
SIXTY SIX CAPITAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 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	September 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash		16,142	104,551
Amounts receivable and prepaid expenses		<u>5,391</u>	<u>18,906</u>
Total current assets		<u>21,533</u>	<u>123,457</u>
Non-current assets			
Restricted cash	3	-	1,741,283
Investment in equity security	4	5,328,208	37,036,119
Receivable from former employees		<u>190,500</u>	<u>213,074</u>
Total non-current assets		<u>5,518,708</u>	<u>38,990,476</u>
TOTAL ASSETS		<u>5,540,241</u>	<u>39,113,933</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		285,130	88,616
Advance		61,636	57,666
Amount due	7	<u>947,707</u>	<u>-</u>
Total current liabilities		<u>1,294,473</u>	<u>146,282</u>
Non-current liabilities			
Convertible debentures	6	6,265,242	5,912,515
Provisions	7	<u>-</u>	<u>2,162,231</u>
Total non-current liabilities		<u>6,265,242</u>	<u>8,074,746</u>
TOTAL LIABILITIES		<u>7,559,715</u>	<u>8,221,028</u>
SHAREHOLDERS' EQUITY (DEFICIT)			
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>(32,508,540)</u>	<u>403,839</u>
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		<u>(2,019,474)</u>	<u>30,892,905</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>5,540,241</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 November 25, 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 September 30,		Nine Months Ended September 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)	3,950	9,300	20,350	19,012
Audit		-	-	5,250	36,016
Bank charges		53	142	156	642
Legal and professional	9(a)(ii)	2,410	65,225	12,479	642,033
Marketing and promotion fees		-	-	-	10,193
Management fees, salaries and wages	9(a)(i)	32,250	-	96,750	256,383
Office		1,811	2,532	5,569	47,636
Regulatory and filing fees		7,618	8,511	26,568	31,729
Share-based compensation	8(d)	-	13,809	-	901,655
Technical support and security costs		-	-	-	99,417
Travel		-	-	-	2,351
Other operating expenses		-	-	-	84,117
		48,092	99,519	167,122	2,131,184
Gain on disposal of subsidiaries	3	-	-	-	38,788,992
(Loss) income before other items		(48,092)	(99,519)	(167,122)	37,286,702
Other items					
Interest and other financial costs	5, 6	(118,899)	(117,589)	(356,697)	(376,260)
Unrealized loss on investment in equity security	4	(4,661,428)	(3,489,520)	(31,707,911)	(12,996,226)
Settlement of indemnification	7	(609,623)	-	(609,623)	-
Other		(134,400)	-	(134,400)	-
Foreign exchange		(41,452)	321	63,374	(486,017)
		(5,565,802)	(3,606,788)	(32,745,257)	(13,858,503)
Net (loss) income for the period		(5,613,894)	(3,706,307)	(32,912,379)	23,428,199
Other comprehensive income					
Exchange difference on translating foreign operations		-	-	-	37,927
Comprehensive (loss) income for the period		(5,613,894)	(3,706,307)	(32,912,379)	23,466,126
Basic and diluted (loss) income per common share		<u>\$(0.04)</u>	<u>\$(0.04)</u>	<u>\$(0.25)</u>	<u>\$0.28</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 (DEFICIT)
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended September 30, 2022						
	Share Capital		Reserves			Retained Earnings (Deficit)	Total Shareholders' Equity (Deficit)
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$	Other Comprehensive Loss \$		
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	-	-	-	-	-	(32,912,379)	(32,912,379)
Balance at September 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>(32,508,540)</u>	<u>(2,019,474)</u>

	Nine Months Ended September 30, 2021						
	Share Capital		Reserves			Retained Earnings (Deficit)	Total Shareholders' Equity
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$	Other Comprehensive Income (Loss) \$		
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	-	-	-	901,655	-	-	901,655
Net income for the period	-	-	-	-	-	23,428,199	23,428,199
Currency translation adjustment	-	-	-	-	37,927	-	37,927
Balance at September 30, 2021	<u>130,649,950</u>	<u>34,890,714</u>	<u>(7,155,763)</u>	<u>2,938,412</u>	<u>(96,646)</u>	<u>(582,424)</u>	<u>29,994,293</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)

	Nine Months Ended September 30,	
	2022 \$	2021 \$
Operating activities		
Net (loss) income for the period	(32,912,379)	23,428,199
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 security	31,707,911	12,996,226
Share-based compensation	-	901,655
Result from disposal of digital currencies	-	2,866
Payments received in digital currencies	-	(1,283,571)
Foreign exchange	(60,290)	369,131
Interest expenses	356,697	376,260
Settlement of indemnification	609,623	-
Net change in working capital	210,029	(126,257)
Net cash used in operating activities	<u>(88,409)</u>	<u>(1,636,748)</u>
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	<u>-</u>	<u>1,563,779</u>
Financing activity		
Lease payments	-	(85,576)
Net cash used in financing activity	<u>-</u>	<u>(85,576)</u>
Effect of exchange rate changes on cash	<u>-</u>	<u>4,810</u>
Net change in cash	(88,409)	(153,735)
Cash at beginning of period	<u>104,551</u>	<u>198,579</u>
Cash at end of period	<u>16,142</u>	<u>44,844</u>
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
Provisions (see Note 7)	1,891,297	-
Restricted cash (see Note 3)	(1,579,344)	-
Amount due (see Note 7)	947,707	-
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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2022 the Company had a working capital deficit of \$1,272,940. 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 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.

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

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 September 30, 2022 the Company has one subsidiary, as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
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 (€1,751,544) 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>

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 €1,751,544 of which €538,000 was received on closing and the remaining €1,213,544 was released from the escrow account in July 2022 on the resolution of the VAT issue with the Swedish Tax Authorities as described in Note 7.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
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4. Investment in Equity Security

	September 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>(43,737,031)</u>	<u>(12,029,120)</u>
Total	<u>5,328,208</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 September 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

	Nine Months Ended September 30, 2022 \$	Year Ended December 31, 2021 \$
Balance, beginning of period	57,666	93,941
Application of receivable	-	(36,993)
Interest expense	<u>3,970</u>	<u>718</u>
Balance, end of period	<u>61,636</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

	September 30, 2022 \$	December 31, 2021 \$
Principal	4,768,063	4,768,063
Accumulated interest	<u>1,497,179</u>	<u>1,144,452</u>
Non-current loans payable	<u>6,265,242</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 nine months ended September 30, 2022 the Company recognized \$352,727 (2021 - \$352,727) of interest expense. As at September 30, 2022 \$1,497,179 (December 31, 2021 - \$1,144,452) of interest remained unpaid and is included in convertible debentures.

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 CSE. 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.

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7. Provisions

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

The Company's previously owned Swedish subsidiary, Hydro66 Svenska AB ("Hydro AB"), had been under a tax review regarding parts of its recovered VAT for the period 2016-2020. The Company had 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 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 and Northern Data did not share the Swedish Tax Authorities opinion and an appeal was filed. During fiscal 2021 the Company recorded a provision of \$2,162,231 (SEK 15,466,934) representing approximately 50% of the total amount that was under consideration and represented the weighted effect of the expected decision from the Swedish Tax Authorities together with the probability of the outcome. On July 8, 2022 the Swedish Tax Authorities rendered their decision rejecting the appeal and, as a result SEK 19,858,205 was paid by Northern Data, of which the €1,213,544 escrowed funds were released to Northern Data and \$947,707 (€708,125) remains payable as at September 30, 2022.

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 nine months ended September 30, 2022 or fiscal 2021.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at September 30, 2022 and 2021 and the changes for the nine 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	<u>-</u>	-	<u>(3,723,750)</u>	0.75
Balance, end of period	<u>-</u>	-	<u>-</u>	-

As at September 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.

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8. Share Capital (continued)

No share options were granted during the nine months ended September 30, 2022.

During the nine months ended September 30, 2021 the Company granted share options to purchase 8,520,000 common shares and recorded compensation expense of \$901,655.

The fair value of share options granted and vested during the nine months ended September 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 nine months ended September 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.

A summary of the Company's share options at September 30, 2022 and 2021 and the changes for the nine 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 September 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>		

* Expired without exercise

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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 nine months ended September 30, 2022 and 2021 the Company incurred the following compensation amounts to its current and former key management personnel:

	2022 \$	2021 \$
Directors and officers compensation	96,750	209,708
Share-based compensation	-	877,560
	<u>96,750</u>	<u>1,087,268</u>

As at September 30, 2022 \$129,000 (December 31, 2021 - \$32,250) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the nine months ended September 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 nine months ended September 30, 2022.

(b) *Transactions with Other Related Parties*

During the nine months ended September 30, 2022 the Company incurred a total of \$20,350 (2021 - \$16,300) to Chase Management Ltd., a private corporation owned by the Corporate Secretary of the Company, for accounting and administration services. As at September 30, 2022 \$5,950 (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.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

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.

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

	As at September 30, 2022			
	Within 6 Months \$	Current 6-12 Months \$	Non-Current 1 - 5 Years \$	Non-Current Over 5 Years \$
Accounts payables and accrued liabilities	285,130	-	-	-
Amount due	947,707	-	-	-
Advance	61,636	-	-	-
Convertible debentures	-	-	6,265,242	-
Total	1,294,473	-	6,265,242	-

	As at December 31, 2021			
	Within 6 Months \$	Current 6-12 Months \$	Non-Current 1 - 5 Years \$	Non-Current Over 5 Years \$
Accounts payables and accrued liabilities	88,616	-	-	-
Advance	57,666	-	-	-
Convertible debentures	-	-	4,319,637	1,592,878
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.

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10. Financial Instruments and Risk Management (continued)

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.

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 September 30, 2022 1 Canadian Dollar was equal to 0.75 Euro, 0.73 US Dollar and 0.65 Pounds Sterling.

	Euros	United States Dollars	Pounds Sterling	CDN \$ Equivalent
Cash	-	7,084	854	11,018
Amounts receivable	-	-	600	923
Investment in equity securities	3,957,794	-	-	5,328,208
Receivable from former employees	-	-	123,906	190,500
Accounts payable and accrued liabilities	-	-	(91,304)	(140,467)
Amount due	(708,125)	-	-	(947,707)
	<u>3,249,669</u>	<u>7,084</u>	<u>34,056</u>	<u>4,442,475</u>

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10. Financial Instruments and Risk Management (continued)

Based on the net exposures as of September 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 \$410,000 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.

(d) 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 September 30, 2022 these shares were valued at €11.70 each, for a total of €3,957,794. 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 September 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 \$498,000.

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 nine months ended September 30, 2022 and the Company is not subject to any externally imposed capital requirements.