

# SIXTY SIX CAPITAL INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

This discussion and analysis of financial position and results of operation is prepared as at November 25, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended September 30, 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](http://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.

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.

### ***Corporate Reorganization***

On March 4, 2021 the Company completed the sale of Hydro66 UK Ltd. and its three Swedish subsidiaries to Northern Data in exchange for 338,273 common shares of Northern Data, at a fair value of \$49,065,239, and \$2,657,478 (€1,751,544) in cash for total net proceeds of \$51,722,717, resulting in a gain of \$38,788,992,

The shares of Northern Data are subject to a two-year holding period which expires on March 4, 2023. The cash element of the proceeds from the sale of the subsidiaries is a total of €1,751,544 of which €538,000 was received on closing and the remaining €1,213,544 was released from the escrow account in July 2022 on the resolution of the VAT issue with the Swedish Tax Authorities.

The Company’s previously owned Swedish subsidiary, Hydro66 Svenska AB (“Hydro AB”), had been under a tax review regarding parts of its recovered VAT for the period 2016-2020. The Company had given the buyer of Hydro66 Svenska AB an indemnity to be liable for tax rulings attributed to periods before the transaction date (March 4, 2021). The Swedish Tax Authorities expressed an intent to recover a portion of the VAT recovered by Hydro AB on grounds that Hydro AB is mining crypto currencies for its own use. The Company and Northern Data did not share the Swedish Tax Authorities opinion and an appeal was filed. During fiscal 2021 the Company recorded a provision of SEK 15,466,934 representing approximately 50% of the total amount that was under consideration and represented the weighted effect of the expected decision from the Swedish Tax Authorities together with the probability of the outcome. On July 8, 2022 the Swedish Tax Authorities rendered their decision rejecting the appeal and, as a result SEK 19,858 205 was paid by Northern Data, of which the €1,213,544 escrowed funds were released to Northern Data and \$947,707 (€708,125) remains payable.

### **Investment in Equity Security**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Cost of Northern Data Shares	49,065,239	49,065,239
Fair market values effect on shares of Northern Data	<u>(43,737,031)</u>	<u>(12,029,120)</u>
	<u>5,328,208</u>	<u>37,036,119</u>

On March 4, 2021 the Company closed on the sale of certain of its subsidiaries and as partial consideration received 338,273 shares of Northern Data. The market closing price for Northern Data on March 4, 2021 was used to establish

the cost of the shares. The carrying value of the Northern Data shares at September 30, 2022 was also determined using quoted market values. The received shares are subject to a two-year holding period which expires on March 4, 2023.

### Selected Financial Data

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

Three Months Ended	Fiscal 2022			Fiscal 2021				Fiscal 2020
	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$	Jun 30 2021 \$	Mar 31 2021 \$	Dec 31 2020 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	1,778,485	1,181,391
Cost of sales	Nil	Nil	Nil	Nil	Nil	Nil	(1,146,725)	(1,103,893)
Cryptocurrency related items	Nil	Nil	Nil	Nil	Nil	Nil	(2,866)	19,270
Expenses	(48,092)	(64,576)	(54,454)	(72,364)	(99,519)	(854,624)	(1,177,041)	(962,818)
Gain on disposal of subsidiaries	Nil	Nil	Nil	Nil	Nil	Nil	38,788,992	Nil
Other items	(5,565,802)	(17,035,727)	(10,143,728)	1,051,624	(3,606,788)	(11,734,066)	1,489,354	(2,364,060)
Net (loss) income	(5,613,894)	(17,100,303)	(10,198,182)	979,260	(3,706,307)	(12,588,690)	39,730,199	(3,230,110)
Other comprehensive (loss) income, net	Nil	Nil	Nil	(71,074)	Nil	Nil	37,927	383,139
Comprehensive (loss) income	(5,613,894)	(17,100,303)	(10,198,182)	908,186	(3,706,307)	(12,588,690)	39,768,126	(2,846,971)
Basic and diluted (loss) income per share	(0.04)	(0.13)	(0.08)	0.03	(0.04)	(0.10)	0.30	(0.04)
<b>Balance Sheet:</b>								
Working capital (deficit)	(1,272,940)	(142,498)	(78,733)	(22,825)	1,635,643	1,728,101	1,952,164	(2,326,642)
Total assets	5,540,241	11,855,073	28,976,013	39,113,933	38,181,587	41,760,951	53,685,293	19,304,049
Total non-current liabilities	(6,265,242)	(8,076,828)	(8,097,271)	(8,074,746)	(8,023,176)	(7,914,287)	(7,777,712)	(9,943,621)

### 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 identified any business or acquisition opportunities.

#### *Three Months Ended September 30, 2022 Compared to Three Months Ended June 30, 2022*

During the three months ended September 30, 2022 (“Q3”) the Company reported a net loss of \$5,613,894 compared to a net loss of \$17,100,303 for the three months ended June 30, 2022 (“Q3”), a decrease in loss of \$11,486,409. The decrease in loss is primarily due to the recognition of an unrealized loss of \$4,661,428, compared to an unrealized loss of \$17,002,492 in Q2, on the portfolio of Northern Data Shares. In addition during Q3 the Company recorded a further \$609,623 expense on the settlement of the VAT indemnification and \$134,400 for remittance for employee related taxes.

#### *Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021*

During the nine months ended September 30, 2022 (the “2022 period”) the Company reported a net loss of \$32,912,379 compared to a net income of \$23,428,199 for the nine months ended September 30, 2021 (the “2021 period”), an increase in loss of \$56,340,578. The increase in loss is primarily due to the following:

- (i) recognition of a gain on disposal of subsidiaries of \$38,788,992 in the 2021 period; and
- (ii) recognition of an unrealized loss of \$31,707,911 in the 2022 period compared to an unrealized loss of \$12,996,226 in the 2021 period due to the change in the quoted stock price on the Company’s holdings in the Northern Data Shares;
- (iii) partially offset by a decrease in corporate expenses of \$1,964,062 from \$2,131,184 in the 2021 period to \$167,122 in the 2022 period. Corporate and administrative expenses were significantly reduced upon the sale of the subsidiaries; and

- (iv) during the 2022 period the Company recorded a further \$609,623 expense on the settlement of the VAT indemnification and \$134,400 for remittance for employee related taxes.

#### *Financing Activities*

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

#### *Advance*

In November 2021 the Company received an advance from Mr. Rowe. The advance bears interest at the rate of 10% per annum. As at September 30, 2022 \$61,636 (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 2022 period the Company recognized \$352,727 (2021 - \$352,727) of interest expense. As at September 30, 2022 \$4,768,063 (December 31, 2021 - \$4,768,063) of principal and \$1,497,197 (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.

#### **Financial Condition / Capital Resources**

During the nine months ended September 30, 2022 the Company recorded a net loss of \$32,912,379 and, as at September 30, 2022, had a working capital deficit of \$1,272,940. 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) Advance and convertible debentures

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

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

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

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

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

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

  

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

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

	2022 \$	2021 \$
David Rowe	27,000	155,592
Alex Johnstone	18,000	13,533
Richard Croft	18,000	13,533
Michael Hudson	13,500	10,150
Richard Patricio	13,500	10,150
Nick DeMare	6,750	6,750
	<u>96,750</u>	<u>209,708</u>

As at September 30, 2022 \$129,000 (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:

	2022 \$	2021 \$
David Rowe	-	399,990
Alex Johnstone	-	181,200
Richard Croft	-	142,250
Michael Hudson	-	77,060
Richard Patricio	-	77,060
	<u>-</u>	<u>877,560</u>

- (ii) During the 2021 period 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 2022 period.

(b) *Transactions with Other Related Parties*

During the 2022 period the Company incurred a total of \$20,350 (2021 - \$16,300) 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 September 30, 2022 \$5,950 (December 31, 2021 - \$2,700) remained unpaid.

**Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at November 25, 2022 there were 130,649,950 issued and outstanding common shares and 8,520,000 share options outstanding, exercisable at prices ranging from \$0.16 per share to \$0.18 per share.