

SIXTY-SIX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2021

This Management Discussion and Analysis ("MD&A") is dated August 27, 2021, unless otherwise indicated and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and notes for the six months ended June 30, 2021 of Sixty-Six Capital Inc. (the "Company").

This MD&A was written to comply with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations. Results are reported in Canadian dollars unless otherwise noted. In the opinion of management all adjustments (which consist of normal recurring adjustments and a one-time adjustment to allow for the application of IFRS 16) considered necessary for a fair presentation have been included. The results presented for the six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for any future period.

The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. For a complete list of the factors that could affect the Company, please refer to those risk factors referenced in the conciliated financial statements for the year ended 2020, in Note 19 "Financial Instruments and Risk Management", filed by the Company on April 28, 2021. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Non-GAAP Measures

This MD&A presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers

and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- (i) “EBITDA” represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- (ii) “Adjusted EBITDA” represents EBITDA adjusted to exclude share-based compensation, and impairment and costs associated with one-time transactions (such as listing fees).

BUSINESS OVERVIEW

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 (XETRA: NB2, ISIN: DE000A0SMU87) 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 principal activities of the Company, during the period were, the provision of cloud and colocation services specialized in High Performance Cloud Computing, Storage, and information processing. The Company had developed its facility in the North of Sweden.

On January 7, 2021, the Company entered into a letter of intent with Northern Data AG to sell the Data Center located in Boden, Sweden.

On March 4, 2021, the Company sold Hydro66 UK Limited, and its wholly owned subsidiaries Hydro66 Services AB, Hydro 66 Svenska AB, and Hydro 66 Property Services AB to Northern Data AG (XETRA: NB2) in exchange for 338,273 shares in Northern Data AG (XETRA: NB2) and €1,751,544. The Northern Data AG shares cannot be sold prior to March 4, 2023. At closing on March 4, 2021, the Northern Data shares held by the Company had a value of EUR 32,338,899.

The cash element of the proceeds from the sale of the subsidiaries is a total of EUR 1,754,544. EUR 1,213,544 of this is to be held in an Escrow Account and EUR 538,000 was received by Hydro66 Holding Corp on completion of the deal. On March 4, 2022 EUR 1,000,000 less any payments made from the escrow account, or outstanding claims on the escrow account shall be released to Hydro66 Holdings Corp, with the remainder to be released on 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 prospects.

As part of the sale the Company has given certain waivers and indemnities to Northern Data AG, because of this the company has chosen to record a provision in the accounts to allow for the possibility of a negative outcome relating to VAT audits.

SELECTED FINANCIAL INFORMATION

	June 30, 2021 \$	December 31, 2020 \$
ASSETS		
Current assets		
Cash	121,619	198,579
Restricted cash	1,472,500	-
Amounts receivable and prepaid expenses	<u>293,855</u>	<u>1,208,695</u>
Total current assets	<u>1,887,974</u>	<u>1,407,274</u>
Non-current assets		
Property, plant and equipment	-	15,757,839
Right-of-use assets	-	2,120,279
Digital currencies	-	18,657
Restricted cash	314,444	-
Investment in equity security	<u>58,251,100</u>	<u>-</u>
Total non-current assets	<u>58,565,544</u>	<u>17,896,775</u>
TOTAL ASSETS	<u>60,453,518</u>	<u>19,304,049</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	159,873	2,163,586
Short-term borrowing	-	1,086,986
Current portion of lease liabilities	<u>-</u>	<u>483,344</u>
Total current liabilities	<u>159,873</u>	<u>3,733,916</u>
Non-current liabilities		
Convertible debentures	5,670,847	5,435,709
Long-term deferred income	-	651,198
Lease liabilities	-	1,686,671
Provisions	<u>2,243,440</u>	<u>2,170,043</u>
Total non-current liabilities	<u>7,914,287</u>	<u>9,943,621</u>
TOTAL LIABILITIES	<u>8,074,160</u>	<u>13,677,537</u>
SHAREHOLDERS' EQUITY		
Share capital	34,890,714	34,890,714
Other reserves	(7,155,763)	(7,155,763)
Share option reserve	2,924,603	2,036,757
Accumulated other comprehensive income (loss)	9,089,215	(134,573)
Retained earnings (deficit)	<u>12,630,589</u>	<u>(24,010,623)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>52,379,358</u>	<u>5,626,512</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>60,453,518</u>	<u>19,304,049</u>

ANALYSIS OF FINANCIAL PERFORMANCE

Revenue

The Company's operations during the period were centred on providing data center services and the provision of specialised information processing services to customers. Management therefore considers there to be two reporting segments for the Company for the quarter.

	Six Months to June 30,							
	2021		2020		2019		2018	
	Data Center Services	Information processing Services	Data Center Services	Information processing Services	Data Center Services	Information processing Services	Data Center Services	Information processing Services
	\$	\$	\$	\$	\$	\$	\$	\$
United Kingdom	320,099	-	19,920		36,653		55,795	
Asia	-	1,304,384		1,383,220				
USA & Canada		57,862	106,442	35,104	3,233	37,478		104,565
Rest of Europe	96,140		206,980	2,424	1,124,386	794,636	2,603,592	60,531
	416,239	1,362,246	333,342	1,420,748	1,164,272	832,114	2,659,387	165,096

In the six months to June 30, 2021 information processing and cloud services made up 76.6% of the revenue compared to 81% in the same period last year.

	Six Months to June 30,							
	2021		2020		2019		2018	
	\$m	% of total	\$m	% of total	\$m	% of total	\$m	% of total
Data Center Services	0.4m	23%	0.3m	19%	1.2m	58%	2.7m	94%
Information processing services	1.4m	77%	1.4m	81%	0.8m	42%	0.2m	6%
Total	1.8m		1.7m		2.0m		2.9m	

Revenue decreased by 6% in the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Adjusted EBITDA

The key financial metrics were reported as follows:

	Six Months ended June 30,	
	2021	2020
Revenue	1.78m	1.75m
Adjusted EBITDA	(0.02m)	(0.92m)

Adjusted EBITDA result for the six months to June 30, 2021 was loss of \$0.02m against an adjusted EBITDA loss of \$0.92m for the same period in 2020.

The table below shows the calculation of adjusted EBITDA for the six months ending June 30, of each year

	2021	2020	2019
	\$	\$	\$
Net income (loss) for the period	36,641,212	(2,315,081)	(2,629,930)
Add back:			
Other items/expenses	745,009	179,217	165,522
Gain on disposal of subsidiaries	(38,788,992)	-	-
Share-based compensation	887,846	193,163	517,027
Depreciations	494,737	1,026,685	966,418
Adjusted EBITDA	(20,188)	(916,016)	(982,963)

Assets

	June 30, 2021	Dec 31, 2020	Dec 31, 2019
	\$	\$	\$
ASSETS			
Current assets			
Cash	121,619	198,579	997,568
Restricted cash	1,472,500	-	-
VAT / GST receivable	-	-	378,114
Amounts receivable and prepaids	298,855	1,208,695	633,828
Total current assets	1,887,974	1,407,274	2,009,510
Non-current assets			
Property, plant and equipment	-	15,757,839	14,401,005
Right of use assets	-	2,120,279	1,939,674
Digital currencies	-	18,657	16,477
Restricted cash	314,444	-	-
Investment in equity security	58,251,100	-	-
Total non-current assets	58,565,544	17,896,775	16,357,156
TOTAL ASSETS	60,453,518	19,304,049	18,366,666

Net assets at June 30, 2021 increased to \$ 52.4m (December 31, 2020: \$5.63m).

Cash and Digital Currencies

The Company closed the period to June 30, 2021 with closing cash and cash equivalents of \$0.5m (December 31, 2020: \$0.2m); and closing digital currencies recorded as intangible assets of \$0.0m (December 31, 2020: \$0.03m).

The table below shows the digital currencies held on June 30, 2021 and their recorded value. A comparison to June 30, 2021, March 31, 2021, December 31, 2020 and September 30, 2020 is also shown. The Company is currently considering investment in Digital Currency, NFT, and equity investments in related companies.

	June 30, 2021		March 31, 2021		December 31, 2020		September 30, 2020	
	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)
Bitcoin	0	0	0	0	0	0	0.7	9,848
Litecoin	0	0	0	0	2	286	0	0
Ethereum	0	0	0	0	0	0	5.2	2,495
AION	0	0	0	0	222,834	16,472	222,834	17,652
Total		0		0		16,758		29,995

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

Non-current Financial Liabilities

As June 30, 2021 the Company had long term liabilities of \$7,914,287 (June 30, 2020 - \$6,147,060).

	Jun 30, 2021	Dec 31, 2020
Non-current Liabilities		
Convertible debenture	5,670,847	5,435,709
Long-term deferred income	-	651,198
Lease liabilities	-	1,686,671
Provisions	2,243,440	2,170,043
	7,914,287	9,943,621

All long term deferred income and lease liabilities were sold as part of the sale of Hydro66 UK Ltd and its subsidiaries to Northern Data AG.

Convertible Loan

As of June 30, 2021 the total notional outstanding under the two convertible loan agreements was \$4,768,063 and the interest accrued under the convertible debentures was \$902,784 (December 31, 2020 - \$667,646).

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 have 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 preformed 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 about 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 Instruments and Other Instruments

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 Group'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

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

- (i) Trade receivables
- (ii) Cash and cash equivalents
- (iii) Investment in equity security
- (iv) Trade and other payables
- (v) Borrowings and convertible loan notes

Trade and other receivables are initially measured at the amount of consideration that is unconditional. The Group 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 the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in comprehensive income / (loss).

Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Trade receivables principally comprise amounts outstanding for sales to customers and are net of expected credit loss. Trade receivables that are due at the reporting date have been reviewed and impaired when the collectability is considered unlikely.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

As at June 30, 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	As at June 30, 2021			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Promissory loan notes	-	-	6,238,483	1,715,764
Trade and other payables	159,873	-	-	-
Total	159,873	-	6,238,483	1,715,764

	As at December 31, 2020			
	Current		Non-Current	
	Within 6 Months \$	Current 6-12 Months \$	1 - 5 Years \$	Non-Current Over 5 Years \$
Promissory loan notes	-	340,209	5,898,274	1,715,764
Lease liabilities	295,745	295,745	1,747,225	408,032
Short-term borrowing	1,086,986	-	-	-
Trade and other payables	2,163,586	-	-	-
Total	3,546,317	635,954	7,645,499	2,123,796

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

Off-Balance Sheet Arrangements

Sixty-Six does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the six months ended June 30, 2021, Croft Legal Services Ltd, of which Richard Croft is a Director, provided legal services to Megamining Ltd of \$53,473

During the six months ended June 30, 2021, the Group bought services from Chase Management Limited of which Nick DeMare is a director, for \$7,000.

On March 25, 2021 and on May 3, 2021 the Company granted the following options to key management personnel:

<u>Name</u>	<u>Position</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
David Rowe	Director	1,100,000	\$0.16	March 25, 2024
Alex Johnstone	Director	500,000	\$0.16	March 25, 2024
Richard Croft	Director	400,000	\$0.16	March 25, 2024
Richard Patricio	Director	215,000	\$0.16	March 25, 2024
Michael Hudson	Director	215,000	\$0.16	March 25, 2024
David Rowe	Director	2,760,000	\$0.18	May 3, 2024
Alex Johnstone	Director	1,250,000	\$0.18	May 3, 2024
Richard Croft	Director	1,000,000	\$0.18	May 3, 2024
Richard Patricio	Director	540,000	\$0.18	May 3, 2024
Michael Hudson	Director	540,000	\$0.18	May 3, 2024

Share Capital

As at the date of the MD&A, The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid. All the common shares are of the same class and, once issued rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up.

There are 130,649,950 shares in issue, all fully paid as of June 30, 2021.