
SIXTY SIX CAPITAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2022

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SIXTY SIX CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash		31,453	104,551
Amounts receivable and prepaid expenses		<u>9,874</u>	<u>18,906</u>
Total current assets		<u>41,327</u>	<u>123,457</u>
Non-current assets			
Restricted cash	3	1,630,643	1,741,283
Investment in equity security	4	9,989,636	37,036,119
Receivable from former employees		<u>193,467</u>	<u>213,074</u>
Total non-current assets		<u>11,813,746</u>	<u>38,990,476</u>
TOTAL ASSETS		<u>11,855,073</u>	<u>39,113,933</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		123,499	88,616
Advance	5	<u>60,326</u>	<u>57,666</u>
Total current liabilities		<u>183,825</u>	<u>146,282</u>
Non-current liabilities			
Convertible debentures	6	6,147,653	5,912,515
Provisions	7	<u>1,929,175</u>	<u>2,162,231</u>
Total non-current liabilities		<u>8,076,828</u>	<u>8,074,746</u>
TOTAL LIABILITIES		<u>8,260,653</u>	<u>8,221,028</u>
SHAREHOLDERS' EQUITY			
Share capital	8	34,890,714	34,890,714
Other reserves		(7,155,763)	(7,155,763)
Share option reserve		2,921,835	2,921,835
Accumulated other comprehensive loss		(167,720)	(167,720)
Retained earnings (deficit)		<u>(26,894,646)</u>	<u>403,839</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,594,420</u>	<u>30,892,905</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>11,855,073</u>	<u>39,113,933</u>

Nature of Operations and Going Concern - see Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 26, 2022 and are signed on its behalf by:

/s/ David Rowe
David Rowe
Director

/s/ Richard Croft
Richard Croft
Director

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

SIXTY SIX CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Revenue		-	-	-	1,778,485
Cost of sales					
Direct costs		-	-	-	(651,988)
Depreciation		-	-	-	(494,737)
		-	-	-	(1,146,725)
Cryptocurrency related items					
Disposal of digital currencies loss		-	-	-	(2,866)
Gross income for the period		-	-	-	628,894
Administrative expenses					
Accounting and administration	9(b)	9,700	6,974	16,400	9,712
Audit		5,250	-	5,250	36,016
Bank charges		51	60	103	500
Legal and professional	9	6,300	78,069	10,069	576,808
Marketing and promotion fees		-	-	-	10,193
Management fees, salaries and wages	9	29,600	-	64,500	256,383
Office		2,344	21,923	3,758	45,104
Regulatory and filing fees		11,331	2,989	18,950	23,218
Share-based compensation	8(d)	-	744,609	-	887,846
Technical support and security costs		-	-	-	99,417
Travel		-	-	-	2,351
Other operating expenses		-	-	-	84,117
		64,576	854,624	119,030	2,031,665
Gain on disposal of subsidiaries	3	-	-	-	38,788,992
(Loss) income before other items		(64,576)	(854,624)	(119,030)	37,386,221
Other items					
Interest and other financial costs	5, 6	(118,825)	(117,619)	(237,798)	(258,671)
Unrealized (loss) gain on investment in equity security	4	(17,002,492)	(11,499,240)	(27,046,483)	(9,499,703)
Foreign exchange		85,590	(117,207)	104,826	(486,338)
		(17,035,727)	(11,734,066)	(27,179,455)	(10,244,712)
Net (loss) income for the period		(17,100,303)	(12,588,690)	(27,298,485)	27,141,509
Other comprehensive income					
Exchange difference on translating foreign operations		-	-	-	37,927
Comprehensive (loss) income for the period		(17,100,303)	(12,588,690)	(27,298,485)	27,179,436
Basic and diluted (loss) income per common share		<u>\$ (0.13)</u>	<u>\$ 0.06</u>	<u>\$ (0.21)</u>	<u>\$ 0.35</u>
Weighted average number of common shares outstanding		<u>130,649,950</u>	<u>130,649,950</u>	<u>130,649,950</u>	<u>130,649,950</u>

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

SIXTY SIX CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended June 30, 2022						
	Share Capital		Reserves		Other Comprehensive Loss \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$			
Balance at December 31, 2021	130,649,950	34,890,714	(7,155,763)	2,921,835	(167,720)	403,839	30,892,905
Net loss for the period	-	-	-	-	-	(27,298,485)	(27,298,485)
Balance at June 30, 2022	<u>130,649,950</u>	<u>34,890,714</u>	<u>(7,155,763)</u>	<u>2,921,835</u>	<u>(167,720)</u>	<u>(26,894,646)</u>	<u>3,594,420</u>

	Six Months Ended June 30, 2021						
	Share Capital		Reserves		Other Comprehensive Income (Loss) \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$	Income (Loss) \$	Deficit \$	
Balance at December 31, 2020	130,649,950	34,890,714	(7,155,763)	2,036,757	(134,573)	(24,010,623)	5,626,512
Share-based compensation	-	-	-	887,846	-	-	887,846
Net income for the period	-	-	-	-	-	27,141,509	27,141,509
Currency translation adjustment	-	-	-	-	37,927	-	37,927
Balance at June 30, 2021	<u>130,649,950</u>	<u>34,890,714</u>	<u>(7,155,763)</u>	<u>2,924,603</u>	<u>(96,646)</u>	<u>3,130,886</u>	<u>33,693,794</u>

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

SIXTY SIX CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	June 30,	
	2022	2021
	\$	\$
Operating activities		
Net (loss) income for the period	(27,298,485)	27,141,509
Adjustments for:		
Depreciation of property, plant and equipment	-	422,934
Depreciation or right-of-use assets	-	64,801
Gain on disposals of subsidiaries	-	(38,788,992)
Unrealized loss on investment in equity securities	27,046,483	9,499,703
Share-based compensation	-	887,846
Result from disposal of digital currencies	-	2,866
Payments received in digital currencies	-	(1,283,571)
Foreign exchange	(102,809)	369,131
Interest expense	237,798	258,671
Net change in working capital	43,915	(134,871)
Net cash used in operating activities	(73,098)	(1,559,973)
Investing activities		
Additions to property plant and equipment	-	(544,917)
Proceeds from disposal of subsidiaries	-	827,681
Proceeds from disposal of digital currencies	-	1,281,015
Net cash provided by investing activities	-	1,563,779
Financing activity		
Lease payments	-	(85,576)
Net cash used in financing activity	-	(85,576)
Effect of exchange rate changes on cash	-	4,810
Net change in cash	(73,098)	(81,770)
Cash at beginning of period	104,551	198,579
Cash at end of period	31,453	121,619
Supplemental cash flow information		
Payments received in shares of equity security (see Note 3)	-	49,065,239
Escrow cash received from disposal of subsidiaries (see Note 3)	-	1,841,214
Supplemental disclosures		
Interest paid	-	-
Income tax paid	-	-

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

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Nature of Operations

Sixty-Six Capital Inc is an investor and developer active in Fin Tech. The Company's primary investment consists of 338,273 shares of Northern Data AG ("Northern Data") which is a leading infrastructure supplier for Bitcoin mining and other HPC infrastructure solutions. The Company is actively reviewing additional green energy investment and business opportunities within the Fin Tech space.

The Company's head office is located at 15 Percy Street, London, W1T 1DS, United Kingdom and its registered office is located at 736 Granville St., Suite 1100, Vancouver, BC V6Z 1G3, Canada.

History of Operations

Arctic Blockchain Limited ("Arctic") was incorporated on December 4, 2017 under the provisions of the Company Act (British Columbia). On February 28, 2018, Arctic completed a share purchase agreement with Hydro66 UK Limited whereby Arctic acquired Hydro66 UK Limited. Arctic subsequently completed an amalgamation with Caza Gold Corp ("Caza"), and the amalgamated entity (the "Company") became a reporting issuer on the Canadian Securities Exchange ("CSE") as Hydro66 Holdings Corp.

On March 4, 2021, the Company sold Hydro66 UK Limited and its wholly owned subsidiaries, Hydro66 Services AB, Hydro66 Svenska AB, and Hydro66 Property Services AB, to Northern Data in exchange for 338,273 shares in Northern Data and restricted cash of €1,751,544. The Northern Data shares cannot be sold prior to March 4, 2023.

On April 13, 2021, the Company changed its name from Hydro66 Holdings Corp to Sixty Six Capital Inc to better reflect its existing business and future prospects. The Company's trading symbol, "SIX", remains the same.

Going Concern

The Company's principal activity had been the provision of cloud colocation services, specialised in High Performance Computing, Storage, and information processing. With the sales of its subsidiaries on March 4, 2021, the principal activity of the Company changed materially as described above.

As at June 30, 2022 the Company had a working capital deficit of \$142,498. The Company has \$1,630,643 of restricted cash, as described in Note 3, which will be available to the Company upon resolution of certain tax issues, as described in Note 7.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. With the sale of its subsidiaries, the Company has curtailed its levels of corporate and administrative activities. However, until the Company is able to secure the release of the restricted cash and able to trade in equity securities, management anticipates the Company will continue to require additional financing and continued shareholder support to maintain essential levels of administration and corporate expenses required for a publicly traded company and provide working capital to conduct due diligence on any business or acquisition opportunities as they arise. There can be no assurance that the Company will be successful in identifying a business opportunity or securing financing.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments which could be material to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern. In addition, these consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to June 30, 2022.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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1. Nature of Operations and Going Concern (continued)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic that is still active. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended December 31, 2021.

Basis of Measurement

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for cash flow information and certain financial instruments which are measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

Subsidiaries

As at June 30, 2022 the subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Hydro66 Canada Limited	Canada	100%
Megamining Limited	United Kingdom	100%

3. Corporate Reorganization

On March 4, 2021 the Company completed the sale of Hydro66 UK Ltd. and its three Swedish subsidiaries to Northern Data in exchange for 338,273 common shares of Northern Data, at a fair value of \$49,065,239, and \$2,657,478 (€1,754,544) in cash for total net proceeds of \$51,722,717, resulting in a gain of \$38,788,992, determined as follows:

	\$
Proceeds	<u>51,722,717</u>
Net assets of subsidiaries disposed	
Cash	566,760
Amounts receivable and prepaid expenses	837,201
Property, plant and equipment	16,157,691
Right-of-use assets	2,008,764
Digital currencies	18,548
Accounts payable and accrued liabilities	(2,583,718)
Lease liabilities	(2,067,419)
Deferred income	<u>(2,004,102)</u>
	<u>12,933,725</u>
Gain on disposal	<u>38,788,992</u>

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3. Corporate Reorganization

The shares of Northern Data are subject to a two-year holding period which expires on March 4, 2023. The cash element of the proceeds from the sale of the subsidiaries is a total of €1,754,544 of which €538,000 was received on closing and €1,000,000, less any payments made from the escrow account or outstanding claims on the escrow account, was scheduled to be released to the Company on March 4, 2022, with the remaining €213,544 to be released on March 4, 2023. The Company has been notified that the escrowed funds will not be released until the VAT issue with the Swedish Tax Authorities have been resolved. See also Note 7.

4. Investment in Equity Security

	June 30, 2022 \$	December 31, 2021 \$
Cost of shares Northern Data	49,065,239	49,065,239
Fair market value effect on shares Northern Data	<u>(39,075,603)</u>	<u>(12,029,120)</u>
Total	<u>9,989,636</u>	<u>37,036,119</u>

On March 4, 2021 the Company closed on the sale of certain of its subsidiaries and as partial consideration received 338,273 shares of Northern Data. See also Note 3. The market closing price for Northern Data on March 4, 2021 was used to establish the cost of the shares. The carrying value of the Northern Data shares at June 30, 2022 was also determined using quoted market values. The received shares are subject to a two-year holding period which expires on March 4, 2023.

5. Advance

	Six Months Ended June 30, 2022 \$	Year Ended December 31, 2021 \$
Balance, beginning of period	57,666	93,941
Application of receivable	-	(36,993)
Interest expense	<u>2,660</u>	<u>718</u>
Balance, end of period	<u>60,326</u>	<u>57,666</u>

In November 2021 the Company received an advance from Mr. Rowe. The advance bears interest at the rate of 10% per annum.

6. Convertible Debentures

	June 30, 2022 \$	December 31, 2021 \$
Principal	4,768,063	4,768,063
Accumulated interest	<u>1,379,590</u>	<u>1,144,452</u>
Non-current loans payable	<u>6,147,653</u>	<u>5,912,515</u>

The Company has received a number of loans and issued convertible debentures which bear interest at 10% per annum and are repayable between December 2025 and August 2027. During the six months ended June 30, 2022 the Company recognized \$235,138 (2021 - \$235,138) of interest expense. As at June 30, 2022 \$1,379,590 (December 31, 2021 - \$1,144,452) of interest remained unpaid and is included in convertible debentures.

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6. Convertible Debentures (continued)

The amount of the loans, at the option of each Lender, will be convertible into common shares of the Company at the market price at time of such conversion in accordance with the policies of and subject to acceptance by the Canadian Securities Exchange. The value of the embedded derivative is considered to be \$nil as the number of shares will be issued to equate to the amount of the original loan and so there is no upside or downside to the option for either party. The Company has a prepayment option. The value of the embedded derivative will depend on how significant the transaction costs incurred were on the issue of the loan notes. The transaction costs were nil and so this embedded derivative has no value.

7. Provisions

	June 30, 2022 \$	December 31, 2021 \$
Provision for eventual VAT reclaim by Swedish Tax Authorities	<u>1,929,175</u>	<u>2,162,231</u>

The Company's previously owned Swedish subsidiary, Hydro66 Svenska AB ("Hydro AB"), has been under a tax review regarding parts of its recovered VAT for the period 2016-2020. The Company has given the buyer of Hydro66 Svenska AB an indemnity to be liable for tax rulings attributed to periods before the transaction date (March 4, 2021). The Swedish Tax Authorities have not yet come with a ruling but have expressed an intent to recover a portion of the VAT recovered by Hydro AB on grounds that Hydro AB is mining crypto currencies for its own use. The Company does not share the Swedish Tax Authorities opinion and is of the clear position that all its services are VAT eligible and performed for its customers. Since the legal framework regarding cryptocurrency related tax issues is still untested and the Swedish Tax Authorities are known for their aggressive stance in the matter, the Company has chosen to record a provision regarding the expected VAT claim. The amount recorded (SEK 15,466,934) represents approximately 50% of the total amount that is under consideration and represents the weighted effect of the expected decision from the Swedish Tax Authorities together with the probability of the outcome.

8. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financings*

No equity financings were conducted by the Company during the six months ended June 30, 2022 or fiscal 2021.

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8. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2022 and 2021 and the changes for the six months ended on those dates, is as follows:

	2022		2021	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	-	-	3,723,750	0.75
Expired	-	-	-	-
Balance, end of period	-	-	3,723,750	0.75

As at June 30, 2022 the Company had no warrants outstanding.

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant less an applicable discount. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years from the date of grant.

No share options were granted during the six months ended June 30, 2022.

During the six months ended June 30, 2021 the Company granted share options to purchase 8,520,000 common shares and recorded compensation expense of \$887,846.

The fair value of share options granted and vested during the six months ended June 30, 2021 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2021</u>
Risk-free interest rate	0.51% - 2.00%
Estimated volatility	42% - 111%
Expected life	3 years
Expected dividend yield	0%
Estimated forfeiture rate	0%

The weighted average measurement date fair value of all share options granted, using the Black-Scholes option pricing model, during the six months ended June 30, 2021 was \$0.10 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

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8. Share Capital (continued)

A summary of the Company's share options at June 30, 2022 and 2021 and the changes for the six months ended on those dates, is as follows:

	<u>2022</u>		<u>2021</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	12,770,000	0.21	10,625,000	0.40
Granted	-	-	8,520,000	0.17
Expired	<u>(1,200,000)</u>	0.42	<u>(5,825,000)</u>	0.50
Balance, end of period	<u>11,570,000</u>	0.18	<u>13,320,000</u>	0.21

The following table summarizes information about the share options outstanding and exercisable at June 30, 2022:

Number Outstanding	Exercise Price \$	Expiry Date
3,050,000	0.21	November 18, 2022
2,430,000	0.16	March 25, 2024
<u>6,090,000</u>	0.18	May 3, 2024
<u>11,570,000</u>		

9. Related Party Disclosures

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 consists of members of the Company's Board of Directors and its executive officers.

(a) *Transactions with Key Management Personnel*

(i) During the six months ended June 30, 2022 and 2021 the Company incurred the following compensation amounts to its current and former key management personnel:

	<u>2022</u>	<u>2021</u>
	\$	\$
Directors and officers compensation	64,500	177,458
Share-based compensation	<u>-</u>	<u>869,145</u>
	<u>64,500</u>	<u>1,046,603</u>

As at June 30, 2022 \$96,750 (December 31, 2021 - \$32,250) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended June 30, 2021 the Company incurred a total of \$53,473 to Croft Legal Services Ltd. ("Croft"), a private corporation owned by a director of the Company, for legal services. No legal services were performed by Croft during the six months ended June 30, 2022.

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9. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

During the six months ended June 30, 2022 the Company incurred a total of \$16,400 (2021 - \$7,000) to Chase Management Ltd., a private corporation owned by the Corporate Secretary of the Company, for accounting and administration services. As at June 30, 2022 \$3,200 (December 31, 2021 - \$2,700) remained unpaid and has been included in accounts payable and accrued liabilities.

10. Financial Instruments and Risk Management

General Objectives, Policies and Processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below. The Board reviews its monthly reports through which it assesses the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors.

Categories of Financial Assets and Liabilities

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- (i) Trade receivables
- (ii) Cash and restricted cash
- (iii) Investment in equity security
- (iv) Accounts payable and accrued liabilities
- (v) Advance and convertible debentures

Trade and other receivables are initially measured at the amount of consideration that is unconditional. The Company holds trade receivables with the objective of collecting the contractual cash flows so is subsequently measured at amortized cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

The fair value of the investment in equity security is measured based on level 1 at the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in comprehensive income (loss).

Accounts payable and accrued liabilities are measured at book value. The book value of financial assets and liabilities equates to their fair value.

Accounts payable and accrued liabilities principally comprise amounts outstanding for trade purchases and ongoing costs.

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(Unaudited - Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

The Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	As at June 30, 2022			
	Within 6 Months \$	Current 6-12 Months \$	Non-Current 1 - 5 Years \$	Non-Current Over 5 Years \$
Advance	60,326	-	-	-
Convertible debentures	-	-	5,539,671	607,982
Trade and other payables	122,499	-	-	-
Total	182,825	-	5,539,671	607,982

	As at December 31, 2021			
	Within 6 Months \$	Current 6-12 Months \$	Non-Current 1 - 5 Years \$	Non-Current Over 5 Years \$
Advance	57,666	-	-	-
Convertible debentures	-	-	4,319,637	1,592,878
Trade and other payables	88,616	-	-	-
Total	146,282	-	4,319,637	1,592,878

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Cash and Cash Equivalents

Cash and cash equivalents are currently held in Canadian Dollars (\$), United States Dollars ("USD") and Sterling ("GBP") and placed on deposit in Canadian and UK banks.

Risk Exposures

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables. The credit risk in respect of cash balances held with banks is remote as they are held only with major reputable financial institutions. The Company is mainly exposed to credit risk from credit sales.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations.

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10. Financial Instruments and Risk Management (continued)

Short-term liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

Longer-term liquidity risk is the ability of the Company to continue as a going concern. This risk is managed by the preparation by the Directors of cash flow forecasts and the strict management of expenditure.

Market Risk

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros, US Dollars and Pounds Sterling. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At June 30, 2022 1 Canadian Dollar was equal to 0.74 Euro, 0.78 US Dollar and 0.64 Pounds Sterling.

	Euros	United States Dollars	Pounds Sterling	CDN \$ Equivalent
Cash	-	20,540	854	27,668
Amounts receivable	-	-	600	938
Restricted cash	1,213,544	-	-	1,630,643
Investment in equity securities	7,374,351	-	-	9,989,636
Receivable from former employees	-	-	123,906	193,467
Accounts payable and accrued liabilities	-	-	(6,932)	(10,831)
	<u>8,587,895</u>	<u>20,540</u>	<u>118,428</u>	<u>11,831,521</u>

Based on the net exposures as of June 30, 2022 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, US Dollar and Pounds Sterling would result in the Company's net income or loss being approximately \$1,095,000 higher (or lower).

(c) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risks relate primarily to there being sufficient demand for colocation within the Data Centre and to the price of electricity which is the main cost driver on gross margin.

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10. Financial Instruments and Risk Management (continued)

(d) Digital Assets Price Risk

Digital assets are measured by taking the rate from Coinmarketcap.com. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance.

(e) Equity Price Risk

The Company is exposed to equity risk due to the significance of its holding of 338,273 common shares of Northern Data. On June 30, 2022 these shares were valued at €21.80 each, for a total of €7,374,351. A change in the price of Northern Data shares by +/- €1, will impact the value of the Company's holding by €338,273.

A 10% fluctuation in the value of Northern Data common shares from the value at June 30, 2022 would result in the Company recording a gain or loss through unrealized loss or gain in fair value of investment in equity security of \$991,000.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. There has been no change to the Company's capital management strategy during the six months ended June 30, 2022 and the Company is not subject to any externally imposed capital requirements.

11. Segmented Information

Prior to the sale of its operating subsidiaries in March 2021, as described in Note 3, the Company's prior operations were centred on providing data centre services and information processing services. Management therefore considered that there were two reporting segments for the Company. The geographical split of revenue by customer location prior to the disposition of the subsidiaries, were as follows:

	June 30, 2021				
	United Kingdom	Asia	North America	Rest of Europe	Total
	\$	\$	\$	\$	\$
Data Centre Services	320,099	-	-	96,140	416,239
Information Processing Services	-	1,304,384	57,862	-	1,362,246
	<u>320,099</u>	<u>1,304,384</u>	<u>57,862</u>	<u>96,140</u>	<u>1,778,485</u>