 PH/s in aggregate. Additionally, under the agreement, we reserve the option to underclock our machines at our discretion, reducing the machines' Expected Break-Even Hash Price to approximately US$40.00/PH/s/day (compared to spot hash price of approximately $66.00/PH/s/day as of August 29, 2023) without losing rights to the full power capacity.

Off-Grid Bitcoin Mining Partnership

In June 2023, we announced a strategic partnership with 360 Mining, an off-grid bitcoin mining company with a presence in Texas. With the partnership, we have expanded our operating footprint to a fourth US state and have become the only publicly listed bitcoin miner with operations utilizing both on- and off-grid energy sources.

Under the partnership, Cathedra will deploy mobile data centers and bitcoin mining machines at 360 Mining's off-grid location in Texas, with 360 Mining providing natural gas and power generation infrastructure to supply continuous electricity to our bitcoin mining infrastructure. We will pay 360 Mining an effective rate of US$45.80 per megawatt hour for power consumed, plus 10% of gross bitcoin mined at the site. Together we also reserve the option to abstain from mining bitcoin to sell the natural gas to market in the event it is economically advantageous to do so. The partnership gives us the rights to 2.0 megawatts of total power capacity.

For the initial deployment of 0.3 megawatts, we have dispatched the first of our proprietary bitcoin mining Rovers ("Rover 1"), which are mobile data centers we design and manufacture in-house at our facility in New Hampshire. Rover 1 has been outfitted with legacy Whatsminer M31S and M32S machines purchased for use in our partnership with Great American Mining in fiscal years 2021 and 2022. We have applied our industry-leading underclocking capabilities to these machines to achieve an efficiency of as low as 37 joules per terahash, up to a 30% improvement upon the machines' factory efficiency. The initial deployment currently produces approximately 5 PH/s and is expected to improve to 8 PH/s in the coming weeks as we implement further optimizations.

We have begun discussions with 360 Mining to continue scaling up to the full 2.0 megawatts, which we expect to produce at least 54 PH/s of incremental hash rate (though the exact amount will vary based on the models of machines deployed and selected underclocking settings). We look forward to providing subsequent updates to shareholders as more hash rate is deployed under the partnership.

Factors Affecting Our Results of Operations

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

Market Value of Bitcoin

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

Bitcoin Network Difficulty

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

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

(Expressed in Canadian dollars, unless otherwise indicated)

Power Supply and Pricing

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

Industry Trends

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

Technology

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

Competition

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

Summary of Bitcoin Mining Results and Operations

The following table presents information about our bitcoin mining activities, including bitcoin production and sales of bitcoin, during the six months ended June 30, 2023:

	Units (BTC)		Amount
Bitcoin balance as of December 31, 2022	1.76	$	39,449
Revenue from bitcoin mined	141.65		4,910,182
Bitcoin paid for fees and services	(13.28)		(364,007)
Bitcoin received from sale of coupons and credits	4.80		185,313
Bitcoin sold	(118.43)		(4,055,725)
Revaluation and loss from sale of bitcoin	-		(52,024)
Bitcoin balance as of June 30, 2023	**16.50**	**$**	**663,188**

The following tables present information about our bitcoin mining operations as of August 29, 2023, including details pertaining to our various lease and hosting agreements, portfolio of mining machines, and expected profitability:

(Expressed in Canadian dollars, unless otherwise indicated)

Site Name	State	Contract Type	Fixed Hosting/ Power Rate (US$/kWh)	Revenue Share (%)	Number of Machines	Machine Model
Tennessee A	TN	Hosting	$ 72.50	–	1,129	S19J Pro
Tennessee B	TN	Hosting	70.00	15%	372	S19J Pro
Tennessee B	TN	Hosting	70.00	10%	150	S19 XP
Kentucky	KY	Hosting	70.00	10%	490	S19J Pro
Kentucky	KY	Hosting	70.00	10%	50	S19J XP
Kentucky	KY	Hosting	75.00	–	95	S19J Pro
New Wash.	WA	Lease	60.00	10%	1,028	S19J Pro
Legacy Wash.	WA	Lease	46.00	–	1,050	S19J Pro
Texas	TX	Hosting	45.80	10%	180	Whatsminer M31/M32S
Total/Average			**$ 61.93**	**5%**	**4,544**	

Site Name	Expected Break-Even Hash Price (US$/PH/s/d)[1]	Expected Monthly Bitcoin (BTC)[1]	Expected Cost Per Bitcoin (US$)[1]	Hash Rate (PH/s)[2]	Power Draw (kW)	Efficiency (J/TH)	Expiration Date
Tennessee A	$ 52.00	8.15	$ 22,000	113	3,387	30	Q3 2024
Tennessee B	46.00	1.74	16,300	24	558	23	Q3 2023
Tennessee B	40.00	1.52	15,200	21	452	22	Q1 2024
Kentucky	56.00	3.54	21,200	49	1,470	30	Q2 2024
Kentucky	40.00	0.51	15,200	7	151	22	Q2 2024
Kentucky	54.00	0.73	22,800	10	305	30	Q2 2024
New Wash.	47.00	5.92	17,800	82	2,400	29	Q2 2025
Legacy Wash.	29.00	5.48	12,200	76	2,000	26	Q4 2025
Texas	54.00	0.36	20,400	5	220	44	Q3 2024
Total/Average	**$ 44.00**	**27.94**	**$ 17,700**	**387**	**10,942**	**29**	

Note: Includes only active bitcoin mining operations and does not account for machines in storage or which are not deployed. Metrics assume 100% up-time.
[1] These items are non-IFRS measures or ratios and should not be considered a substitute or alternative for IFRS measures. See "Non-IFRS Measures and Ratios" section in this MD&A below.
[2] Expected gross hash rate produced by the Company's machines; excludes revenue share component.

Results of Operations

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

For the three months ended:	Jun-30 2023	Mar-31 2023	Dec-31 2022	Sep-30 2022	Jun-30 2022	Mar-31 2022	Dec-31 2021	Sep-30 2021
Revenue	$ 2,893,204	$ 2,016,978	$ 1,677,187	$ 1,493,520	$ 2,530,673	$ 3,107,724	$ 4,387,824	$ 2,107,773
Net income (loss)	(2,949,013)	(2,450,061)	(21,538,138)	(7,711,263)	(11,920,198)	(3,861,467)	164,945	(1,486,340)
Net income (loss) per share								
Basic	$ (0.02)	$ (0.02)	$ (0.21)	$ (0.08)	$ (0.12)	$ (0.04)	$ 0.01	$ (0.02)
Diluted	$ (0.02)	$ (0.02)	$ (0.16)	$ (0.08)	$ (0.12)	$ (0.02)	$ 0.01	$ (0.01)

The following table presents information about the results of our operations during the three and six months ended June 30, 2023, and June 30, 2022:

(Expressed in Canadian dollars, unless otherwise indicated)

	Six months period ended June 30, 2023	Six months period ended June 30, 2022	**Three months period ended June 30, 2023**	Three months period ended June 30, 2022
Revenue	**$ 4,910,182**	$ 5,638,397	**$ 2,893,204**	$ 2,530,673
Cost of revenue				
Operating costs	**(2,822,053)**	(3,482,386)	**(1,447,556)**	(1,679,913)
Depreciation	**(2,907,187)**	(3,571,479)	**(1,712,241)**	(1,913,499)
Gross profit (loss)	**(819,058)**	(1,415,468)	**(266,593)**	(1,062,739)
Loss on sale of digital currencies	**(34,099)**	(4,909,406)	**(20,911)**	(4,909,406)
Operating expenses				
Agricultural expenses	**-**	13,102	**-**	(7,838)
Director fees	**60,921**	105,000	**18,502**	52,500
Depreciation	**5,440**	43,241	**2,720**	22,710
Interest expense	**1,453,848**	1,294,896	**575,573**	1,118,894
Management and consulting fees	**72,915**	85,023	**40,290**	51,725
Office and administration	**243,756**	1,832,910	**135,814**	750,357
Professional fees	**228,004**	387,292	**98,579**	228,780
Repairs and maintenance	**-**	1,111	**-**	1,111
Salaries and wages	**320,123**	527,499	**182,641**	335,869
Share-based compensation	**994,302**	1,717,855	**447,840**	667,215
Travel	**27,569**	40,083	**20,511**	26,059
	(3,406,878)	(6,048,012)	**(1,522,470)**	(3,247,382)
Operating loss	**(4,260,035)**	(12,372,886)	**(1,809,974)**	(9,219,527)
Foreign exchange losses	**(1,206,104)**	(1,516,541)	**(1,156,517)**	(704,212)
Gain on purchase of equipment	**-**	102,917	**-**	-
Gain on share exchange	**-**	150,344	**-**	150,344
Interest income	**45,009**	1,304	**17,477**	-
Write down of investment	**(32,693)**	-	**-**	-
Gain on sale of coupons and credits	**264,362**	-	**-**	-
Write down of mining equipment	**-**	(2,146,803)	**-**	(2,146,803)
	(929,426)	(3,408,779)	**(1,139,040)**	(2,700,671)
Income (loss) from continuing operations	**(5,189,461)**	(15,781,665)	**(2,949,014)**	(11,920,198)
Income tax expense				
Current income tax recovery (expense)	**-**	1,316,493	**-**	1,316,493
	-	1,316,493	**-**	**1,316,493**
Net loss	**(5,189,461)**	(14,465,172)	**(2,949,013)**	(11,920,198)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Translation adjustment	**835,589**	37,384	**806,918**	-
Revaluation gain on digital currencies	**54,893**	121,551	**(6,092)**	(26,727)
	890,482	158,935	**800,826**	(26,727)
Net comprehensive loss	**$ (4,298,979)**	$ (14,306,237)	**$ (2,148,187)**	$ (11,946,925)

Comparative Results for the Three Months ended June 30, 2023, and 2022

Bitcoin Production

Our mining operations produced 77.15 bitcoin during the three months ended June 30, 2023, compared to 57.65 bitcoin during the three months ended June 30, 2022, an increase of 19.50 bitcoin. The increase was due primarily to the expansion of our hash rate from 231 PH/s as of June 30, 2022, to 382 PH/s as of June 30, 2023. This expansion of our hash rate more than offset an increase in network hash rate, from 214 EH/s as of June 30, 2022, to 370 EH/s as of June 30, 2023.

Revenue

Revenue during the three months ended June 30, 2023, was $2.9 million compared to $2.5 million during the three months ended June 30, 2022, an increase of $0.4 million. The increase was due primarily to the expansion of our hash rate from 231 PH/s as of June 30, 2022, to 382 PH/s as of June 30, 2023. This expansion of our hash rate more than offset a decrease in the average price of bitcoin, from US$32,492 during the three months ended June 30, 2022, to US$28,038 during the three months ended June 30, 2023, as well as an increase in network hash rate, from 214 EH/s as of June 30, 2022, to 370 EH/s as of June 30, 2023.

Cost of Revenue

Operating costs during the three months ended June 30, 2023, were $1.4 million compared to $1.7 million during the three months ended June 30, 2022, a decrease of $0.3 million. The decrease was largely due to lower average per-kilowatt hour hosting/power rates across the Company's fleet of machines during the three months ended June 30, 2023.

Depreciation expense (cost of revenue) during the three months ended June 30, 2023, was $1.7 million compared to $1.9 million during the three months ended June 30, 2022, a decrease of $0.2 million. The decrease was primarily due to an impairment charge we recorded during the three months ended December 31, 2022, which wrote down the value of our bitcoin mining equipment by $26.7 million.

Interest Expense

Interest expense during the three months ended June 30, 2023, was $0.6 million compared to $1.1 million during the three months ended June 30, 2022, a decrease of $0.5 million. The decrease was primarily due to the prepayment of multiple equipment loans during fiscal year 2022. In May 2022, we repaid all principal and interest due under an equipment loan for a total of $14.6 million (US$11.5 million); in December 2022, we repaid all principal and interest due on a second equipment loan for a total of $0.4 million (US$0.3 million). Additionally, in during the three months ended June 30, 2023, we settled $2.5 million of outstanding principal balance of our convertible debentures by issuing approximately 18.5 million common shares of the Company to certain debenture holders at a deemed price of $0.135 per share, which further reduced the interest expense we paid during that period.

Office and Administration

Office and administration expenses during the three months ended June 30, 2023, were $0.1 million compared to $0.8 million during the three months ended June 30, 2022, a decrease of $0.7 million. The decrease was due to a combination of cost reductions we implemented in the three months ended December 31, 2022, in response to weakening market conditions and to conserve cash.

Professional Fees

Professional fees during the three months ended June 30, 2023, were $0.1 million compared to $0.2 million during the three months ended June 30, 2022, a decrease of $0.1 million. The decrease is associated with the payment of our annual audit fees, which occurred during the second quarter in fiscal year 2022 and the third quarter in fiscal year 2023.

Salaries and Wages

Salaries and wages during the three months ended June 30, 2023, were $0.2 million compared to $0.3 million during the three months ended June 30, 2022, a decrease of $0.1 million. The decrease was due to lower executive headcount and lower corporate salaries for remaining employees during the three months ended June 30, 2023.

Share-Based Compensation

Share-based compensation during the three months ended June 30, 2023, was $0.5 million compared to $0.7 million during the three months ended June 30, 2022, a decrease of $0.2 million. The decrease was due to lower executive headcount and a lower average share price during the three months ended June 30, 2023.

Foreign Exchange Losses

Foreign exchange losses during the three months ended June 30, 2023, were $1.2 million compared to $0.7 million during the three months ended June 30, 2022, an increase of $0.5 million. The increase was due primarily to the weakening of the US dollar versus the Canadian dollar during the three months ended June 30, 2023.

Write Down of Mining Equipment

We recorded no write-downs of mining equipment during the three months ended June 30, 2023, compared to a write-down of $2.1 million during the three months ended June 30, 2022. We recorded a write-down of $26.7 million on our mining equipment during the three months ended December 31, 2022, and during the period ended

June 30, 2023, management made an assessment for any indicators of impairment. Management did not note any indicators of impairment.

Comparative Results for the Six Months Ended June 30, 2023, and 2022

Bitcoin Production

Our mining operations produced 141.65 bitcoin during the six months ended June 30, 2023, compared to 115.49 bitcoin during the six months ended June 30, 2022, an increase of 26.16 bitcoin. The increase was due primarily to the expansion of our hash rate from 231 PH/s as of June 30, 2022, to 382 PH/s as of June 30, 2023. This expansion of our hash rate more than offset an increase in network hash rate, from 214 EH/s as of June 30, 2022, to 370 EH/s as of June 30, 2023.

Revenue

Revenue for the six months ended June 30, 2023, was $4.9 million compared to $5.6 million during the six months ended June 30, 2022, a decrease of $0.7 million. The decrease was due primarily to a decrease in the average price of bitcoin, from US$36,871 during the six months ended June 30, 2022, to US$25,471 during the six months ended June 30, 2023, as well as an increase in network hash rate, from 214 EH/s as of June 30, 2022, to 370 EH/s as of June 30, 2023. The decline in bitcoin mining conditions was partially offset by the expansion of our hash rate from 231 PH/s as of June 30, 2022, to 382 PH/s as of June 30, 2023.

Cost of Revenue

Operating costs during the six months ended June 30, 2023, were $2.8 million compared to $3.5 million during the six months ended June 30, 2022, a decrease of $0.7 million. The decrease was largely due to lower average per-kilowatt hour hosting/power rates across our fleet of machines during the six months ended June 30, 2023.

Depreciation expense (cost of revenue) during the six months ended June 30, 2023, was $2.9 million compared to $3.6 million during the six months ended June 30, 2022, a decrease of $0.7 million. The decrease was primarily due to an impairment charge we recorded during the three months ended December 31, 2022, which wrote down the value of our bitcoin mining equipment by $26.7 million.

Interest Expense

Interest expense during the six months ended June 30, 2023, was $1.5 million compared to $1.3 million during the six months ended June 30, 2022, an increase of $0.2 million. The increase was due to a reclassification of interest accretion previously recorded in the office and administration account.

Office and Administration

Office and administration expenses during the six months ended June 30, 2023, were $0.2 million compared to $1.8 million during the six months ended June 30, 2022, a decrease of $1.6 million. The decrease was due to a combination of cost reductions we implemented in the three months ended December 31, 2022, in response to weakening market conditions and to conserve cash.

Professional Fees

Professional fees during the six months ended June 30, 2023, were $0.2 million compared to $0.4 million during the six months ended June 30, 2022, a decrease of $0.2 million. The decrease is associated with the payment of our annual audit fees, which occurred during the second quarter in fiscal year 2022 and the third quarter in fiscal year 2023.

Salaries and Wages

Salaries and wages during the six months ended June 30, 2023, were $0.3 million compared to $0.5 million during the six months ended June 30, 2022, a decrease of $0.2 million. The decrease was due to lower executive headcount and lower corporate salaries for remaining employees during the six months ended June 30, 2023.

Share-Based Compensation

Share-based compensation during the six months ended June 30, 2023, was $1.0 million compared to $1.7 million during the six months ended June 30, 2022, a decrease of $0.7 million. The decrease was due to lower executive headcount and a lower average share price during the six months ended June 30, 2023.

Foreign Exchange Losses

Foreign exchange losses during the six months ended June 30, 2023, were $1.2 million compared to $1.5 million during the three months ended June 30, 2022, a decrease of $0.3 million. The decrease was primarily due to the greater change in foreign exchange rates between the US dollar and the Canadian dollar in the prior-year period compared to the current-year period.

Gain on Purchase of Equipment

We recorded no gains on purchases of equipment during the six months ended June 30, 2023, compared to a gain of $0.1 million during the six months ended June 30, 2022, a decrease of $0.1 million. The decrease was associated with the purchase of five Bitmain Antminer S17 bitcoin mining machines from the CEO and COO of the Company during the prior-year period, with no comparable activity during the current-year period.

Gain on Sale of Coupons and Credits

We recorded a gain on the sale of coupons and credits in the amount of $0.3 million during the six months ended June 30, 2023, an increase of $0.3 million compared to the six months ended June 30, 2022. The increase was driven by our liquidation of certain credits and coupons which we were awarded by a third-party supplier.

Liquidity and Capital Resources

We used $3.0 million of cash in our operating activities during the six months ended June 30, 2023. As of June 30, 2023, we held cash and cash equivalents of $3.3 million, total bitcoin of $0.7 million (16.50 bitcoin), total stockholders' equity of $3.6 million, and an accumulated deficit of $56.9 million. For the fiscal year ended December 31, 2022, we funded our operations and investments in machines and infrastructure through a combination of debt and equity financings consummated during the 2021 and 2022 fiscal years, as well as through sales of bitcoin generated by our mining operations. During the six months ended June 30, 2023, we have continued to utilize proceeds from sales of bitcoin generated by our mining activities to support operating expenses.

During the six months ended June 30, 2023, we sold 118.43 bitcoin for proceeds of approximately $4.1 million. Going forward, we expect to liquidate bitcoin in sufficient quantities to at least cover our cash obligations in each period and retain any remaining bitcoin on our balance sheet indefinitely.

As of June 30, 2023, we had received and deployed all bitcoin mining machines purchased in the Bitmain futures orders we entered into in November 2021. At this time, we have no contractually obligated capital expenditures associated with expansion of our bitcoin mining operations.

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

Cash Flows

The following table summarizes our sources and uses of cash during the six months ended June 30, 2023, and June 30, 2022:

(Expressed in Canadian dollars, unless otherwise indicated)

	Six months ended June 30,	
	2023	**2022**
Net cash provided by (used in) operating activities	$ (3,003,050)	$ 3,065,134
Net cash provided by (used in) investing activities	4,030,096	(15,275,117)
Net cash provided by (used in) financing activities	(519,692)	9,523,854
Net increase (decrease) in cash and cash equivalents	**$ 507,353**	**$ (2,686,129)**

Operating Activities

Net cash used by operating activities during the six months ended June 30, 2023, was $3.0 million compared to net cash provided of $3.0 million during the six months ended June 30, 2022, a decrease of $6.0 million. Net loss improved by $9.3 million to $5.2 million for the six months ended June 30, 2023, from $14.5 million for the six months ended June 30, 2022. We paid $0.5 million in bitcoin in connection with hosting services during the six months ended June 30, 2023, an increase of $0.5 million compared to the six months ended June 30, 2022. During the six months ended June 30, 2023, changes in non-cash working capital components included an increase in deposits of $0.8 million from new deposits made to third-party hosting providers in connection with the deployment of the final batches of our new machines; a decrease of accrued receivables of $1.2 million due to our sale of coupons and credits that were awarded by a third-party supplier; and a decrease of $0.1 million of accounts payable and accrued liabilities due to a timing difference between when the accounts payables and accrued liabilities are paid.

Investing Activities

We generated $4.0 million of cash through our investing activities during the six months ended June 30, 2023, compared to net cash used of $15.3 million during the six months ended June 30, 2022, an increase of $19.3 million. The cause of the increase was twofold: first, we began liquidating substantially all of our mined bitcoin during the second quarter of fiscal year 2022 to fund our ongoing operations and continued doing so through the first quarter of fiscal year 2023. Proceeds on the sale of bitcoin in the six months ended June 30, 2023, were $4.1 million. Furthermore, in the six months ended June 30, 2022, we spent $14.8 million of cash purchasing property and equipment in connection with the Bitmain machine futures orders we entered into in November 2021 and the production of our first several Rovers. By the end of fiscal year 2022, we had finished making payments on the Bitmain futures orders and paused manufacturing of our Rovers to conserve cash amid weakening market conditions.

Financing Activities

Net cash used in financing activities was $0.5 million during the six months ended June 30, 2023, compared to net cash provided of $9.5 million during the six months ended June 30, 2022, a decrease of $10.0 million. This decline was primarily driven by $9.3 million of proceeds from the issuance of common stock during the six months ended June 30, 2022 (with no comparable activity during the current-year period), in addition to lease payments of $0.4 million during the six months ended June 30, 2023, compared to just $0.1 million during the prior-year period.

Outstanding Share Data

As of August 29, 2023, 137,522,563 common shares; 5,719,205 stock options; 6,579,794 restricted share units; 50,257,200 warrants; and 887,682 broker warrants (each broker warrant can be exercised into one broker unit comprised of one common share and one warrant) were issued and outstanding. There are voluntary and TSX-V-imposed resale restrictions on certain of these securities.

Off-Balance Sheet Arrangements

As of June 30, 2023, and the date of this MD&A, the Company has no off-balance sheet arrangements.

Related Party Transactions

As of June 30, 2023, the Company owes a balance of $15,650 to a company controlled by the CFO of the Company. The balance is recorded within accounts payable and accrued liabilities.

As of June 30, 2023, the Company has receivables of $57,623 (December 31, 2022 - $95,511), of which $7,850 (December 31, 2022 - $38,035) is non-current, in connection with payroll tax liabilities associated with RSU grants to management. Management reduces the outstanding balance with payments to the Company each pay period and we expect the balance to be fully repaid by December 7, 2024.

Non-IFRS Measures and Ratios

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

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

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

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

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

Business Risks and Uncertainties

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

Limited Operating History

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

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

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

Business Risks and Uncertainties

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

Liquidity and Future Financing Risk

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

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

Going Concern Risk

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

Cash Flow Risk

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

Access to Power and Electricity Rate Risks

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

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

Regulatory Requirements

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

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

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

Cryptocurrency Industry Risks

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

Risk of Loss, Theft, or Restriction on Access

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

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

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

Risk of Malicious Actors

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

Risk of Reduced Incentives

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

Facility Development Risk

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

Risk of Non-Availability of Insurance

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

Bitcoin Network Risks

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

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

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

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

Momentum Pricing Risk

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

Cryptocurrency Exchange Risk

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

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

Banking Risk

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

Risk of System Failure

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

Technological System Risk

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

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

Competitive Risk

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

Technological Obsolescence Risk

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

Hardware Supply Risk

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

Risk of Equipment Breakdown

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

Profit Risk

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

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

Third-Party Risk

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

Intellectual Property Risk

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

Contractual Risk

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

Unforeseen Expenses

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

Geopolitical Risk

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

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

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

Litigation Risk

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

Key Personnel Risk

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

Accounting Policies, Critical Accounting Estimates, and Internal Controls

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

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

Significant Judgments

Revenue Recognition

The Company recognizes revenue from the provision of transaction confirmation services on the Bitcoin network, commonly termed "bitcoin 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 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 platforms 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 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 Accounting Estimates

Fair Value of Financial Instruments

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

Depreciation

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

Impairment of Non-Financial Assets

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

Taxes

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

Digital Currency Valuation

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

Share-Based Compensation

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

Going Concern

In order to assess whether it is appropriate for the company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections. In arriving at this judgment, there were several assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing to raise additional financing.

Significant Influence and Control

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

Uncertainty of the Income/(Loss) Recorded in Investments in Associates

The financial information of the investment in associates, being a private corporation, was not readily available for the six months ended June 30, 2023. Based on management's estimate of the income/loss on the investment in associates projected from the information provided, the income/loss in the investment in associates is not material.

Areas of significant estimates and judgments also include:

(Expressed in Canadian dollars, unless otherwise indicated)

- 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

Financial Instruments and Financial Risk Management

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its financial obligations. The financial instruments that represent a potential concentration of credit risk to us consist primarily of cash, digital currencies, deposits, and receivables. We limit our exposure to credit loss by performing extensive due diligence on potential counterparties and spreading deposits across multiple financial institutions. The accrued receivables account is current, and its balance relates to credits and coupons that were awarded to us by a third-party supplier which we subsequently sold. The carrying amount of financial assets represents the maximum credit exposure.

Item	30-Jun-23	31-Dec-22
Digital currencies	$ 663,188	$ 39,499
Deposit	1,727,160	3,597,023
Receivables	113,014	157,854
Accrued receivable	-	1,240,733
Total	**$ 2,503,362**	**$ 5,035,109**

Certain of our property and equipment was pledged as collateral to the holders of our outstanding convertible debentures. There is a risk that these creditors may be concerned about the decline in the value of the collateral and attempt to alter the terms of the debenture agreement as a result. We believe we have no significant credit risk other than what we have disclosed herein.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations. We manage our liquidity risk by ensuring that we have sufficient cash on hand to meet our financial liabilities. As of June 30, 2023, the Company had a working capital surplus of approximately $1.9 million (December 31, 2022 – $6.0 million), the majority of which consists of a cash balance of approximately $3.3 million (December 31, 2022 – $3.2 million), a digital currencies (bitcoin) balance of approximately $0.7 million (December 31, 2022 – less than $0.1 million), accrued receivables of $nil (December 31, 2022 – $1.2 million), and deposits of approximately $0.9 million (December 31, 2022 - $3.4 million) to settle current liabilities of approximately $1.0 million (December 31, 2022 - $3.5 million).

Cash flows related to the accounts payable and accrued liabilities and convertible debt included below may occur at different times or amounts. A maturity analysis of our outstanding obligations as of June 30, 2023, is included in the following table:

Year	Accounts Payable & Accrued Liabilities	Lease Liability	Convertible Debt	Total
2023	$ 2,056,830	$ 912,607	$ -	$ 2,969,437
2024	-	1,825,213	19,810,390	21,635,603
2025	-	654,944	-	654,944
Total	**$ 2,056,830**	**$ 3,392,764**	**$ 19,810,390**	**$ 25,259,984**

Market Risk

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

Bitcoin Prices

As of June 30, 2023, we held a material amount of bitcoin, which is subject to market pricing and price volatility. We recorded a gain on the revaluation of digital currencies (bitcoin) in the amount of $54,893 during the period ended June 30, 2023 (December 31, 2022 – $724,553). Bitcoin has a limited history and has experienced a high degree of price volatility in the past. The historical performance of Bitcoin may not be indicative of its future performance. A decline in the fair value of bitcoin could have a significant impact on our earnings. In addition, we may not be able to liquidate our inventory of bitcoin at our desired price if necessary.

We do not hedge our bitcoin balances, but we actively monitor bitcoin pricing, market volatility, and our own balance of bitcoin to determine appropriate risk mitigation strategies.

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 all deposits are short-term. The interest rate on our outstanding convertible debentures is fixed in nature and therefore has limited exposure to changes in interest rates.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. We are exposed to currency risk as we have certain Canadian corporate entities which hold financial assets in US dollars while their 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 have changed by approximately $406,913, 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. As of June 30, 2023, 16.50 bitcoin valued at approximately $0.7 million is held with our third-party custodian.

Fair Value Hierarchy

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

The three levels are defined as follows:

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

The Company's investment in the private company is classified as FVTPL and is recorded at fair value using unobservable inputs and is therefore classified as level 3 within the fair value hierarchy. The net asset value of the private company is used to adjust the investment to fair value.

The Company's investment in associates, over which it has significant influence, is recorded using the equity method of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

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

Management's Report on Internal Control Over Financial Reporting

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

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