

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **SIXTY SIX CAPITAL INC.** (the Issuer”).

Trading Symbol: **SIX**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements for the interim period ended March 31, 2022 are attached as Schedule A.

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

All related party transactions have been disclosed in the Issuer's financial statements and MD&A for the interim period ended March 31, 2022. (Note 9.)

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

All securities issued and options granted by the Issuer have been disclosed in the Issuer's financial statement notes for the interim period ended March 31, 2022. (Note 8)

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

A summary of securities has been provided in the financial statements for the interim period ended March 31, 2022. (on Page 5 and Note 8)

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

David Rowe	- Chairman, CEO and Director
Alexander Johnstone	- CFO
Richard Croft	- Director
Richard Patricio	- Director
Michael Hudson	- Director
Nick DeMare	- Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The MD&A for the interim period ended March 31, 2022 is attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated May 31, 2022

Alex Johnstone
Name of Director or Senior Officer

"Alex Johnstone"
Signature

CFO
Official Capacity

Issuer Details Name of Issuer		For Quarter Ended	Date of Report YY/MM/D
SIXTY SIX CAPITAL INC.		March 31, 2022	May 31, 2022
Issuer Address #1305 - 1090 West Georgia Street			
City/Province/Postal Code	Issuer Fax No. ()	Issuer Telephone No. ()	
Vancouver, BC V6E 3V7	604-683-1585	416-941-1071	
Contact Name	Contact Position	Contact Telephone No.	
Alex Johnstone	CFO	44-7775-893-049	
Contact Email Address	Web Site Address		
alex.johnstone@blackgreencapital.com	www.sixtysixcapital.com		

Schedule “A”

Financial Statements

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

(inserted as following pages)

SIXTY SIX CAPITAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 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	March 31, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash		90,897	104,551
Amounts receivable and prepaid expenses		<u>14,389</u>	<u>18,906</u>
Total current assets		<u>105,286</u>	<u>123,457</u>
Non-current assets			
Restricted cash	3	1,675,503	1,741,283
Investment in equity security	4	26,992,128	37,036,119
Receivable from former employees		<u>203,096</u>	<u>213,074</u>
Total non-current assets		<u>28,870,727</u>	<u>38,990,476</u>
TOTAL ASSETS		<u>28,976,013</u>	<u>39,113,933</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		124,949	88,616
Short-term borrowing	5	<u>59,070</u>	<u>57,666</u>
Total current liabilities		<u>184,019</u>	<u>146,282</u>
Non-current liabilities			
Convertible debentures	6	6,030,084	5,912,515
Provisions	7	<u>2,067,187</u>	<u>2,162,231</u>
Total non-current liabilities		<u>8,097,271</u>	<u>8,074,746</u>
TOTAL LIABILITIES		<u>8,281,290</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>(9,794,343)</u>	<u>403,839</u>
TOTAL SHAREHOLDERS' EQUITY		<u>20,694,723</u>	<u>30,892,905</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>28,976,013</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 May 30, 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 March 31,	
		2022	2021
		\$	\$
Revenue	11	-	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 loss for the period		-	628,894
Administrative expenses			
Accounting and administration		6,700	2,738
Audit		-	36,016
Bank charges		52	440
Legal and professional	9(a)(ii)	3,769	498,739
Marketing and promotion fees		-	10,193
Management fees, salaries and wages	9(a)(i)	34,900	256,383
Office		1,414	23,181
Regulatory and filing fees		7,619	20,229
Share-based compensation	8(d)	-	143,237
Technical support and security costs		-	99,417
Travel		-	2,351
Other operating expenses		-	84,117
		54,454	1,177,041
Gain on disposal of subsidiaries	3	-	38,788,992
(Loss) income before other items		(54,454)	38,240,845
Other items			
Other income		-	(141,052)
Interest expense		(118,973)	-
Unrealized (loss) gain on investment in equity security	4	(10,043,991)	1,999,537
Foreign exchange		19,236	(369,131)
		(10,143,728)	1,489,354
Net (loss) income for the period		(10,198,182)	39,730,199
Other comprehensive income			
Exchange difference on translating foreign operations		-	37,927
Comprehensive (loss) income for the period		(10,198,182)	39,768,126
Basic and diluted (loss) income per common share		\$(0.08)	\$0.30
Weighted average number of common shares outstanding		130,649,950	130,649,950

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)

	Three Months Ended March 31, 2022						
	Share Capital		Reserves				
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$	Other Comprehensive Loss \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity \$
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	-	-	-	-	-	(10,198,182)	(10,198,182)
Balance at March 31, 2022	130,649,950	34,890,714	(7,155,763)	2,921,835	(167,720)	(9,794,343)	20,694,723

	Three Months Ended March 31, 2021					
	Share Capital		Reserves		Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Amount \$	Other \$	Share-Based Compensation \$	(Loss) \$	Deficit \$
Balance at December 31, 2020	130,649,950	34,890,714	(7,155,763)	2,036,757	(134,573)	(24,010,623)
Share-based compensation	-	-	-	143,237	-	-
Net income for the period	-	-	-	-	-	39,730,199
Currency translation adjustment	-	-	-	-	37,927	-
Balance at March 31, 2021	130,649,950	34,890,714	(7,155,763)	2,179,994	(96,646)	15,719,576

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)

	Three Months Ended March 31,	
	2022	2021
	\$	\$
Operating activities		
Net (loss) income for the period	(10,198,182)	39,730,199
Adjustments for:		
Depreciation of property, plant and equipment	-	422,934
Depreciation on right-of-use assets	-	64,801
Gain on disposals of subsidiaries	-	(38,788,992)
Unrealized loss (gain) on investment in equity securities	10,043,991	(1,999,537)
Share-based compensation	-	143,237
Result from disposal of digital currencies	-	2,866
Payments received in digital currencies	-	(1,283,571)
Foreign exchange	(19,360)	369,131
Interest expense	118,973	141,052
Net change in working capital	40,924	18,004
Net cash used in operating activities	(13,654)	(1,179,876)
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	(13,654)	303,137
Cash at beginning of period	104,551	198,579
Cash at end of period	90,897	501,716
Supplemental cash flow information		
Payments received in shares of equity security (see Note 4)	-	49,065,239
Escrow cash received from disposal of subsidiaries (see Note 3)	-	1,841,214
Supplemental disclosures		
Interest paid	-	23,483
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 THREE MONTHS ENDED MARCH 31, 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 March 31, 2022 the Company had a working capital deficiency of \$78,733. The Company has \$1,675,503 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 March 31, 2022.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited - Expressed in Canadian Dollars)

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 March 31, 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>

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited - Expressed in Canadian Dollars)

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

	March 31, 2022 \$	December 31, 2021 \$
Cost of shares Northern Data	49,065,239	49,065,239
Fair market value effect on shares Northern Data	<u>(22,073,111)</u>	<u>(12,029,120)</u>
Total	<u>26,992,128</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 March 31, 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. Short-term Borrowing

	Three Months Ended March 31, 2022 \$	Year Ended December 31, 2021 \$
Balance, beginning of period	57,666	93,941
Application of receivable	-	(36,993)
Interest expense	<u>1,404</u>	<u>718</u>
Balance, end of period	<u>59,070</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

	March 31, 2022 \$	December 31, 2021 \$
Principal	4,768,063	4,768,063
Accumulated interest	<u>1,262,021</u>	<u>1,144,452</u>
Non-current loans payable	<u>6,030,084</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 three months ended March 31, 2022 the Company recognized \$117,569 (2021 - \$117,569) of interest expense. As at March 31, 2022 \$1,262,021 (December 31, 2021 - \$1,144,452) of interest remained unpaid and is included in convertible debentures.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited - Expressed in Canadian Dollars)

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

	March 31, 2022 \$	December 31, 2021 \$
Provision for eventual VAT reclaim by Swedish Tax Authorities	<u>2,067,187</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 three months ended March 31, 2022 or fiscal 2021.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at March 31, 2022 and 2021 and the changes for the three months ended on those dates, is as follows:

	<u>2022</u>		<u>2021</u>	
	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 March 31, 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 three months ended March 31, 2022.

During the three months ended March 31, 2021 the Company granted share options to purchase 2,430,000 common shares and recorded compensation expense of \$143,237.

The fair value of share options granted and vested during the three months ended March 31, 2021 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2021</u>
Risk-free interest rate	2.00%
Estimated volatility	42%
Expected life	2 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 three months ended March 31, 2021 was \$0.06 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.

SIXTY SIX CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

A summary of the Company's share options at March 31, 2022 and 2021 and the changes for the three months ended on those dates, is as follows:

	2022		2021	
	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	-	-	2,430,000	0.16
Expired	<u>(600,000)</u>	0.38	<u>-</u>	-
Balance, end of period	<u>12,170,000</u>	0.20	<u>13,055,000</u>	0.36

The following table summarizes information about the share options outstanding and exercisable at March 31, 2022:

Number Outstanding	Exercise Price \$	Expiry Date
600,000	0.45	May 15, 2022*
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>12,170,000</u>		

* On May 15, 2022 these options expired without exercise.

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 three months ended March 31, 2022 and 2021 the Company incurred the following compensation amounts to its current and former key management personnel:

	2022 \$	2021 \$
Directors and officers compensation	32,250	139,792
Share-based compensation	<u>-</u>	<u>138,345</u>
	<u>32,250</u>	<u>278,137</u>

As at March 31, 2022 \$64,500 (December 31, 2021 - \$32,250) remained unpaid and has been included in accounts payable and accrued liabilities.

- (ii) During the three months ended March 31, 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 three months ended March 31, 2022.

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9. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

During the three months ended March 31, 2022 the Company incurred a total of \$6,700 (2021 - \$2,896) to Chase Management Ltd., a private corporation owned by the Corporate Secretary of the Company, for accounting and administration services. As at March 31, 2022 \$6,200 (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) Short-term borrowing 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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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 March 31, 2022			
	Within 6 Months \$	Current 6-12 Months \$	1 - 5 Years \$	Non-Current Over 5 Years \$
Short-term borrowing	58,996	-	-	-
Convertible debentures	-	-	4,319,637	1,710,447
Trade and other payables	125,023	-	-	-
Total	184,019	-	4,319,637	1,710,447

	As at December 31, 2021			
	Within 6 Months \$	Current 6-12 Months \$	1 - 5 Years \$	Non-Current Over 5 Years \$
Short-term borrowing	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 March 31, 2022 1 Canadian Dollar was equal to 0.72 Euro, 0.80 US Dollar and 0.61 Pounds Sterling.

	Euros	United States Dollars	Pounds Sterling	CDN \$ Equivalent
Cash	-	46,497	854	59,522
Amounts receivable	-	-	600	984
Restricted cash	1,213,544	-	-	1,675,503
Investment in equity securities	19,383,042	-	-	26,992,128
Receivable from former employees	-	-	123,906	203,096
Accounts payable and accrued liabilities	-	-	(6,562)	(10,758)
	<u>20,596,586</u>	<u>46,497</u>	<u>118,798</u>	<u>28,920,475</u>

Based on the net exposures as of March 31, 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 \$12,050,000 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 March 31, 2022 these shares were valued at €57.30 each, for a total of €19,383,042. 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 March 31, 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 \$1,938,305.

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 three months ended March 31, 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:

	March 31, 2021				
	United Kingdom \$	Asia \$	North America \$	Rest of Europe \$	Total \$
Data Centre Services	320,099	-	-	96,140	416,239
Information Processing Services	<u>-</u>	<u>1,304,384</u>	<u>57,862</u>	<u>-</u>	<u>1,362,246</u>
	320,099	1,304,384	57,862	96,140	1,778,485

Schedule “C”

Management Discussion and Analysis

MD&A FOR THE THREE MONTHS ENDED MARCH 31, 2022

(inserted as following pages)

SIXTY SIX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2022

This discussion and analysis of financial position and results of operation is prepared as at May 30, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended March 31, 2022, of Sixty Six Capital Inc. ("Six" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward Looking Statements

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about economics and competition surrounding the services provided by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward looking statement or information herein will prove to be accurate. Forward looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Factors that could cause actual results to differ materially from those in forward looking statements include such matters as continued availability of capital and financing and general economic, market or business conditions. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward looking statements or information. Any forward looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

COVID-19

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.

Company Overview

The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia and trades on the Canadian Securities Exchange ("CSE") under the symbol "SIX" and on the OTCQB under the symbol

“HYHDF”. 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.

The Company is currently 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.

Background

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 CSE as Hydro66 Holdings Corp.

The principal activities of the Company previously were, the provision of cloud and colocation services specialized in high performance cloud computing, storage, and information processing. The Company had developed a facility in the North of Sweden. On January 7, 2021, the Company entered into a letter of intent with Northern Data to sell the data facility and on March 4, 2021, the sale to Northern Data was completed 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.

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 has been determined. See also “Results of Operations - Provisions”.

As part of the sale the Company has given certain waivers and indemnities to Northern Data, because of this the Company has chosen to record a provision of \$2,067,187 (SEK 15,466,934) in the accounts to allow for the possibility of a negative outcome relating to VAT audits.

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.

Investments

The Company’s investments are reported as follows:

	March 31, 2022 \$	December 31, 2021 \$
Cost of Northern Data Shares	49,065,239	49,065,239
Fair market values effect on shares of Northern Data	(22,073,111)	(12,029,120)
	<u>26,992,128</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. 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 March 31, 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.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company.

	Fiscal 2022	Fiscal 2021				Fiscal 2020		
Three Months Ended	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$	Jun 30 2021 \$	Mar 31 2021 \$	Dec 31 2020 \$	Sept 30 2020 \$	Jun 30 2020 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	1,778,485	1,181,391	683,056	794,313
Cost of sales	Nil	Nil	Nil	Nil	(1,146,725)	(1,103,893)	(1,020,666)	(878,254)
Cryptocurrency related items	Nil	Nil	Nil	Nil	(2,866)	19,270	2,651	(7,298)
Expenses	(54,454)	(72,364)	(99,519)	(854,624)	(1,177,041)	(962,818)	(864,361)	(888,662)
Gain on disposal of subsidiaries	Nil	Nil	Nil	Nil	38,788,992	Nil	Nil	Nil
Other items	(10,143,728)	1,051,624	(3,606,788)	(11,734,066)	1,489,354	(2,364,060)	(151,549)	(54,431)
Net (loss) income	(10,198,182)	979,260	(3,706,307)	(12,588,690)	39,730,199	(3,230,110)	(1,350,869)	(1,034,332)
Other comprehensive (loss) income, net	Nil	(71,074)	Nil	Nil	37,927	383,139	286,272	320,602
Comprehensive (loss) income	(10,198,182)	908,186	(3,706,307)	(12,588,690)	39,768,126	(2,846,971)	(1,064,597)	(713,730)
Basic and diluted (loss) income per share	(0.08)	0.03	(0.04)	(0.10)	0.30	(0.04)	(0.00)	(0.00)
Balance Sheet:								
Working capital (deficit)	(78,733)	(22,825)	1,635,643	1,728,101	1,952,164	(2,326,642)	(1,375,714)	(684,727)
Total assets	28,976,013	39,113,933	38,181,587	41,760,951	53,685,293	19,304,049	17,937,362	17,321,461
Total non-current liabilities	(8,097,271)	(8,074,746)	(8,023,176)	(7,914,287)	(7,777,712)	(9,943,621)	(6,751,224)	(6,147,060)

Results of Operations

The Company was previously conducting business providing cloud and colocation services specialized in high performance cloud computing, storage and information processing. On March 4, 2021 the Company completed the sale of its business and facility. See also “Company Overview - Background”. As of the date of this MD&A the Company has not identifies any business or acquisition opportunities.

Three Months Ended March 31, 2022 Compared to Three Months Ended December 31, 2021

During the three months ended March 31, 2022 (“Q1/2022”) the Company reported a net loss of \$10,198,182 compared to net income of \$979,260 for the three months ended December 31, 2021 (“Q4/2021”), an increase in loss of \$11,177,442. The increase in loss is primarily due to the recognition of an unrealized loss of \$10,043,991 due to the decrease in the stock price of the Northern Data Shares in Q1/2022, compared to an unrealized gain of \$967,106 in Q4/2021.

Three Months Ended March 31, 2022 Compared to Three months Ended March 31, 2021

During the three months ended March 31, 2022 (“Q1/2022”) the Company reported a net loss of \$10,198,182 compared to a net income of \$39,730,199 for the three months ended March 31, 2021 (“Q1/2021”), an increase in loss of \$49,928,381. The increase in loss is primarily due to the following:

- (i) recognition of a gain on disposal of subsidiaries of \$38,788,992 in Q1/2021;
- (ii) recognition of an unrealized loss of \$10,043,991 in Q1/2022 compared to an unrealized gain of \$1,999,537 in Q1/2021 due to the changes in the quoted stock price on the Company’s holdings in the Northern Data Shares;
- (iii) decrease in corporate expenses of \$1,122,587 from \$1,177,041 in Q1/2021 to \$54,454 in Q1/2022. Corporate and administrative expenses were significantly curtailed upon the sale of the subsidiaries.

Financing Activities

No financing activities were conducted by the Company during Q1/2022 or Q1/2021.

Short-term Borrowings

In November 2021 the Company received an advance from Mr. Rowe. The advance bears interest at the rate of 10% per annum. As at March 31, 2022 \$59,070 (December 31, 2021 - \$57,666) of the advance and accrued interest remained outstanding.

Convertible Debentures

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 three months ended March 31, 2022 the Company recognized \$117,569 (2021 - \$117,569) of interest expense. As at March 31, 2022 \$4,768,063 (December 31, 2021 - \$4,768,063) of principal and \$1,262,021 (December 31, 2021 - \$1,144,452) of interest remained unpaid.

The amount of the loans, at the option of each lender, may 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 Company has a prepayment option.

Provision

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.

Financial Condition / Capital Resources

During the three months ended March 31, 2022 the Company recorded a net loss of \$10,198,182 and, as at March 31, 2022, had a working capital deficiency of \$78,733. The Company has \$1,675,503 of restricted cash which will be available to the Company upon resolution of the VAT issues. 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Financial Instruments and Risk Management

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) Short-term borrowing 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 March 31, 2022			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Short-term borrowing	59,070	-	-	-
Convertible debentures	-	-	4,319,637	1,710,447
Trade and other payables	124,949	-	-	-
Total	184,019	-	4,319,637	1,710,447

	As at December 31, 2021			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Short-term borrowing	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.

Changes in Accounting Policies

A detailed summary of the Company's significant accounting policies is included in Note 3 to the December 31, 2021 audited annual financial statements.

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 Q1/2022 and Q1/2021 the Company incurred the following compensation amounts to its key management personnel:

	Q1/2022 \$	Q1/2021 \$
David Rowe	9,000	139,792
Alex Johnstone	6,000	-
Richard Croft	6,000	-
Michael Hudson	4,500	-
Richard Patricio	4,500	-
Nick DeMare	2,250	-
	<u>32,250</u>	<u>139,792</u>

As at March 31, 2022 \$64,500 (December 31, 2021 - \$32,250) remained unpaid.

In addition the Company also recorded share-based compensation for share options granted to key management personnel as follows:

	Q1/2022 \$	Q1/2021 \$
David Rowe	-	62,000
Alex Johnstone	-	30,550
Richard Croft	-	21,925
Michael Hudson	-	11,935
Richard Patricio	-	11,935
	<u>-</u>	<u>138,345</u>

- (ii) During Q1/2021 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 Q1/2022.

(b) *Transactions with Other Related Parties*

During Q1/2022 the Company incurred a total of \$6,700 (Q1/2021 - \$2,896) to Chase Management Ltd., a private corporation owned by the Nick DeMare, the Corporate Secretary of the Company, for accounting and administration services. As at March 31, 2022 \$6,200 (December 31, 2021 - \$2,700) remained unpaid and has been included in accounts payable and accrued liabilities.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at May30, 2022 there were 130,649,950 issued and outstanding common shares and 11,570,000 share options outstanding, exercisable at prices ranging from \$0.16 per share to \$0.45 per share.