

**CATHEDRA BITCOIN INC.**

**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

**December 20, 2021**

## TABLE OF CONTENTS

TABLE OF CONTENTS	1
GLOSSARY OF DEFINED TERMS	2
GENERAL	4
STATEMENT REGARDING FORWARD LOOKING STATEMENTS	4
CURRENCY	5
CORPORATE STRUCTURE	6
GENERAL DEVELOPMENT OF THE BUSINESS	6
DESCRIPTION OF BUSINESS	9
RISK FACTORS	15
PRIOR SALES	25
DIVIDENDS	25
DESCRIPTION OF CAPITAL STRUCTURE	26
MARKET FOR SECURITIES	26
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	27
DIRECTORS AND OFFICERS	27
PROMOTERS	32
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	32
LEGAL PROCEEDINGS	33
TRANSFER AGENT AND REGISTRAR	34
MATERIAL CONTRACTS	34
EXPERTS	34
ADDITIONAL INFORMATION	34
SCHEDULE A	35

## GLOSSARY OF DEFINED TERMS

In this Annual Information Form, the following capitalized words and terms shall have the following meanings:

“**AIF**” means this annual information form dated December 20, 2021;

“**Board**” means the board of directors of the Company;

“**Botnet**” means a number of Internet-connected devices, each of which is running one or more bots (a computer program that does automated tasks). Botnets can be used to perform distributed denial-of-service attack, steal data, send spam, and allows the attacker to access the device and its connection;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Canaccord**” means Canaccord Genuity Corp.;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Company**” or “**Cathedra**” means Cathedra Bitcoin Inc.;

“**Common Shares**” or “**Cathedra Shares**” refer to common shares in the capital of the Company;

“**Convertible Debenture Unit**” refers to the convertible debenture units issued under the October 2021 Debenture Financing;

“**Cryptocurrency**” means a form of encrypted and decentralized digital currency, transferred directly between peers across the Internet, with transactions being settled, confirmed and recorded in a distributed public ledger through Mining. Cryptocurrency is either newly “minted” through an initial coin/token offering or Mined, which results in a new coin generated as a reward to incentivize Miners for verifying transactions on the blockchain;

“**Current Facilities**” means the Washington State Facility and the North Dakota Facility;

“**Custodian**” means NYDIG Trust Company LLC;

“**DMCL**” means Dale Matheson Carr-Hilton LaBonte LLP;

“**February 2021 Private Placement**” means the bought-deal private placement governed by the agreement dated September 24, 2021 between the Company and Canaccord;

“**Fiscal 2018**” means the fiscal year ended December 31, 2018;

“**Fiscal 2019**” means the fiscal year ended December 31, 2019;

“**Fiscal 2020**” means the fiscal year ended December 31, 2020;

“**Fiscal 2021**” means the fiscal year ended December 31, 2021;

“**Flagship Facility**” means the Washington State Facility;

“**Focused Capital**” means Focused Capital II. Corp.;

“**Fortress Blockchain**” means Fortress Blockchain Corp.;

“**GAM**” means Great American Mining;

“**GAM Containers**” refers to the containers purchased from GAM pursuant to the GAM Partnership;

“**GAM Partnership**” refers to the mining venture entered into between the Company and GAM described under “*GENERAL DEVELOPMENT OF THE BUSINESS – Fiscal 2021 – Development of Operations*”;

“**Governance, Nomination and Compensation Committee**” has the meanings as provided in “*DIRECTORS AND OFFICERS – Committees of the Board of Directors – Governance, Nomination and Compensation Committee*”;

“**Hash**” means the output of a deterministic mathematical function that is used by Miners in their attempts to earn bitcoin rewards. A Hash can be understood as one attempt by a Miner to produce valid “proof-of-work” that will allow the Miner to propose a block of transactions to the Bitcoin network for validation. “**Terahash per Second**” (or “**TH/s**”), “**Petahash per Second**” (or “**PH/s**”) and “**Exahash per Second**” (or “**EH/s**”) are all measurements of Hashes generated per unit of time, and mean  $1 \times 10^{12}$ ,  $1 \times 10^{15}$  and  $1 \times 10^{18}$  Hashes per second, respectively;

“**MD&A**” means management’s discussion and analysis;

“**Miner**” means any individual, company, organization, or other entity that assembles and proposes blocks of transactions to the Bitcoin network in exchange for newly minted bitcoins and bitcoin transaction fees, or that participates in a bitcoin mining pool;

“**Mining**” means the process of using Miners to provide the service of verifying and validating cryptographic blockchain transactions and being rewarded with cryptocurrency in return for such service;

“**NI 52-102**” means National Instrument 52-102 – *Continuous Disclosure Obligations*;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NEO**” or “**Named Executive Officer**” has the meaning ascribed to that term in Form 51-102F6 *Statement of Executive Compensation – Venture Issuers*;

“**North Dakota Facility**” means the Company’s mine site in North Dakota;

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**October 2021 Debenture Financing**” refers to the non-brokered private placement entered into October 20, 2021;

“**October 2021 Warrant**” refers to a warrant issued under the October 2021 Debenture Financing;

“**Over Allotment Option**” refers to the over allotment option under the February 2021 Private Placement;

“**Promoters**” means Thomas “Drew” Armstrong and Antonin “AJ” Scalia;

“**PSU**” means power supply unit;

“**server farms**” means specialized computers often held in large warehouses where the computers, also known as Miners, validate and verify transactions on a public blockchain. Digital coins or tokens are issued by the applicable cryptocurrency network when Miners solve hash functions;

“**Stage**” has the meaning as provided for in “*DESCRIPTION OF BUSINESS – Development and Future Growth – Sherbrooke Expansion*”;

“**Sublease Agreement**” means the sublease agreement dated March 27, 2019 between the Company and WeHash;

“**TSXV**” or the “**Exchange**” means the TSX Venture Exchange;

“**U.S. Company**” means the Company’s wholly-owned U.S. subsidiary, Fortress Blockchain (US) Holdings Corp;

“**Unit**” or “**Units**” means the units sold pursuant to the February 2021 Private Placement;

“**Upsized October 2021 Debenture Financing**” means the upside to the October 2021 Debenture Financing;

“**Warrant**” refers to a warrant issued as part of a Unit under the February 2021 Private Placement;

“**Warrant Share**” refers to a Common Share acquired through the exercise of a Warrant;

“**Washington Facility**” means the Company’s mine site in Washington State;

“**WeHash**” means WeHash Technology LLP;

“**WeHash Asset Purchase Agreement**” means the asset purchase agreement dated November 1, 2017 between the Company and WeHash.

## GENERAL

In this annual information form (“**AIF**”), Cathedra Bitcoin Inc., as the context requires, is referred to as the “**Company**” and “**Cathedra**”. As the Company is a venture issuer, the Company is not required to file an annual information form but is doing so voluntarily with the intention of enhancing its corporate disclosure and improving its access to capital markets. Accordingly, all information contained in this AIF is as of December 20, 2021, unless otherwise stated.

Reference is made in this AIF to the Financial Statements and MD&A for Cathedra for Fiscal 2020, together with the auditor’s report thereon. The Financial Statements and MD&A are available for review on the Company’s SEDAR profile located at [www.sedar.com](http://www.sedar.com).

All financial information in this AIF for Fiscal 2020 has been prepared in accordance with IFRS.

## STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this AIF are forward-looking statements or information (collectively “**forward-looking statements**”). Cathedra is providing cautionary statements identifying important factors that could cause the actual results of Cathedra to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: “may”, “anticipates”, “is expected to”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Company.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- economic dependence on regulated terms of service and electricity rates;
- the speculative and competitive nature of the technology sector;
- dependency in continued growth in blockchain and cryptocurrency usage;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- government regulations;
- other risks described in this AIF and described from time to time in documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Company's control.

Other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information include, among others, risks relating to: the Company's limited operating history; future capital needs and uncertainty of additional financing; share price fluctuations; the need for the Company to manage its planned growth and expansion; cybersecurity threats and hacking; possibility of cessation of monetization of cryptocurrencies; limited history of de-centralized financial system; technological obsolescence and difficulty in obtaining hardware; price volatility of cryptocurrencies; hazards associated with high-voltage electricity transmission and industrial operations; valuation and price volatility of cryptocurrencies; the Bitcoin Halving Events; cryptocurrency network difficulty and impact of increased global computing power; economic dependence on regulated terms of service and electricity rates risks; future profits/losses and production revenues/expenses; cryptocurrency exchanges are new and mostly unregulated; discretion regarding use by the Company of available funds; political and regulatory risk; permits and licenses; server failures; global financial conditions; tax consequences; environmental regulations; environmental liability; erroneous transactions and human error; the continued development of existing and planned facilities; risks of non-availability of insurance; competition; reliance on key personnel; credit risk; uncertainty of widespread use of cryptocurrency; interest rate risk; fluctuations in currency exchange rates; and COVID-19 pandemic risk. Particular factors which could impact future results of the business of the Company include but are not limited to: the construction and operation of blockchain infrastructure may not occur as currently planned, or at all; expansion may not materialize as currently anticipated, or at all; the digital currency market; the ability to successfully mine digital currency; revenue may not increase as currently anticipated, or at all; it may not be possible to profitably liquidate the current digital currency inventory, or at all; a decline in digital currency prices may have a significant negative impact on operations; the volatility of digital currency prices; the anticipated sustainability of electricity at economical prices for the purposes of cryptocurrency mining; the ability to complete current and future financings; any regulations or laws that will prevent the Company from operating its business; historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*RISK FACTORS*".

## **CURRENCY**

Unless otherwise indicated, all references to "\$", "USD\$" or "dollars" refer to United States dollars and references to "C\$" refer to Canadian dollars.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

Cathedra was incorporated under the Ontario Business Corporations Act (the “**OBCA**”) on July 11, 2011 and continued under the British Columbia Corporations Act (the “**BCBA**”) on August 15, 2018. Cathedra has its registered and head office located at 320-638 Broughton Street, Vancouver, British Columbia, V6J 3K3. The Company’s common shares (the “**Common Shares**”) are listed under the symbol “CBIT” on the TSXV.

### Intercorporate Relationships

As of September 30, 2021, the Company had three wholly-owned subsidiaries: Fortress Blockchain Holdings Corp., incorporated in the Province of British Columbia; Fortress Blockchain (US) Holdings Corp., incorporated in the State of Washington, USA, and; The Good Shepherd Land and Livestock Company Limited, incorporated in England and Wales, UK.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### Fiscal 2018

##### *Development of Operations*

In February 2018, Focused Capital II Corp. acquired a cryptocurrency mining facility in Washington State (the “**Flagship Facility**”) and purchased 1,400 Bitmain Antminer S9 bitcoin mining machines.

On March 21, 2018, Focused Capital II Corp. (“**Focused Capital**”) entered into a definitive business combination agreement with Fortress Blockchain Corp. (“**Fortress Blockchain**”), a private British Columbia company incorporated on November 14, 2017, whereby Focused Capital acquired all issued and outstanding shares of Fortress Blockchain on August 16, 2018, on a one-for-one basis (the “**RTO**”). The RTO was structured as a three-cornered amalgamation pursuant to which Fortress Blockchain amalgamated with 1171054 BC Ltd., a wholly-owned subsidiary of Focused Capital, to form an amalgamated entity carrying on the business of Fortress Blockchain Corp.

#### Fiscal 2019

##### *Development of Operations*

On March 27, 2019, the Company subleased the Flagship Facility (the “**Sublease Agreement**”) to WeHash Technology LLP (“**WeHash**”) for US\$25,000 payable at every thirty-day period.

On April 10, 2019, the Company changed its name from Fortress Blockchain Corp. to Fortress Technologies Inc. The Company commenced trading under the new name effective April 12, 2019.

On May 16, 2019, the Sublease Agreement was amended whereby the US\$25,000 payable at every 30-day period is replaced by a monthly consulting fee for the custody and sale of bitcoin and transferring proceeds from the sale of bitcoin to the Company in US dollars.

#### Fiscal 2020

##### *Development of Operations*

In July 2020, the Company announced its intention to commence a normal course issuer bid to purchase for cancellation up to an aggregate of 5,688,227 Common Shares of the Company, representing 8% of the

Company's issued and outstanding Common Shares. As of December 2020, the Company had repurchased and cancelled 1,450,000 Common Shares for C\$195,324.

As of the end of Fiscal 2020, the Company was actively seeking other business opportunities in the technology sector.

### *COVID-19 Updates*

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of bitcoin, the ability for the Company to raise capital and the supply of upgraded equipment are highly uncertain and as such, the Company cannot determine the corresponding financial impacts at this time.

In response to COVID-19, the Company has taken temporary steps to reduce staffing in line with government guidance to help combat the spread of COVID-19, the Company has also implemented permanent measures to reduce overhead costs to ensure the Company continues to be well positioned to absorb short term economic changes and maintain long term viability.

### **Fiscal 2021**

#### *Board and Management Changes*

Aydin Kilic resigned as Chief Executive Officer and President of the Company effective September 20, 2021. Upon his resignation, Roy Sebag was appointed interim Chief Executive Officer of the Company.

Marcus Dent was appointed to the board of directors of the Company (the "**Board**") on September 2, 2021.

On September 24, 2021, the Company announced that Aydin Kilic, Joshua Crumb and Michael Costa resigned from the Board, and Antonin "AJ" Scalia and Thomas "Drew" Armstrong were appointed to the Board. AJ Scalia was also appointed as Chief Executive Officer and Drew Armstrong was appointed President and Chief Operating Officer.

#### *Development of Operations*

On February 24, 2021, the Company entered into an agreement with Canaccord Genuity Corp. ("**Canaccord**") acting as lead underwriter, whereby Canaccord agreed to purchase 12,000,000 units of the Company (the "**Units**") at a price of C\$0.63 per Unit (the "**Unit Price**") on a bought deal private placement basis for aggregate gross proceeds of up to C\$7.6 million (the "**February 2021 Private Placement**"). Each Unit was composed of one Common Share and one Common Share purchase warrant (a "**Warrant**") exercisable to acquire one Common Share (each a "**Warrant Share**") at a price of C\$0.82 per Warrant Share at any time prior to the date 60 months following closing. The Company also granted Canaccord an option to purchase up to 4,000,000 additional Units at the Unit Price (the "**Over Allotment Option**").

The February 2021 Private Placement closed on March 26, 2021, for aggregate gross proceeds of C\$9.3 million, composed of the sale of 14,797,700 Units at the Unit Price, including 2,794,700 Units issued pursuant to the Over Allotment Option. As consideration for the services provided by Canaccord in connection with the February 2021 Private Placement, the Company paid Canaccord a cash commission of \$559,240 and issued 887,682 broker warrants, which are exercisable to acquire one Unit at C\$0.63 per broker warrant at any time for 60 months following the date of closing.

The net proceeds of the February 2021 Private Placement were used for the expansion of the Company's

bitcoin mining operations, growth-related opportunities and general corporate purposes.

On April 6, 2021, the Company announced that it had launched a new venture in partnership with Great American Mining (“**GAM**”) to increase its bitcoin production (the “**GAM Partnership**”). Pursuant to the GAM Partnership, the Company commissioned and paid for 12 containers (the “**GAM Containers**”) to operate 2,160 bitcoin mining machines (180 machines per container). Upon deployment of all GAM Containers and associated mining machines, the Company expects to produce 158 PH/s of bitcoin mining hash rate from the GAM Containers. Under the terms of the GAM Partnership, the Company receives between 60% and 85% of the gross bitcoin Mined, depending on prevailing bitcoin mining economics.

On September 24, 2021, the Company announced that it had entered into an agreement to purchase approximately C\$254,000 worth of bitcoin mining machines and C\$306,000 worth of bitcoin from sellers AJ Scalia and Drew Armstrong in return for 1,000,000 fully paid and non-assessable common shares of the Company, for total consideration of C\$560,000.

On October 18, 2021, the Company announced the purchase of 180 new MicroBT Whatsminer M30S bitcoin mining machines to be installed at the Company’s mine in Washington State (the “**Washington Facility**”).

On October 20, 2021, the Company announced that it had entered into an agreement pursuant to a non-brokered private placement offering to issue up to C\$20,000,000 of 3.5% senior secured convertible debenture units (each, a “**Convertible Debenture Unit**”) due 36 months following the date of issuance to a consortium of institutional investors (the “**October 2021 Debenture Financing**”). Each Convertible Debenture Unit consists of: (i) C\$1,000 principal amount of senior secured convertible debenture of the Company, and (ii) 641 common share purchase warrants of the Company (each, an “**October 2021 Warrant**”), with each October 2021 Warrant exercisable for one Common Share. Each October 2021 Warrant entitles the holder to acquire a Common Share at an exercise price of C\$0.95 per October 2021 Warrant for a period of 60 months from the date of issuance. Upon the October 2021 Debenture Financing being fully subscribed, there will be C\$20,000,000 principal of debentures outstanding convertible for approximately 25,641,026 Common Shares, and approximately 12,820,513 October 2021 Warrants exercisable for 12,820,513 Common Shares. On November 5, 2021, the Company announced an upside to the October 2021 Debenture Financing (the “**Upsized October 2021 Debenture Financing**”). Upon the Upsized October 2021 Debenture Financing being fully subscribed, there would be an aggregate of C\$25,000,000 principal of Convertible Debenture Units outstanding convertible for approximately 32,051,282 Common Shares, and approximately 16,025,000 October 2021 Warrants exercisable for 16,025,000 Common Shares.

The Company announced the closing of the Upsized October 2021 Debenture Financing on November 12, 2021, which was fully subscribed.

On October 22, 2021, the Company announced that three additional containers had been delivered pursuant to the GAM Partnership, bringing the production of the GAM Partnership mining operation to 92 PH/s across seven GAM Containers. The Company also announced that the delivery of the final five containers was delayed due to supply chain interruptions.

On November 1, 2021, the Company announced the purchase of 4,500 Bitmain Antminer S19j Pro bitcoin mining machines, expected to be delivered in equal installments from April through September 2022. Upon deployment of all 4,500 machines, the purchase will add 450 PH/s to the Company’s total contracted hash rate. The total capital expenditure for machines and related hardware in the transaction was approximately US\$26 million, which will be funded using existing working capital and proceeds from the October 2021 Debenture Financing.

On November 18, 2021, the Company announced that three additional containers had been delivered pursuant to the GAM Partnership, bringing the production of the GAM Partnership mining operation to 131 PH/s across 10 GAM Containers. The Company also announced that the delivery of the final two containers under the GAM Partnership was delayed due to supply chain disruptions. The final containers are expected to be delivered in Q4 2021.

On November 22, 2021, the Company announced the purchase of 600 Bitmain Antminer S19 XP bitcoin mining

machines, expected to be delivered in equal installments from July through December 2022. Upon deployment of all 600 machines, the purchase will add 84 PH/s to the Company's total contracted hash rate.

On December 8, 2021, the Company announced that one additional container had been delivered pursuant to the GAM Partnership, bringing the production of the GAM Partnership mining operation to 145 PH/s across 11 GAM Containers.

On December 8, 2021, the Company changed its name from Fortress Technologies Inc. to Cathedra Bitcoin Inc. The Common Shares commenced trading under the new name on the TSX Venture Exchange on December 10, 2021 under the Company's new ticker symbol "CBIT".

#### *Current Hash Rate*

As of December 20, 2021, the Company owned 177 PH/s across various sites around the United States and expects to deploy at least an additional 552 PH/s by the end of 2022. Upon the full deployment of its purchased machines, the Company's hash rate is expected to total 729 PH/s.

## **DESCRIPTION OF BUSINESS**

### **Description of the Business**

Cathedra is a Bitcoin company that develops and operates world-class bitcoin mining infrastructure. Cathedra believes sound money and cheap, abundant energy are the fundamental ingredients to human progress, and is committed to advancing both by working closely with the energy sector to secure the Bitcoin network. Cathedra's business model is to convert electricity into bitcoins at below-market cost, retaining as many mined coins as possible on the Company's balance sheet indefinitely.

The Company is headquartered in Vancouver, British Columbia, with mining operations in the United States. As of the date of this AIF, the Company operates bitcoin mines in the State of Washington (the "**Washington Facility**") and the State of North Dakota (the "**North Dakota Facility**", and collectively, the "**Current Facilities**"), with an aggregate electrical infrastructure capacity of 8.7 megawatts ("MW"). In the Washington Facility, Cathedra operates a 2.0 MW bitcoin mine that produces approximately 32 PH/s of bitcoin mining hash rate and is powered by grid electricity. In the North Dakota Facility, the Company owns 11 bitcoin mining containers totaling 6.7 MW and 145 PH/s of bitcoin mining hash rate. These containers are powered by natural gas that would otherwise be flared into the atmosphere. Cathedra has purchased one additional bitcoin mining container that will be deployed at the North Dakota Facility in the coming months for an additional 0.6 MW and 13 PH/s of bitcoin mining hash rate.

### **Bitcoin Background**

Bitcoin was developed around 2009 by a pseudonymous person or organization known as Satoshi Nakamoto. The underlying blockchain technology that enables Bitcoin is often defined as a distributed ledger. In the traditional centralized ledger models, a master version of such ledgers is controlled by a bank, government or a trusted third party. Disputes are resolved by checking the master version, through a manual and often redundant reconciliation process. In the decentralized blockchain model, a master ledger is not stored in one place or controlled by one entity. The network consists of various nodes, and every node on the network maintains its own real-time copy of the ledger by communicating with other nodes and following the agreed upon rules of the network (often referred to as the "protocol"). The decentralization of the network and cryptographic tools used in the protocol make the data in the ledger highly resistant to any tampering, as new states of the ledger are agreed upon by consensus among all nodes by following those same protocol rules.

One of the key cryptographic tools referenced above is called hashing. A hashing algorithm is a mathematical transformation function with two key properties. First, it accepts any alphanumeric dataset as an input and produces a unique fixed-length output (in the case of Bitcoin's SHA256 hash function, this fixed-length output is 256 bits in length). Second, the smallest change in the input results in a significant and unpredictable change in the output. This second property also means that any user that runs the hash function on the same inputs

will derive the same outputs. In the context of Bitcoin's blockchain, each block contains information linking itself to the prior block, and any modification of blockchain data (e.g., transactions) can be detected by re-hashing the data to check for a change in the outputs. This results in a chain of blocks, and the post-hoc alteration of any one block would alter all subsequent blocks in a manner incompatible with protocol.

## **Mining**

Bitcoins are created through the process of mining. Miners assemble pending transactions on the network into blocks in accordance with the protocol's rules. The Miners then propose these blocks to the network of nodes; once the majority of the network accepts such a valid block, the Miner is awarded newly minted bitcoins as well as any fees attached to the transactions in the block.

In order to add blocks to Bitcoin's blockchain, Miners utilize the aforementioned hash function, iterating through inputs (which, among others, include a hash of the prior block, information about the transactions it seeks to append to the blockchain, and an arbitrary number called a "nonce") to find an output that satisfies a given criterion specified by the network—namely, that the output of the hash function is less than a given numeric value. If the numeric value of the output falls below that target, then the Miner has found a valid block. Given the nature of hash functions, the only reliable way to arrive at a set of inputs that falls below the target is brute force guess-and-check, requiring an enormous number of attempts and iterations. This mechanism of adding new transactions to the blockchain is referred to as "proof-of-work," as Miners must guess-and-check (or perform "work") to find valid blocks.

Importantly, each block can only be solved and added to the blockchain by one Miner. Once a Miner has published a new block to the network, other Miners begin working to solve the next one. In the case of Bitcoin, it takes an average of 10 minutes for new blocks to be found. This 10-minute interval is maintained by raising and lowering the aforementioned target to ensure that, on average, it will take 10 minutes for the collective Miners to produce valid proof-of-work. If the target is lowered, more work is likely required to find a valid proof-of-work. If the target is increased, less work is required. For this reason, the inverse of the target is referred to as "difficulty," and every 2,016 blocks (approximately two weeks), the difficulty adjusts to maintain this 10-minute average block time. See "*DESCRIPTION OF BUSINESS – Principal Market Overview – Mining Pools*" and "*Risk Factors - Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*".

A Miner's proposed block is considered to be added to the blockchain once a majority of the nodes on the network confirms the Miner's work. Miners that successfully publish a new block to the blockchain are awarded newly minted bitcoins for their effort plus any transaction fees paid by transferors whose transactions are recorded in the block. This reward system is the method by which new bitcoins enter into circulation.

## **Principal Market Overview**

As a "permissionless energy sink," bitcoin mining allows anyone, anywhere, at any time, to convert electricity into currency. This phenomenon has profound implications for the energy sector that market participants have only just begun to appreciate, including the following:

- bitcoin mining incentivizes new and more efficient forms of energy generation, which will cause a general decline in the price of energy;
- bitcoin mining serves as a perfect dispatchable load, helping to stabilize power grids and allowing greater penetration of intermittent renewables at the grid level;
- bitcoin mining sets a price floor for energy by acting as a "buyer of last resort," monetizing stranded, wasted, or otherwise non-rival energy by converting it into money; and
- bitcoin mining can act as a "captive customer" for new power plants, providing stable, predictable demand for electricity, thereby reducing the cost of capital for such projects.

Management of the Company believes that in the coming decades, bitcoin mining will completely saturate the

energy sector; the gradual convergence of these two industries has already begun and will accelerate from both directions. Management of the Company anticipates that energy producers will monetize surplus power that would otherwise be sold at low or negative rates to the grid (or wasted altogether) by selling it to the Bitcoin network. Consequently, it is expected that Miners will vertically integrate, owning their own power generation and infrastructure to improve their margins and thereby their competitiveness, and further, in the future, the most efficient Miners will also be energy producers. Under this model, it is expected that the marginal revenue earned from mining bitcoin will equal that earned from selling power to the grid.

**Cathedra’s Business and Strategy**

Cathedra believes sound money and cheap, abundant energy are the fundamental ingredients to human progress, and is committed to advancing both by working closely with the energy sector to secure the Bitcoin network. The Company is building a category-defining business at the intersection of bitcoin mining and energy. In the near term, Cathedra’s primary objectives are to:

- aggressively expand its hash rate portfolio to compete with the largest North American bitcoin Miners;
- continue building its bitcoin treasury by retaining as many mined coins as possible for an indefinite holding period; and
- begin vertically integrating by developing in-house infrastructure and manufacturing capabilities.

In the long-term, the Company has a more expansive vision of its role in the bitcoin mining and energy markets, which includes:

- developing and/or acquiring a portfolio of power generation assets that leverages the synergies between energy generation and bitcoin mining; and
- exploring additional Bitcoin-native products and services that Cathedra can offer as a low-cost producer of bitcoins.

As of the date of this AIF, Cathedra owns 177 PH/s across various sites around the United States and expects to deploy at least an additional 552 PH/s by the end of 2022. Upon the full deployment of its purchased machines, Cathedra’s hash rate is expected to total 729 PH/s. The Company is focused on expanding its portfolio of hash rate through a diversified approach to site selection and operations, utilizing multiple energy sources across various jurisdictions.

See “DESCRIPTION OF BUSINESS – Hardware and Software” for a description of the hardware currently utilized in the Company’s operations.

**Current Bitcoin Mining Operations**

The following table sets out summary information regarding the bitcoin mining facilities operated by Cathedra as at the date of this AIF.

Location	Facility Size (ft <sup>2</sup> )	Power Capacity (Megawatts)	Hash rate (PH/s)	Property Information	Energy Source
Washington, USA	10,000	2.0	32	Leased	Hydroelectric
North Dakota, USA	1,600	6.7	145	Land access agreement	Flare gas

## Development and Future Growth

By minimizing operating costs wherever possible, the Company has maintained a healthy cash position during a challenging period for the bitcoin mining industry. Maintaining a strong cash balance has allowed the Company to benefit from the rising purchasing power of bitcoin, even increasing its bitcoin treasury via opportunistic purchases in response to global trends.

On April 6, 2021, the Company announced that it had launched a new strategic bitcoin mining venture in partnership with GAM. The goal of this partnership is to expand the Company's existing bitcoin mining operations with access to scalable, low-cost electricity sourced from natural gas that would otherwise be vented or flared into the atmosphere.

Cathedra has commissioned GAM to design and manufacture 12 bitcoin mining containers, which Cathedra will own pursuant to the partnership agreement. The Company will have exclusive use of these containers, which will operate on a gas field in North Dakota using bitcoin mining machines owned and supplied by Cathedra.

To outfit the 12 bitcoin mining containers produced by GAM, Cathedra recently acquired 2,160 MicroBT Whatsminer bitcoin mining machines, including 180 of the M32 model, 540 of the M31SE model, and 1,440 of the M31SE model, totaling 158 PH/s in aggregate. The first 11 of these containers have been deployed at the North Dakota Facility, where they consume 6.7 MW of electrical capacity to produce a total of 145 PH/s of bitcoin mining hash rate. The Company expects the remaining container to be deployed at the North Dakota Facility in Q4 of this year, contributing an additional 0.6 MW of capacity and 13 PH/s of bitcoin mining hash rate. Based on current bitcoin mining conditions,

Under the terms of the GAM Partnership, Cathedra receives between 60% and 85% of all bitcoins produced by the 12 containers, depending on bitcoin mining economics in a given period. Additionally, Cathedra will retain ownership of all bitcoin mining machines and containers. The operating agreement also affords downside protection to the Company, as there is no obligation to operate the machines if bitcoin mining conditions deteriorate to such an extent that the partnership is no longer profitable for Cathedra. The low capital expenditure required per container—each of which is designed and manufactured to suit by GAM—and fast time to deployment mean Cathedra expects to earn attractive return on capital for shareholders through this venture.

This GAM Partnership also reduces the emission of methane, which is believed to be a harmful greenhouse gas, at the gas field in North Dakota. This strategic venture demonstrates the value bitcoin mining can provide to energy producers and the environment by monetizing energy that would otherwise be stranded or wasted.

The GAM Partnership represents an intentional strategy from the Company to diversify the energy sources it uses to power its bitcoin mining operations. Cathedra believes a diversified approach that utilizes electricity generated off-grid (in addition to electricity supplied by the grid) reduces environmental, regulatory, market, and other idiosyncratic risks and guards against the over-concentration of hash rate at any particular location.

Vented, flared, and stranded natural gas presents a promising source of scalable, low-cost power for Cathedra's mining operations. According to the U.S. Energy Information Administration, approximately 420 billion cubic feet of natural gas was vented or flared in 2020 in the U.S. alone—enough to power the entire Bitcoin network, based on the latest estimates of its energy consumption from the Cambridge Bitcoin Electricity Consumption Index.<sup>1</sup>

## Financing

See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History*” for a description of each of the financings undertaken by the Company.

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<sup>1</sup> “Cambridge Bitcoin Electricity Consumption Index (CBECI)” (29 November 2021), online: *University of Cambridge* <[ccaf.io/cbeci/index](http://ccaf.io/cbeci/index)>

## Revenue

In the twelve-month period ending December 31, 2019, Cathedra generated revenues of C\$1,683,185 from the mining of cryptocurrencies. In the 12-month period ending December 31, 2020, Cathedra generated revenues of C\$1,026,329 from the mining of cryptocurrencies.

## Products and Services

Cathedra is a proprietary bitcoin mining company. The Company proposes blocks of transactions to, and provides security for, the Bitcoin network. In return, the Bitcoin network compensates the Company with newly minted bitcoins and bitcoin transaction fees. Cathedra's business model is to convert electricity into bitcoins at below-market cost, retaining as many mined coins as possible on the Company's balance sheet indefinitely.

## Specialized Skill and Knowledge

AJ Scalia and Drew Armstrong have been active in the bitcoin mining ecosystem for several years. See "*DIRECTORS AND OFFICERS*".

## Competitive Conditions

The bitcoin mining industry is highly competitive. There are several companies competing in the Company's industry, including Argo Blockchain (NASDAQ: ARBKF), Bitfarms (NASDAQ: BITF), HIVE Blockchain (NASDAQ: HIVE), Hut 8 Mining (NASDAQ: HUT), Marathon Digital (NASDAQ: MARA), Riot Blockchain (NASDAQ: RIOT) and others.

It is difficult to obtain an accurate estimate of market share. As at the date of the AIF, the hash rate of the Company's installed machines represented an estimated 0.1% of the entire Bitcoin network's hash rate, which is estimated to total 160 EH/s. Estimates of the Bitcoin network hash rate can be retrieved at [www.blockchain.com/en/charts/hash-rate](http://www.blockchain.com/en/charts/hash-rate). Management believes its facilities collectively rank among the most cost-effective public bitcoin mining operations in North America based on total capital expenditures and ongoing operating expenses.

## Hardware and Software

The main components of Cathedra's bitcoin mining operation are specialized bitcoin mining machines in each of the Company's server facilities (e.g. Antminers or Whatsminers), power supply units ("**PSUs**"), network components, security components, electronic components, cooling components and other hardware.

The Company's current hardware is composed primarily of: (i) approximately 1,400 Bitmain Antminer S9 bitcoin mining machines installed at the Washington Facility; (ii) 2,160 MicroBT Whatsminer bitcoin mining machines, including 180 of the M32 model, 540 of the M31SE model and 1440 of the M31SE model installed or to be installed at the North Dakota Facilities; and (iii) 180 MicroBT Whatsminer M30S bitcoin mining machines installed at the Washington Facility. Additionally, the Company has purchased 4,500 Bitmain Antminer S19J Pro and 600 Bitmain Antminer S19 XP bitcoin mining machines, which are expected to be delivered in 2022 pursuant to purchase agreements entered into by the Company.

The majority of the Company's currently operating bitcoin mining machines and those recently secured by purchase orders in connection with the expansion plans are primarily manufactured by MicroBT and Bitmain Technologies, both leading suppliers of specialized machines for the bitcoin mining industry. The machines are typically purchased directly from the manufacturer; however, during elevated demand and pricing conditions, the Company has made purchases through secondary suppliers on occasion.

## Custody of Bitcoin

The Company holds its bitcoins through its wholly-owned U.S. subsidiary, Fortress Blockchain (US) Holdings Corp. (the "**U.S. Company**"). The U.S. Company works with NYDIG Trust Company LLC, a third-party custodian headquartered in New York City (the "**Custodian**"), who utilizes a cold storage custody configuration

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

The Custodian has a track record of providing secure custody solutions to major banks, insurance companies, and other financial institutions, The Custodian is not a Canadian financial institution as defined in NI 45-106, however it is a limited purpose trust company under applicable United States laws and is regulated by the New York Department of Financial Services. Prior to the U.S. Company onboarding with the Custodian, Cathedra performed a rigorous due diligence process to ensure that the Company's bitcoins would remain safe. The Custodian maintains stringent governance controls and utilizes a top-tier auditor for financials and custody procedures, including SOC 1 and SOC 2 reports. As of the date of this AIF, substantially all of the Company's cryptocurrency assets (approximately 98%) are held by the U.S. Company with the Custodian. In all reporting periods which ended prior to the date of this AIF, the Company maintained self-custody of its cryptocurrency assets and accordingly, none were held through the Custodian.

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

See "RISK FACTORS – *Cybersecurity Threats and Hacking*".

Currently, the strategy of the Company is to periodically sell bitcoin only as needed to cover operating expenses.

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

The cost of electricity is the primary determinant of the ongoing profitability of a bitcoin mine.

At the Washington Facility, the Company pays less than US\$0.026 per kilowatt hour ("**kWh**") for electricity from the grid, which is predominantly generated by hydroelectric sources, according to the Washington State Department of Commerce 2019 Fuel Mix Disclosure.<sup>2</sup>

At the North Dakota Facility under the GAM Partnership, the Company generates electricity off-grid using natural gas that would otherwise be flared or vented. Cathedra estimates the cost of the gas translates to an electricity cost of approximately US\$0.005 per kWh. Additional monthly cash operating costs bring the estimated total operating costs to US\$0.035 per kWh for this new strategy.

See "*Risk Factors - Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*".

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<sup>2</sup> Washington State Department of Commerce, *Washington State Electric Utility Fuel Mix Disclosure Reports*, by Lisa Brown (Washington: 10 November 2020) at 5.

## Employees

As of the date of this AIF, Cathedra has two full-time employees, and two part-time contractors. The following table sets out the employees by department:

Department	Number of Employees
Management	2
Part-Time Contractors	2
<b>Total</b>	<b>4</b>

## Environmental Policies

The Company's Washington Facility uses electricity from the grid, which is predominantly generated by hydroelectric sources, according to the Washington State Department of Commerce 2019 Fuel Mix Disclosure.<sup>3</sup> The Company's North Dakota Facility uses electricity produced from natural gas (largely consisting of methane) that would otherwise be vented or flared into the atmosphere. This reduces the emission of methane, which many believe to be a harmful greenhouse gas.

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

## Bankruptcy Proceedings

There have been no bankruptcies, receiverships, or similar proceedings against the Company or any of its subsidiaries, whether voluntary or otherwise, since incorporation and, to the knowledge of management, there are no such contingent or threatened proceedings.

## RISK FACTORS

An investment in the shares of Cathedra ("**Cathedra Shares**") should be considered highly speculative due to the nature of the Company's business and the present stage of development. An investment in Cathedra Shares should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this AIF, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations.

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase Cathedra Shares in authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Limited Operating History*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects

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<sup>3</sup> Ibid.

can be based. The Company is subject to many risks common to venture enterprises, including under-capitalization, cash shortages, commercially unattractive costs of capital and financing arrangements, 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 operation 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.

#### *Future Capital Needs, Uncertainty of Additional Financing and Dilution*

The ability of the Company to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management.

The Company currently anticipates that the internally generated funds will be sufficient for working capital requirements. However, the Company will need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Even if such funding is available, the Company cannot predict the size or price of future issues of Cathedra Shares or securities convertible into Cathedra Shares, nor can the Company predict the cost or effect, if any, that future issues and sales of the Cathedra Shares will have on the price of such shares.

Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

#### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies (such as the Company), have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

#### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its

operations. This growth has resulted in increased responsibilities for the Company's existing personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, internal controls, financial, and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

#### *Cybersecurity Threats and Hacking*

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

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

#### *Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*

While the Company has implemented internal controls and custody arrangements to minimize the risk of loss or theft, ceasing immediate monetization of cryptocurrencies or to monetizing cryptocurrencies less frequently can increase the risk of cryptocurrencies held decreasing in value and the risk of loss or theft of cryptocurrencies.

#### *Limited History of Decentralized Financial System*

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may have an effect on underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

#### *Risk Related to Technological Obsolescence and Difficulty in Obtaining Hardware*

To remain competitive, the Company will continue to monitor the state of the technology available and invest in hardware and equipment required for maintaining the Company's operations. The Company's hardware and software may become obsolete and require substantial capital to replace. There can be no assurance that mining hardware will be readily available when the need is identified.

Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

#### *Hazards Associated with High-voltage Electricity Transmission and Industrial Operations may Result in Suspension of our Operations or the Imposition of Civil or Criminal Penalties*

The operations of the Company are subject to typical hazards associated with high-voltage electricity transmission and the supply of utilities to the facilities of the Company at an industrial scale, including

explosions, fires, inclement weather, natural disasters, flooding, mechanical failure, unscheduled downtime, equipment interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other environmental risks. The hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties.

#### *Valuation and Price Volatility of Cryptocurrencies*

The profitability of the Company's operations will be significantly affected by changes in prices of cryptocurrencies. Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company's control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. If cryptocurrency prices should decline and remain at low market levels for a sustained period while network difficulty does not decrease proportionally, the Company could determine that it is not economically feasible to continue activities.

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

Volatility may have an impact on the value of the Company's inventory of currencies. The Company will act to reduce this risk by managing working capital through combining sales of cryptographic currencies and converting part of the balance of the excess profits into U.S. dollars, Canadian dollars, and/or other investment assets, and a number of cryptocurrencies that will ensure coverage of current operating expenses (Opex) and capital expenditures (Capex) in order to hedge the risk of volatility with regard to the Company's expenses.

#### *Bitcoin Halving Events*

In May 2020, the Bitcoin block reward decreased from 12.5 to 6.25 bitcoins per block (the “**Bitcoin Halving**”), and consequently the number of new bitcoins issued to Miners has been reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of bitcoin price will adjust over time to ensure that Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown.

Management believes that revenue per Terahash will continue to normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. If bitcoin price and difficulty do not maintain or continue their trend of adjusting to pre-Bitcoin Halving profitability levels over time, or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern. The next Bitcoin Halving is expected to occur on or around May 2024.

#### *Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*

Network difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn new bitcoins from Mining. If the network difficulty increased at a significantly higher rate than the Company's hash rate and the price of cryptocurrency did not increase at the same rate as network difficulty, then the profitability of the Company's operations would be significantly affected. There can be no assurance that cryptocurrency prices will increase in proportion to the rate of increase of network

difficulty as network difficulty is subject to volatility in growth.

#### *Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company currently conducts Mining in Washington and North Dakota. The Company's current and future operations, anticipated growth, and sustainability of electricity prices for the purposes of bitcoin mining poses certain risks. These risks as well as the supply of electrical power, electricity rates, terms of service and regulatory regime in Washington and North Dakota are described in "DESCRIPTION OF BUSINESS –*Supply of Electrical Power, Electricity Rates, Terms of Service*". These risks may be summarized as follows:

- In the State of Washington, the Company has been purchasing electricity from the same utility since 2018. Although the utility has proven reliable, any suspension of power or failure of electrical networks could result in a material adverse effect on the Company. Similarly, any unanticipated changes in the pricing structure for electricity by the utility could result in an adverse effect on the Company.
- In the State of North Dakota, the Company relies on Great American Mining to facilitate the purchase of gas via offtake agreements from third parties. While these offtake agreements ensure a fixed cost per unit of gas for the term of the agreement, interruptions in gas delivery may force Great American Mining and the Company to source new agreements which might have worse terms.

#### *Future Profits/Losses and Production Revenues/Expenses*

Further development and acquisitions of server farms and the ongoing operation of the existing mines will require additional capital and monthly expenses. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the mines and any other mines the 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.

The amount and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control. The Company's management tested and studied the cryptocurrency marketplace before developing its financial projections. The Company's forecasts are built upon data available on the profitability of cryptocurrency, a new and unstable field. Despite the Company's confidence in achieving its projections, it may fail to meet the performance forecasts set out in this AIF.

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

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

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past four years, a number of cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer

systems) and may be more likely to be targets of regulatory enforcement action.

#### *Discretion Regarding Use by Company of Available Funds*

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

#### *Political and Regulatory Risk*

The Company's primary properties are located in Washington State and North Dakota and will be subject to changes in political conditions and regulations within those states and in the United States. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, electricity use and safety. For example, cryptocurrency mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although the energy costs used by the Company are determined and controlled by a regulator, there is no certainty that this factor will not raise energy tariffs, which may reduce the profitability of mining cryptographic currencies.

On-going and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Canada may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies.

Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company's common shares. Such a restriction could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

The Company believes the present attitude to foreign investment and to the mining industry is favourable, but conditions may change. Operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, and environmental legislation.

#### *Permits and Licences*

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

#### *Server Failures*

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Company works diligently to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. The Company also employs a "hardware" team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farms that the Company operates. While malfunctions in central servers, or central processing units can only occur on a specific server

farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

#### *Global Financial Conditions*

Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Common Shares may be adversely affected.

#### *Tax Consequences*

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

#### *Environmental Regulations*

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

#### *Environmental Liability*

The Company may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to Mine cryptocurrencies. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

The current or future operations of the Company, including development activities and Mining on its properties, may require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance, however, that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

The Company intends to fully comply with all environmental regulations in every country in which it is active.

#### *Erroneous Transactions and Human Error*

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible

and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. 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 cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

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

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

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

#### *Facility Developments*

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.

#### *Risks of Non-Availability of Insurance*

Where 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.

#### *Competition*

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

Regulation of cryptocurrency outside of Canada has led some mining companies to consider Canada as a jurisdiction in which to operate. This may increase competition to the Company; however, the Company believes that only a few competitors exist that can compete with the speed and cost effectiveness of the Company's current operations and buildout capabilities. Nevertheless, the Company's assumptions with respect to its competitors could be inaccurate and the Company may face unexpected competition in the form of a new entrant in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving blocks and transaction fees are not sufficiently high, Miners may not have an adequate incentive to continue Mining and may cease their Mining operations.

As the number of coins awarded for solving a block in the blockchain decreases, the incentive for Miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. The requirement from Miners of higher transaction fees in exchange for recording transactions in the blockchain may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory and investments.

In order to incentivize Miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by Miners independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

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

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

#### *Loss of Key Employees*

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company will not have and is not expected to purchase key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death. Without key person insurance, the Company may not have the financial resources to develop or

maintain its business until it replaces the individual. The development of the business of the Company will be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company will face competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

#### *Credit Risk*

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk will be primarily composed of cash and amounts receivable. While the Company will attempt to mitigate its exposure to credit risk, there can be no assurance that unexpected losses will not occur. Such unexpected losses could adversely affect the Company.

#### *Acceptance and/or Widespread Use of Cryptocurrency is Uncertain*

Currently, cryptocurrencies are used relatively rarely in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of retail and commercial marketplaces to adopt cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the Company's operations and profitability.

#### *Interest Rate Risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company will be exposed to interest rate changes on its investments that are expected to pay interest, and any credit facilities it may have that bear interest at a floating rate. Changes in the prime lending rate would affect earnings and could adversely affect the Company's profitability.

#### *Currency Exchange Risk*

The Company is exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. In particular, exchange rate fluctuations may affect the costs that the Company incurs in its operations. Cryptocurrencies are generally sold in U.S. dollars and some of the Company's costs are incurred in Canadian dollars. The appreciation of non-U.S. dollar currencies against the U.S. dollar could increase the cost of Mining in U.S. dollar terms. In addition, the Company holds cash balances in Canadian dollars the values of which are impacted by fluctuations in currency exchange rates.

#### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 is expected to have on the Company's operating segment include potential increases in cryptocurrency price volatility and delays in receiving future orders of mining hardware and electrical components for future expansion. The Company's operating segment has been, and is expected to, continue operating throughout the pandemic.

While the financial difficulties of customers have been considered in the expected credit loss model, there is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

## *Forward Looking Statements*

Statements contained in this AIF that are not historical facts, but rather are forward looking statements involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Without limiting the generality of the foregoing, such risks and uncertainties include interpretation of results, results of pre-feasibility and feasibility studies, recovery, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, delays in exploration or development activities, political risks, the inherent uncertainty or production fluctuations and failure to obtain adequate financing on a timely basis.

## **PRIOR SALES**

The following is a summary of all prior sales of the Company, as described in Form 51-102F2 *Annual Information Form* Section 8.2, made since the beginning of Fiscal 2020.

On March 26, 2021, the Company closed the February 2021 Private Placement for gross proceeds of approximately C\$9,300,000, composed of the sale of 14,797,700 February 2021 Units of the Company, each being comprised of one Common Share and one Common Share purchase warrant. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Development of Operations*".

On May 3, 2021, the Board approved a stock option grant to an officer of the Company, of 100,000 incentive stock options ("**Options**") to purchase Common Shares of the Company at an exercise price of C\$0.51 per Common Share with a term of five years from the date of the grant.

On August 27, 2021, the Board approved a stock option grant to an officer of the Company, of 250,000 Options with an exercise price of C\$0.485 per Common Share with a term of five years from the date of the grant.

On September 2, 2021, the Board approved a stock option grant to Marcus Dent, Director of the Company, of 2,000,000 Options with an exercise price of C\$0.49 per Common Share with a term of five years from the date of the grant.

On September 24, 2021, the Board approved a stock option grant to both of AJ Scalia and Drew Armstrong, officers of the Company, of 650,000 Options each with an exercise price of C\$0.56 per Common Share.

On September 24, 2021, the Company entered into a purchase agreement pursuant to which it purchased approximately C\$254,000 worth of bitcoin mining machines and C\$306,000 worth of bitcoin in return for 1,000,000 fully paid and non-assessable Common Shares, for total consideration of C\$560,000 (C\$0.56 per Common Share).

On November 12, 2021, the Company announced the closing of the Upsized October 2021 Debenture Financing for gross proceeds of C\$25,000,000 principal of Convertible Debenture Units outstanding convertible for approximately 32,051,282 Common Shares, and approximately 16,025,000 October 2021 Warrants exercisable for 16,025,000 Common Shares. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Development of Operations*".

## **DIVIDENDS**

Cathedra has neither declared nor paid any dividends on its common shares since incorporation. The Board of Directors will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Company's financial position at the relevant time. The Board of Directors expects to retain earnings to finance future growth of the Company and its subsidiaries. All of the Cathedra Shares are entitled to an equal share in any dividends declared and paid on a per share basis.

## DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Cathedra Shares. As of the date of this AIF there are 85,522,684 issued and outstanding Cathedra Shares. Each Cathedra Share entitles the holder to one vote per Cathedra Share and to receive equally any dividends declared by the Company and the remaining property and assets of the Company in the event the Company undergoes a liquidation, dissolution, or winding up.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Cathedra Shares are listed and posted for trading on the TSXV under the symbol "FORT."

The following table sets out the price range and aggregate volumes traded or quoted on a monthly basis on the TSXV from January 1, 2020 to December 20, 2021.

Month	High (CAD)	Low (CAD)	Volume (CAD)
December 1 – 20, 2021	\$0.74	\$0.48	10,954,312
November, 2021	\$0.92	\$0.66	12,188,336
October 2021	\$0.91	\$0.55	12,679,960
September 2021	\$0.62	\$0.47	6,708,098
August 2021	\$0.56	\$0.29	9,647,600
July 2021	\$0.44	\$0.31	577,795
June 2021	\$0.46	\$0.36	867,427
May 2021	\$0.58	\$0.37	3,816,550
April 2021	\$0.80	\$0.46	9,417,790
March 2021	\$0.85	\$0.46	20,521,781
February 2021	\$1.01	\$0.20	33,089,736
January 2021	\$0.33	\$0.19	8,604,063
December 2020	\$0.28	\$0.16	7,186,744
November 2020	\$0.21	\$0.14	894,513
October 2020	\$0.15	\$0.13	50,271
September 2020	\$0.14	\$0.13	44,450
August 2020	\$0.14	\$0.12	221,204
July 2020	\$0.13	\$0.10	148,689
June 2020	\$0.12	\$0.10	31,182
May 2020	\$0.13	\$0.11	156,652
April 2020	\$0.13	\$0.09	35,035
March 2020	\$0.12	\$0.09	205,911
February 2020	\$0.18	\$0.11	525,743
January 2020	\$0.15	\$0.12	159,385

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of the date of this AIF, there are no securities of the Company which are currently held in escrow or that are subject to a contractual restriction on transfer.

### DIRECTORS AND OFFICERS

The following table sets out the name of each director and officer, province or state of residence, position held with each corporation, current principal occupation, and the number and percentage of securities beneficially owned, directly or indirectly as at the date of this AIF.

Name, and Province and Country of Residence <sup>(9)</sup>	Principal Occupation During the Last Five Years <sup>(1)</sup>	Director or Officer Since	Common Shares Owned or Controlled <sup>(1)</sup>
<b>Roy Sebag</b> <sup>(2)(3)</sup> Chairman and Director <i>Oxford, UK</i>	President and Chief Executive Officer of Goldmoney Inc. (TSX: XAU) (2014 to Present); Chairman, Chief Executive Officer and Director of Menē Inc. (TSXV: MENE) (2017 to present); Founder, director and Chief Executive Officer of Bitfarms Inc. (2010 to 2018).	August 16, 2018	7,556,000
<b>David Jaques</b> <sup>(2)(5)</sup> Director <i>California, USA</i>	Director of Katapult Technology Corp. (TSXV: FUND) (2017 to 2019); Director of Mobivity Holdings Corp. (OTC: MFON) (2011 to 2017).	August 16, 2018	500,000
<b>Marcus Dent</b> <sup>(2)(4)</sup> Director <i>Texas, USA</i>	Venture Partner of Ten31 (2021 to present); Director of Business Development at Great American Mining LLC (2019 to 2021)	September 2, 2021	Nil
<b>Thomas (“Drew”) Armstrong</b> <sup>(6)</sup> President, COO and Director <i>Virginia, USA</i>	Associate; Investment Banking, Principal Investments, and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2019 to 2021); Investment Banking Analyst at Barclays (LON: BARC) (2017 to 2019).	September 24, 2021	92,600
<b>Antonin (“AJ”) Scalia</b> <sup>(7)</sup> CEO and Director <i>Montana, USA</i>	Associate; Investment Banking, Principal Investments, and Bitcoin Mining at Galaxy Digital (TSX: GLXY) (2018 to 2021); Investment Banking Analyst at J.P. Morgan (2017 to 2018) (NYSE: JPM).	September 24, 2021	93,372
<b>Sean Ty</b> CFO <i>British Columbia, Canada</i>	Chief Financial Officer of Cathedra Bitcoin Inc. (TSXV: CBIT) (2018 to present); Principal at Ty Consulting Inc. (2016 to present).	November 1, 2018	Nil

Notes:

- (1) Information about principal occupation, business or employment, not being within the knowledge of the Company, has been furnished by respective persons set forth above. The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been obtained from SEDI or furnished by the respective individuals. This table does not include Common Shares underlying unexercised stock options and warrants.
- (2) Member of the Audit Committee.
- (3) Mr. Sebag holds options to purchase 1,150,000 Common Shares
- (4) Mr. Dent holds options to purchase 2,000,000 Common Shares
- (5) Mr. Jaques holds options to purchase 650,000 Common Shares
- (6) Mr. Armstrong holds options to purchase 325,000 Common Shares
- (7) Mr. Scalia holds options to purchase 325,000 Common Shares
- (8) Mr. Ty holds options to purchase 480,000 Common Shares
- (9) At a meeting of the board of directors held on September 17, 2021, the Board duly accepted the resignations of Joshua Crumb and Michael Costa, and appointed Drew Armstrong and Antonin Scalia to the Board, effective September 24, 2021.

As at the date hereof, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 8,241,972 Common Shares, representing 9.6% of the total number of Common Shares outstanding before giving effect to the exercise of rights, options, or warrants to purchase or otherwise receive Common Shares held by such directors and executive officers. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

### ***Roy Sebag***

Roy Sebag currently serves as the Chairman of the Board. He is an entrepreneur with nearly 20 years of experience in the technology, precious metals, and investment management industries. Mr. Sebag is the founder of Goldmoney Inc., where he serves as a director and as the Chief Executive Officer since 2014. From 2010 through to 2018 he was the founder, Chairman and Chief Executive Officer of Bitfarms Inc., an investment company engaged in developing and operating cryptocurrency mining operations. As of 2017, he is the co-founder, Chief Executive Officer and a director of Menē Inc., a company listed on the TSX Venture Exchange. Menē Inc. designs, manufactures and markets pure 24 karat gold and platinum investment jewelry.

### ***David Jaques***

Mr. Jaques has held senior financial positions in banking, corporate and venture capital. In his early career, he held various positions with Barclays Bank in London and provided advisory services in currency and interest rate risk management to the bank's corporate clients. He held a similar role at Barclays Bank, New York from 1988 to 1993. He was Senior Vice President and Treasurer of Silicon Valley Bank between 1994 and 1999; founding CFO for PayPal Holdings, Inc. from 1999 to 2001 and CFO of BlueRun Ventures from 2001 to 2008. Since 2008 he has provided CFO consulting services through Focus Management Solutions, Inc. and has held board positions at Katapult Technology Corp. (TSXV: FUND), UBL Interactive, Inc., Mobivity Holdings, Inc., Bluedot Innovation, Inc. and Digitz Solutions, Inc. Mr. Jaques holds a Higher National Diploma in Business Administration from Polytechnic of the South Bank, London, and is a UK Chartered Certified Accountant (inactive).

### ***Marcus Dent***

Mr. Dent is currently a Venture Partner at Ten31, a bitcoin-focused venture capital fund, and was previously the Director of Business Development at Great American Mining LLC. Prior to joining Great American Mining LLC, he founded and operated TFTC.io, a media brand focused on educating the public on Bitcoin and its potential to change the world. Mr. Dent also previously held positions at Barstool Sports and worked as an analyst at a Managed Futures Fund, Dearborn Capital Management, where his work focused on due diligence CTAs and the macro landscape. Mr. Dent holds an undergraduate degree in Economics from DuPaul University.

### ***Drew Armstrong***

Mr. Armstrong was one of the founding members of Galaxy Digital Holding Ltd.'s Mining business unit, which established the mining operation of the company and delivers financial services for North American Bitcoin Miners. In this capacity, he designed Galaxy Digital's standard mining equipment finance and deal infrastructure and led the company's mining equipment finance transaction. He had previously worked as an Associate in the investment banking and venture groups at Galaxy Digital, where he was involved in various capital-raising processes for companies operating in the cryptocurrency market. Prior to this experience, he was an Analyst in the Esoteric Securitized Products Origination Group, within Barclay's Investment Banking Division. In that role, he executed all phases of non-traditional asset backed securities issuances covering a wide range of specialized asset classes. Mr. Armstrong holds undergraduate degrees in Economics and Philosophy from the University of Chicago.

### ***AJ Scalia***

Mr. Scalia joins Cathedra from Galaxy Digital, a diversified financial services firm dedicated to the digital assets sector. While at Galaxy, Mr. Scalia held various roles across the firm's investment banking and principal investments divisions. He was also a founding member of Galaxy's bitcoin mining division, which built the firm's proprietary mining and mining equipment finance businesses. Prior to joining Galaxy, Mr. Scalia began his career in J.P. Morgan's technology investment banking group in New York, advising on mergers and acquisitions and raising capital for large-cap technology companies. Mr. Scalia holds an undergraduate degree in Finance from the College of William & Mary.

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

Other than as set out below, no director or executive officer of the Company, is or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days.

No director or executive officer of the Company and no shareholder holding a sufficient number of securities of your company to affect materially the control of the Company is, as at the date of the AIF, or has been within the 10 years before the date of the AIF:

- (a) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory

authority since December 31, 2000 or before December 31, 2000 the disclosure of which would likely be important to a reasonable security holder in making an investment decision; or

- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision

### Committees of the Board of Directors

The Board currently has an Audit Committee.

### Audit Committee

The current members of the Audit Committee are David Jaques (Chair), Roy Sebag and Marcus Dent. All of the members are considered “independent” directors as defined in NI 52-110. Each member of the Audit Committee is considered to be “financially literate” within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Company’s financial statements. The full text of the charter of the Audit Committee (the “**Audit Committee Charter**”) is attached as Appendix “A”.

### Relevant Education and Experience

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

Name of Member	Education	Experience
David Jaques <sup>(1)</sup>	Higher National Diploma in Business Administration from Polytechnic of the South Bank, London; UK Chartered Certified Accountant (inactive)	Mr. Jaques has held senior financial positions in banking, corporate and venture capital. In his early career, he held various positions with Barclays Bank in London and provided advisory services in currency and interest rate risk management to the bank’s corporate clients. He held a similar role at Barclays Bank, New York from 1988 to 1993. He was Senior Vice President and Treasurer of Silicon Valley Bank between 1994 and 1999; founding CFO for PayPal from 1999 to 2001 and CFO of BlueRun Ventures from 2001 to 2008. Since 2008 he has provided CFO consulting services through Greenough Consulting Group and has held board positions at Katapult Technology Corp. (TSXV: FUND), UBL Interactive, Inc., Mobivity Holdings, Inc., Bluedot Interactive, Inc. and Digitzs Solutions, Inc.
Roy Sebag	N/A	Mr. Sebag is a founder of Goldmoney Inc., where he serves as a director and as the Chief Executive Officer since 2014. From 2010 through to 2018 he was the founder, Chairman and Chief Executive Officer of Bitfarms Inc., an investment company engaged in developing cryptocurrency assets. As of 2017, he is the co-founder, Chief Executive Officer and a director of Menē Inc., a company listed on the TSX Venture Exchange. Menē Inc. designs, manufactures and markets pure 24 karat gold and platinum investment jewelry.
Marcus Dent	Undergraduate degree in Economics from DePaul University	Mr. Dent is currently the Director of Business Development at Great American Mining LLC. Prior to joining Great American Mining, he founded and operated TFTC.io, a media brand focused on educating the public on Bitcoin and its potential to change the world. Mr. Dent also previously held positions at Barstool Sports and as an analyst at a Managed Futures Fund, Dearborn Capital Management, where his work focused on due diligence CTAs and the macro landscape.

**Notes:**

- (1) Chair of the Audit Committee.

### **Audit Committee Oversight**

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

### **Pre-Approval Policies and Procedures**

The Audit Committee is required to pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Company.

### **External Auditor Service Fees**

The following table provides details in respect of audit, audit related, tax and other fees billed by the Company's external auditor during the fiscal years ended December 31, 2020 and December 31, 2019.

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Audit Fees <sup>(1)</sup>	\$125,000	\$107,503
Audit Related Fees <sup>(2)</sup>	\$Nil	\$Nil
Tax Fees <sup>(3)</sup>	\$Nil	\$Nil
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
<b>Total</b>	<b>\$125,000</b>	<b>\$107,503</b>

**Notes:**

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

### **Exemption**

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

### **Governance, Nomination and Compensation Committee**

The Company does not presently maintain a governance, nomination and compensation committee of the Board ("**Governance, Nomination and Compensation Committee**"). The customary functions of a Governance, Nomination and Compensation Committee are presently carried out by the Board.

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

From time to time the Board reviews and may approve, recommendations regarding compensation to executive officers and directors. A combination of fixed and variable compensation is used to motivate

executive officers to achieve overall corporate goals. The two basic components the Company’s executive officer compensation program are:

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

### Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity outside of the Company. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board. To the knowledge of the Company, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

## PROMOTERS

The following table sets forth the Promoters of the Company:

Name	Class of Securities Owned	Quantity of Securities Owned	% of Class <sup>(3)</sup>
AJ Scalia <sup>(1)</sup>	Cathedra Shares	93,372	0.11
Drew Armstrong <sup>(2)</sup>	Cathedra Shares	92,600	0.11
<b>Total</b>		<b>185,972</b>	<b>0.22</b>

Notes:

- (1) In addition to the Cathedra Shares noted in the table above, Mr. Scalia holds 325,00 options to purchase Cathedra Shares at a price of C\$0.56 per Cathedra Share and 3,400,000 restricted stock units. See “*Prior Sales*”.
- (2) In addition to the Cathedra Shares noted in the table above, Mr. Armstrong holds 325,00 options to purchase Cathedra Shares at a price of C\$0.56 per Cathedra Share and 3,400,000 restricted stock units. See “*Prior Sales*”.
- (3) A total of 85,522,684 Cathedra Shares are issued and outstanding.

Certain Promoters have entered into certain non-arm’s length transactions with the Company. See “*INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS - Transactions with Related Parties*”.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein and elsewhere in this AIF, no directors, officers, principal shareholders of the Company, nor any Associate or Affiliate of the foregoing, have had any material interest, direct or indirect, in any transactions in which the Company has participated prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

### Transactions with Related Parties

There have been no transactions with related parties other than as disclosed below.

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

2. During the period ended September 30, 2021, key management compensation included C\$3,000 (September 30, 2020 - \$nil) as salary to the CEO of the Company and C\$3,000 (September 30, 2020 - \$nil) as salary to the COO and President of the Company.
3. During the period ended September 30, 2021, key management compensation included C\$64,438 (September 30, 2020 - C\$63,281) as management and consulting fees for executive services provided by a company controlled by the former CEO of the Company. These fees include provision of office space and a corporate boardroom, a dedicated office telephone landline, along with computing and printing resources.
4. During the period ended September 30, 2021, the Company paid C\$118,067 (September 30, 2020 - C\$126,000) to its directors. Each director will receive a monthly compensation of C\$3,500.
5. During the period ended September 30, 2021, the Company paid professional fees of C\$50,000 (September 30, 2020 - C\$45,000) to a company controlled by the CFO of the Company for accounting services. In addition, the Company also granted 350,000 stock options and the share-based compensation expense recognized for the nine months ended September 30, 2021, was C\$89,616.
6. The remuneration of directors and other members of key management personnel in Canadian dollars during the nine months ended September 30, 2021, and September 30, 2020, are as follows:

Nine months ended September 30, 2021	Salaries	Fees	Share-based compensation	Total
Chief Executive Officer	\$ 3,817	\$ -	\$ 138,380	\$ 142,197
Chief Operating Officer and President	3,817	-	138,379	142,196
Former Chief Executive Officer	-	77,271	-	77,271
Chief Financial Officer	-	50,000	89,616	139,616
Non-executive directors	-	103,600	134,048	12,296
	<u>\$ 7,634</u>	<u>\$ 230,871</u>	<u>\$ 500,423</u>	<u>\$ 43,124</u>

  

Nine months ended September 30, 2020	Salaries	Fees	Share-based compensation	Total
Former Chief Executive Officer	\$ -	\$ 63,281	\$ -	\$ 63,281
Chief Financial Officer	-	45,000	-	45,000
Non-executive directors	-	126,000	-	126,000
	<u>\$ -</u>	<u>\$ 234,281</u>	<u>\$ -</u>	<u>\$ 234,281</u>

The above transactions were incurred in the normal course of operations.

Other than as set forth in this AIF, the management of Cathedra is not aware of any material interest, direct or indirect, of any director, executive officer, any Person or Company beneficially owning, controlling or directing, directly or indirectly, more than ten (10%) percent of the Company's outstanding voting securities, or any Associate or Affiliate of the foregoing Persons, in any transaction in which the Company has participated within the three years before the date of this AIF, that has materially affected or is reasonably expected to materially affect the Company.

## LEGAL PROCEEDINGS

### Legal Proceedings

There are no pending legal proceedings to which the Company is or was party to, or that any of its property is

or was the subject of, and the Company is not aware of any such proceedings known to be contemplated.

### **Regulatory Actions**

No penalties or sanctions were imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority since incorporation. No other penalties or sanctions have been imposed by a court or regulatory body against the Company necessary for this AIF to contain full, true and plain disclosure of all material facts. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority since incorporation.

## **TRANSFER AGENT AND REGISTRAR**

The Company's registrar and transfer agent is Computershare Investor Services Inc., located at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the Company has not entered into any contracts which are currently in effect and considered to be material.

## **EXPERTS**

### **Names of Experts**

The auditor of Cathedra is Kingston Ross Pasnak LLP, located at 2797 John St., Markham, Ontario L3R 2Y8, as of December 20, 2021.

Dale Matheson Carr-Hilton LaBonte LLP ("**DMCL**"), located at 200-1688 152 Street, Surrey British Columbia, is the former auditor of the Company and has prepared the Independent Auditors Report and audited the financial statements of the Company for the period from incorporation until June 30, 2021.

### **Interests of Experts**

The consolidated financial statements of the Company for the year ended December 31, 2020 have been audited by DMCL. As at December 31, 2020, DMCL have advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Other than the Company's former auditors, whose independence is described above in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants, no person or company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Company or any of its subsidiaries.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including financial information in the Company's Financial Statements and MD&A for Fiscal 2020, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Moreover, additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders.

**SCHEDULE A**

AUDIT COMMITTEE CHARTER

*[Please see attached.]*

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**CATHEDRA BITCOIN INC.**  
**(FORMERLY FORTRESS TECHNOLOGIES INC.)**  
**AUDIT COMMITTEE CHARTER**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Cathedra Bitcoin Inc. (“**Cathedra**” or the “**Corporation**”).

**1.0 Mandate**

The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Corporation’s risk management and compliance practices;
- (c) assess the independent auditor’s performance, qualifications and independence;
- (d) assess the performance of the Corporation’s internal audit function;
- (e) ensure the Corporation’s compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

**2.0 Composition and Membership**

The committee shall be composed of not less than three members, each of whom shall be a director of the Corporation. A majority of the members of the Committee shall not be an officer or employee of the Corporation. All members shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, the applicable stock exchanges on which the Corporation’s securities are listed and applicable securities regulatory authorities.

Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Members of the Committee shall be appointed or reappointed at the annual meeting of the Corporation and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Corporation a Chairman among their number. The Chairman shall not be a former Officer of the Corporation. Such Chairman shall serve as a liaison between members and senior management.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;
- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone,

facsimile, email or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting;

- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

#### **4.0 Duties and Responsibilities**

##### ***4.1 Oversight of the Independent Auditor***

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Corporation.
- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (g) Review as necessary policies for the Corporation's hiring of partners, employees or former

partners and employees of the independent auditor.

#### **4.2 Financial Reporting**

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
- (b) Review and discuss with Management the Corporation's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation.
- (c) Review and discuss with Management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.
- (d) Review and discuss with Management the Corporation's quarterly financial statements prior to the publication of earnings.
- (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
- (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Corporation.
- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Corporation's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.
- (i) Discuss with Management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the

procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.

- (l) Review disclosures made by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Corporation's internal controls.
- (m) Discuss with the Corporation's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Corporation or any of its subsidiaries from regulators or governmental agencies.

#### ***4.3 Oversight of Risk Management***

- (a) Review and approve periodically Management's risk philosophy and risk management policies.
- (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
- (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
- (d) Review reports from the independent auditor at least annually relating to the adequacy of the Corporation's risk management practices together with Management's responses.
- (e) Discuss with Management at least annually the Corporation's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

#### ***4.4 Oversight of Regulatory Compliance***

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting.
- (c) Meet with the Corporation's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

### **5.0 Funding for the Independent Auditor and Retention of Other Independent Advisors**

The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Cathedra's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

#### **6.0 Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Corporation shall inform employees on the Corporation's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

#### **7.0 Procedures for Approval of Non-Audit Services**

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;
  - (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;

- (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
  3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

## **8.0 Reporting**

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

## **9.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Cathedra that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members.

## **10.0 Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: **October 9, 2018**  
Approved by: **Audit Committee**  
**Board of Directors**