SIXTY SIX CAPITAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sixty Six Capital Inc.

Opinion

We have audited the accompanying consolidated financial statements of Sixty Six Capital Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 16, 2024

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

	Note	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash		1,308,797	41,174
Amounts receivable		-	1,269
Prepaid expenses		21,347	20,550
Investments	5	10,743,909	2,977,374
TOTAL ASSETS		12,074,053	3,040,367
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		33,286	198,291
Advances	6	-	63,629
Current portion of convertible debentures	7	1,020,628	-
Amount due	8	-	1,019,975
Total current liabilities		1,053,914	1,281,895
Non-current liabilities			
Convertible debentures	7	5,845,499	6,389,321
Total non-current liabilities		5,845,499	6,389,321
TOTAL LIABILITIES		6,899,413	7,671,216
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	9	35,078,289	35,078,289
Other reserves		(7,155,763)	(7,155,763)
Share option reserve		2,960,014	2,960,014
Accumulated other comprehensive loss		-	(167,720)
Deficit		(25,707,900)	(35,345,669)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		5,174,640	(4,630,849)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		12,074,053	3,040,367

Nature of Operations - see Note 1

Events after the Reporting Period - Notes 9(c) and 14

These consolidated financial statements were approved for issue by the Board of Directors on April 16, 2024 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 consolidated financial statements.

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

	Notes	Year Ended December 31, 2023 $	2022 $
Expenses			
Accounting and administration		22,275	28,640
Audit and related		24,000	25,250
Bank charges		272	229
Corporate development		2,400	-
Director and officer compensation	10	42,500	107,500
Legal		2,612	19,293
Office		6,508	2,279
Professional fees		3,492	-
Regulatory fees		36,609	34,187
Share-based compensation	9(c)	-	38,179
Shareholder costs		-	1,038
Transfer agent		5,196	4,484
		145,864	261,079
Loss before other items		(145,864)	(261,079)
Other items			
Interest income		48,605	-
Interest expense	6,7	(480,782)	(482,769)
Realized loss on sale of investments	5	(23,490,999)	-
Unrealized gain (loss) on investments	5	33,891,288	(34,058,745)
Settlement of indemnification	8	-	(609,623)
Impairment of receivable from former employees		-	(202,879)
Other		8,120	(135,588)
Foreign exchange		(192,599)	1,175
		9,783,633	(35,488,429)
Net and comprehensive income (loss) for the year		9,637,769	(35,749,508)
Basic and diluted income (loss) per common share		$0.07	$(0.27)
Weighted average number of common shares outstanding - basic and diluted		139,740,857	131,471,868

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

SIXTY SIX CAPITAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(Expressed in Canadian Dollars)

Year Ended December 31, 2023

	Share Capital		Reserves				
	Number of Shares	**Amount $**	**Other $**	**Share-Based Compensation $**	**Other Comprehensive Loss $**	**Retained Earnings (Deficit) $**	**Total Shareholders' Equity (Deficit) $**
Balance at December 31, 2022	139,740,857	35,078,289	(7,155,763)	2,960,014	(167,720)	(35,345,669)	(4,630,849)
Net income for the year	-	-	-	-	-	9,637,769	9,637,769
Currency translation agreement	-	-	-	-	167,720	-	167,720
Balance at December 31, 2023	139,740,857	35,078,289	(7,155,763)	2,960,014	-	(25,707,900)	5,174,640

Year Ended December 31, 2022

	Share Capital		Reserves				
	Number of Shares	**Amount $**	**Other $**	**Share-Based Compensation $**	**Other Comprehensive Loss $**	**Retained Earnings (Deficit) $**	**Total Shareholders' Equity (Deficit) $**
Balance at December 31, 2021	130,649,950	34,890,714	(7,155,763)	2,921,835	(167,720)	403,839	30,892,905
Common shares issued for cash:							
Private placement	9,090,907	200,000	-	-	-	-	200,000
Share issue costs	-	(12,425)	-	-	-	-	(12,425)
Share-based compensation	-	-	-	38,179	-	-	38,179
Net loss for the year	-	-	-	-	-	(35,749,508)	(35,749,508)
Balance at December 31, 2022	139,740,857	35,078,289	(7,155,763)	2,960,014	(167,720)	(35,345,669)	(4,630,849)

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

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

	Year Ended December 31, 2023 $	2022 $
Operating activities		
Net income (loss) for the year	9,637,769	(35,749,508)
Adjustments for:		
Unrealized (gain) loss on investments	(33,891,288)	34,058,745
Realized loss on investments	23,490,999	-
Share-based compensation	-	38,179
Foreign exchange	163,472	(401)
Interest expense	480,782	482,769
Settlement of indemnification	-	609,623
Impairment of receivable from former employees	-	202,879
Changes in non-cash working capital items:		
Amounts receivable	1,269	(237)
Prepaid expenses	(797)	(2,676)
Accounts payable and accrued liabilities	(165,005)	109,675
Net cash used in operating activities	(282,799)	(250,952)
Investing activities		
Purchase of investments	(4,403,572)	-
Repayment of amount due	(1,015,727)	-
Proceeds from sale of investments	7,037,326	-
Net cash provided by investing activities	1,618,027	-
Financing activities		
Issuances of share capital	-	200,000
Share issue costs	-	(12,425)
Advances received	30,000	-
Repayment of advances	(97,605)	-
Net cash (used in) provided by financing activities	(67,605)	187,575
Net change in cash	1,267,623	(63,377)
Cash at beginning of year	41,174	104,551
Cash at end of year	1,308,797	41,174
Supplemental cash flow information		
Provisions (see Note 8)	-	2,162,231
Restricted cash (see Note 5)	-	(1,579,344)
Amount due (see Note 8)	-	1,019,975
Supplemental disclosures		
Interest paid	10,657	-
Income tax paid	-	-

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

1. Nature of Operations

Sixty Six Capital Inc is an investor and developer, active in Fin Tech. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "SIX" and on the OTCQB under the symbol "HYHDF". The Company's registered office is located at 736 Granville St., Suite 1100, Vancouver, BC V6Z 1G3, Canada.

During fiscal 2023 the Company recorded net income of $9,637,769 and, as at December 31, 2023, had working capital of $11,020,139 and non-current indebtedness totalling $5,845,499. As at December 31, 2023 management considers that the Company has adequate resources to maintain its operations and investments and repay indebtedness as they come due.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis of Measurement

The Company's consolidated 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. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Subsidiary

During fiscal 2023 the Company had one wholly-owned subsidiary, Megamining Limited ("Megamining"), incorporated in the United Kingdom. On June 13, 2023 Megamining was formally dissolved and, as at December 31, 2023, the Company had no subsidiaries.

3. Material Accounting Policies

Investments

The Company presents results from trading Investments on both a realized and unrealized basis separately in the consolidated statement of comprehensive income (loss). A realized gain or loss is recorded upon transfer of ownership of an investment, calculated as proceeds (net of broker fees) less its original cost. Unrealized gains and losses are the fair value adjustment to the positions sold during the year and positions still held at reporting dates.

Trade Payables

Trade payables are either obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers or transaction obligations for amounts due to end customer. Trade payables are classified as current liabilities if settlement is due within one year or less. If not, they are presented as non-current liabilities.

Convertible Debentures

To determine if a convertible debenture is a financial liability or an equity instrument (or a mix thereof), the Company uses two key principles in accordance with IAS 32. These are:

(i) Does the issuer have a contractual obligation to deliver cash or another financial asset that it cannot avoid?
(ii) Is the convertible debenture meeting of the "fixed for fixed" criteria?

3. Material Accounting Policies (continued)

If the issuer does not have an unconditional right to avoid delivering cash or another financial asset to settle the convertible debenture, this obligation meets the definition of a financial liability. An equity instrument can only be part of a convertible debenture if it can be settled by an issuer delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash.

Taxation

The tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferring income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions and Contingencies

A provision is recognised in the Consolidated Statement of Financial Position when the Company has a legal obligation or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made. Provisions are discounted. If the obligation cannot be reliably measured, it is classified as a contingent liability.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Material Accounting Policies (continued)

Share Based Payment

The Company operates a stock option plan (Note 9(c)). Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based compensation is transferred to deficit.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currencies

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in the consolidated statements of comprehensive income or loss.

Cash and Cash Equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and short-term deposits with a maturity of three months or less. As at December 31, 2023 and 2022 the Company did not have any cash equivalents.

Financial Instruments

Recognition and De-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3. Material Accounting Policies (continued)

Classification and Measurement of Financial Assets and Liabilities

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit and loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income. Cash accounts payable and accrued liabilities and convertible debentures are recorded at amortized cost. Investments are recorded at fair value.

Adoption of New Accounting Standards

IAS 1 Presentation of Financial Statements

As at January 1, 2023, the Company adopted amendments made to International Accounting Standard 1 *Presentation of Financial Statements* ("IAS 1"). IAS 1 provides a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date and does not impact the amount or timing of recognition. The adoption of this amendment did not have a material impact on the audited consolidated financial statements.

Accounting Standards and Interpretation Issued but Not Yet Effective

No new standards not yet effective have been identified that can have a significant impact on the Company's financial statements for 2024 and forward.

4. Sources of Estimation and Key Judgements Estimates

Estimates

The key sources of estimation at the reporting date are discussed below:

Share-based Payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the expected volatility of the stock price, the risk- free interest rate, dividend yield, the expected life of the stock options and the number of options expected to vest. Any changes in these assumptions could change the amount of share-based compensation recognized. Significant assumptions related to share-based payments are disclosed in Note 9(c).

(Expressed in Canadian Dollars)

4. Sources of Estimation and Key Judgements Estimates (continued)

Taxation

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

5. Investments

	As at December 31, 2023			
	Number	**Cost** **$**	**Unrealized (Loss) Gain** **$**	**Carrying Value** **$**
Northern Data AG ("Northern Data")	127,800	18,536,914	(13,702,405)	4,834,509
Purpose Bitcoin ETF ("Purpose ETF")	735,000	4,403,572	1,505,828	5,909,400
		22,940,486	(12,196,577)	10,743,909

	As at December 31, 2022			
	Number	**Cost** **$**	**Unrealized Loss** **$**	**Carrying Value** **$**
Northern Data	338,273	49,065,239	(46,087,865)	2,977,374

(a) 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 received shares of Northern Data were subject to a two-year holding period which expired on March 4, 2023.

During fiscal 2023 the Company sold 210,473 shares of Northern Data for $7,037,326 resulting in a realized loss on sale of investment of $23,490,999.

(b) During fiscal 2023 the Company purchased 735,000 shares of Purpose ETF for $4,403,572.

The carrying value of the investments were determined using quoted market values. During fiscal 2023 the Company recorded an unrealized gain of $33,891,288 (2022 - loss of $34,058,745) on its investments.

6. Advances

	2023 $	2022 $
Balance, beginning of year	63,629	57,666
Advance received	30,000	-
Accrued interest	3,976	5,963
Repayment	(97,605)	-
Balance, end of year	-	63,629

The Company had received ongoing advances from the Company's Chairman and CEO. The advances were payable on demand with interest at 10% per annum compounded and calculated monthly. In June 2023 the Company repaid $97,605 on account of the outstanding advances and accrued interest.

(Expressed in Canadian Dollars)

7. Convertible Debentures

	December 31, 2023 $	December 31, 2022 $
Principal	4,768,063	4,768,063
Accumulated interest	2,098,064	1,621,258
Loans payable	6,866,127	6,389,321
Current portion	1,020,628	-
Non-current portion	5,845,499	6,389,321
	6,866,127	6,389,321

The Company has received a number of loans and issued convertible debentures which bear interest at 10% per annum and are repayable between December 2023 and August 2027. During fiscal 2023 the Company recognized $476,806 (2022 - $476,806) of interest expense.

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.

As at December 31, 2023 $2,587,854 (2022 - $2,587,854) of principal and $1,132,960 (2022 - $874,175) of accrued interest were due to directors of the Company.

See also Note 14.

8. Amount Due

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. 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 €708,125 remained payable to Northern Data as at December 31, 2022. During fiscal 2022 the Company recorded a loss of $609,623 on the difference between the provision as at December 31, 2021 and the actual settlement with the Swedish tax authorities.

In December 2023 the Company reimbursed Northern Data the payable amount of $1,015,727 (€708,125).

9. 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.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(b) ***Equity Financings***

Fiscal 2023

No equity financings were conducted by the Company during fiscal 2023.

Fiscal 2022

On November 29, 2022 the Company completed a private placement of 9,090,907 common shares with its directors of the Company, at $0.022 per common share for gross proceeds of $200,000.

The Company incurred a total of $12,425 for legal costs associated with this private placement financing.

(c) ***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 fiscal 2023.

During fiscal 2022 the Company granted share options to purchase 5,454,083 common shares and recorded compensation expense of $38,179.

The fair value of share options granted and vested during fiscal 2022 is estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate 3.22%; estimated volatility of 108%; expected life of 3 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

The weighted average measurement date fair value of all share options granted, using the Black-Scholes option pricing model, during fiscal 2022 was $0.007 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 December 31, 2023 and 2022 and the changes for the years ended on those dates, is as follows:

	2023		2022	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	13,974,083	0.13	12,770,000	0.21
Granted	-		5,454,083	0.05
Expired	-		(4,250,000)	0.27
Balance, end of year	13,974,083	0.13	13,974,083	0.13

(Expressed in Canadian Dollars)

9. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at December 31, 2023:

Number	Exercise Price $	Expiry Date
2,430,000	0.16	March 25, 2024*
6,090,000	0.18	May 3, 2024
5,454,083	0.05	December 16, 2025
13,974,083		

* On March 25, 2024 options to purchase 2,430,000 common shares expired without exercise.

10. 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.

During fiscal 2023 the Company incurred directors and officers compensation of $42,500 (2022 - $107,500) to its current and former key management personnel. As at December 31, 2023 $9,400 (2022 - $139,750) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2022 the Company also recorded $38,179 share-based compensation for share options granted to key management personal.

See also Notes 6, 7 and 9(b).

11. 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.

11. Financial Instruments and Risk Management (continued)

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

(i) Cash
(ii) Investments
(iii) Accounts payable and accrued liabilities
(iv) Advances and convertible debentures
(v) Amount due

Book values and expected cash flows are reviewed by the Board and any impairment charged to the condensed consolidated interim statement of comprehensive income (loss) 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 December 31, 2023			
	Within 6 Months $	Current 6-12 Months $	Non-Current 1 - 5 Years $	Non-Current Over 5 Years $
Accounts payables and accrued liabilities	33,286	-	-	-
Convertible debentures	1,020,628	-	5,845,499	-
Total	1,053,914	-	5,845,499	-

	As at December 31, 2022			
	Within 6 Months $	Current 6-12 Months $	Non-Current 1 - 5 Years $	Non-Current Over 5 Years $
Accounts payables and accrued liabilities	198,291	-	-	-
Advances	63,629	-	-	-
Amount due	1,019,975	-	-	-
Convertible debentures	-	-	6,389,321	-
Total	1,281,895	-	6,389,321	-

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 ($) and United States Dollars ("USD") and placed on deposit in Canadian banks.

11. 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 and US Dollars. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At December 31, 2023 1 Canadian Dollar was equal to 0.68 Euro and 0.76 US Dollar.

	Euros	**United States Dollars**	**CDN $ Equivalent**
Cash	-	466	613
Investments	3,290,850	-	4,834,509
	3,290,850	466	4,835,122

Based on the net exposures as of December 31, 2023 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro and US Dollar would result in the Company's comprehensive income or loss being approximately $483,500 higher (or lower).

(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

(c) Equity Price Risk

The Company is exposed to equity risk due to the significance of its holdings in two investments. On December 31, 2023 these investments were valued at $10,743,909.

A 10% fluctuation in the value of its investments from the value at December 31, 2023 would result in the Company recording a gain or loss through unrealized loss or gain in fair value of its investments of $1,074,000.

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 fiscal 2023 and the Company is not subject to any externally imposed capital requirements.

12. Income Tax

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision for fiscal 2023 and fiscal 2022 is provided as follows:

	2023 $	2022 $
Comprehensive income (loss) before income taxes	9,805,531	(35,749,508)
Canadian statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	2,647,000	(9,598,000)
Foreign income tax rates different from statutory rates	-	(48,000)
Permanent differences	(1,404,000)	4,094,000
Impact of dissolution	767,000	-
Adjustment to prior years provision versus statutory tax	741,000	217,000
Unused tax losses and tax offsets not recognized	(2,751,000)	5,335,000
Income tax benefit recorded	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2023		2022	
	$	Expiry Date Range	$	Expiry Date Range
Temporary differences				
Marketable securities	12,197,000	No expiry date	46,088,000	No expiry date
Share issue cost	7,000	No expiry date	34,000	No expiry date
Allowable capital losses	15,600,000	No expiry date	3,854,000	No expiry date
Non-capital losses	11,290,000	See below	17,448,000	See below

(Expressed in Canadian Dollars)

12. Income Tax (continued)

Non-capital losses available for future periods by country are as follows:

	2023		2022	
	$	Expiry Date Range	$	Expiry Date Range
Canada	11,290,000	2026 to 2043	13,414,000	2026 to 2042
United Kingdom	-	No expiry date	4,034,000	No expiry date

Tax attributes are subject to review and potential adjustment by tax authorities.

14. Event after the Reporting Period

Subsequent to December 31, 2023 the Company paid $1,020,628 of accrued interest on the Convertible Debentures.