

SIXTY SIX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022

This discussion and analysis of financial position and results of operation is prepared as at April 28, 2023 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2022 and 2021, 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 MD&A 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.

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 \$1,019,975 (€708,125) remains payable.

Investment in Equity Security

	December 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	<u>(46,087,865)</u>	<u>(12,029,120)</u>
	<u>2,977,374</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 December 31, 2022 was also determined using quoted market values. The received shares are subject to a two-year holding period which expired on March 4, 2023.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Fiscal Year Ended December 31		
	2022 \$	2021 \$	2020 \$
Operations:			
Revenues	Nil	1,778,485	3,618,537
Cost of sales	Nil	(1,139,723)	(3,962,635)
Cryptocurrency related items	Nil	(2,866)	(4,162)
Expenses	(261,079)	(2,203,548)	(3,852,974)
Gain on disposal of subsidiaries	Nil	38,788,992	Nil
Other items	(35,488,429)	(12,806,878)	(2,694,826)
Net (loss) income	(35,749,508)	24,414,462	(6,896,060)
Other comprehensive (loss) income, net	Nil	(33,147)	1,310,932
Comprehensive (loss) income	(35,749,508)	24,381,315	(5,585,128)
Basic and diluted (loss) income per share	(0.27)	0.19	(0.04)
Balance Sheet:			
Working capital (deficit)	1,758,472	(22,825)	(2,326,642)
Total assets	3,040,367	39,113,933	19,304,049
Total non-current liabilities	(6,389,321)	(8,074,746)	(9,943,621)

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

Three Months Ended	Fiscal 2022				Fiscal 2021			
	Dec 31 2022 \$	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$	Jun 30 2021 \$	Mar 31 2021 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1,778,485
Cost of sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(1,139,723)
Cryptocurrency related items	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(2,866)
Expenses	(93,957)	(48,092)	(64,576)	(54,454)	(72,364)	(99,519)	(854,624)	(1,177,041)
Gain on disposal of subsidiaries	Nil	Nil	Nil	Nil	Nil	Nil	Nil	38,788,992
Other items	(2,743,172)	(5,565,802)	(17,035,727)	(10,143,728)	1,051,624	(3,606,788)	(11,734,066)	1,489,352
Net (loss) income	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	979,260	(3,706,307)	(12,588,690)	39,730,199
Other comprehensive (loss) income, net	Nil	Nil	Nil	Nil	(71,074)	Nil	Nil	37,927
Comprehensive (loss) income	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	908,186	(3,706,307)	(12,588,690)	39,768,126
Basic and diluted (loss) income per share	(0.02)	(0.04)	(0.13)	(0.08)	0.03	(0.04)	(0.10)	0.30
Balance Sheet:								
Working capital (deficit)	1,758,472	(1,272,940)	(142,498)	(78,733)	(22,825)	1,635,643	1,728,101	1,952,164
Total assets	3,040,367	5,540,241	11,855,073	28,976,013	39,113,933	38,181,587	41,760,951	53,685,293
Total non-current liabilities	(6,389,321)	(6,265,242)	(8,076,828)	(8,097,271)	(8,074,746)	(8,023,176)	(7,914,287)	(7,777,712)

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 December 31, 2022 Compared to Three Months Ended September 30, 2022

During the three months ended December 31, 2022 (“Q4”) the Company reported a net loss of \$2,837,129 compared to a net loss of \$5,613,894 for the three months ended September 30, 2022 (“Q3”), a decrease in loss of \$2,776,765. The decrease in loss is primarily due to the recognition of an unrealized loss of \$2,350,834 in Q4, compared to an unrealized loss of \$4,661,428 in Q3, 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 recognized an impairment of \$202,879 on amounts receivable from former employees of the Company.

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

During the three months ended December 31, 2022 (“Q4/2022”) the Company reported a net loss of \$2,837,129 compared to a net income of \$979,260 for the three months ended December 31, 2021 (“Q4/2021”), an increase in loss of \$3,816,389. The increase in loss is primarily due to the recognition of an unrealized loss of \$2,350,834 in Q4/2022 compared to an unrealized gain of \$967,106 in Q4/2021 due to the fluctuation in the market price of the Northern Data Shares. In addition, the Company recorded a \$202,879 impairment provision in Q4/2022 on amounts receivable from former employees of the Company.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

During the year ended December 31, 2022 (“fiscal 2022”) the Company reported a net loss of \$35,749,508 compared to a net income of \$24,414,462 for the year ended December 31, 2021 (“fiscal 2021”), a fluctuation of \$60,163,970. The fluctuation is primarily due to the following:

- (i) the sale of its subsidiaries in fiscal 2021, resulting in a gain of \$38,788,992;
- (ii) recognition of an unrealized loss of \$34,058,745 in fiscal 2022 compared to an unrealized loss of \$12,029,120 in fiscal 2021 due to the change in the quoted stock price on the Company’s holdings in the Northern Data Shares;
- (iii) \$202,879 impairment provision made in fiscal 2022 for the remaining amounts receivable from former employees of the Company; and
- (iv) during fiscal 2022 the Company recorded a further \$609,623 expense on the settlement of the VAT indemnification.

The increase in loss was partially offset by a decrease in corporate expenses of \$1,942,469, from \$2,203,548 in fiscal 2021 to \$261,079 in fiscal 2022. Corporate and administrative expenses were significantly curtailed upon the sale of the subsidiaries.

Financing Activities

During fiscal 2022 the Company completed a non-brokered 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.

No financing activities were conducted by the Company during fiscal 2021.

Advance

In November 2021 the Company received an advance from Mr. Rowe, the Chairman and CEO of the Company. The advance bears interest at the rate of 10% per annum compounded and calculated monthly. As at December 31, 2022 \$63,629 (2021 - \$57,666) of the advance and accrued interest remained outstanding. Subsequent to December 31, 2022 Mr. Rowe advanced a further \$30,000 to the Company.

Convertible Debentures

The Company has received several loans and issued convertible debentures which bear interest at 10% per annum and are repayable between December 2025 and August 2027. During fiscal 2022 the Company recognized \$476,806 (2021 - \$476,806) of interest expense. As at December 31, 2022 \$4,768,063 (2021 - \$4,768,063) of principal and \$1,621,258 (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 fiscal 2022 the Company recorded a net loss of \$35,749,508 and, as at December 31, 2022, had a working capital of \$1,758,472. With the sale of its subsidiaries, the Company has curtailed its levels of corporate and administrative activities. Management anticipates the Company will sell certain of its investment in Northern Data to provide working capital in order 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 to complete any acquisition.

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

	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
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

There are no changes in accounting policies. A detailed summary of the Company's significant accounting policies is included in Note 3 to the December 31, 2022 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 consist of members of the Company's Board of Directors and its executive officers.

(a) Transactions with Key Management Personnel

- (i) During fiscal 2022 and 2021 the Company incurred the following compensation amounts to its key management personnel:

	2022 \$	2021 \$
David Rowe, director, Chairman & CEO	30,000	99,101
Alex Johnstone, director, CFO and Corporate Secretary	20,000	89,525
Richard Croft, director	20,000	19,533
Michael Hudson, director	15,000	14,650
Richard Patricio, director	15,000	14,650
Nick DeMare ⁽¹⁾ , former Corporate Secretary	7,500	9,000
	<u>107,500</u>	<u>246,459</u>

(1) Mr. DeMare resigned as corporate secretary effective December 11, 2022.

As at December 31, 2022 \$139,750 (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	17,562	399,267
Alex Johnstone	7,636	181,200
Richard Croft	6,109	142,250
Michael Hudson	3,436	77,060
Richard Patricio	3,436	77,060
	<u>38,179</u>	<u>876,837</u>

(ii) During fiscal 2021 the Company incurred a total of \$53,473 to Croft Legal Services Ltd. (“Croft”), a private corporation owned by Mr. Croft, for legal services. No legal services were performed by Croft during fiscal 2022.

(iii) During fiscal 2021 Mr. Rowe advanced \$93,941 to the Company.

(b) *Transactions with Other Related Parties*

During fiscal 2022 the Company incurred a total of \$26,350 (2021 - \$19,600) to Chase Management Ltd., a private corporation owned by Mr. DeMare for accounting and administration services. As at December 31, 2022 \$5,500 (2021 - \$2,700) remained unpaid.

Outstanding Share Data

The Company’s authorized share capital is unlimited common shares without par value. As at April 28, 2023 there were 139,740,857 issued and outstanding common shares and 13,974,083 share options outstanding, exercisable at prices ranging from \$0.05 per share to \$0.18 per share.