

# SIXTY SIX CAPITAL INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2023

This discussion and analysis of financial position and results of operation is prepared as at May 26, 2023 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended March 31, 2023, 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](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.

### 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 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.

## Investment in Equity Security

	March 31, 2023 \$	December 31, 2022 \$
Northern Data common shares at cost	49,065,239	49,065,239
Fair market values effect on shares of Northern Data	<u>(42,885,251)</u>	<u>(46,087,865)</u>
	<u>6,179,988</u>	<u>2,977,374</u>

On March 4, 2021 the Company closed on the sale of certain of its subsidiaries and as partial consideration received 338,273 shares of Northern Data. The market closing price for Northern Data on March 4, 2021 was used to establish the cost of the shares. The carrying value of the Northern Data shares at March 31, 2023 and December 31, 2022 was also determined using quoted market values. The received shares were subject to a holding period which expired on March 4, 2023 and, thus, there are no further restrictions to the selling of the Northern Data shares.

## Selected Financial Data

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

Three Months Ended	Fiscal 2023	Fiscal 2022				Fiscal 2021		
	Mar 31 2023 \$	Dec 31 2022 \$	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$	Jun 30 2021 \$
<b>Operations:</b>								
Expenses	(19,151)	(93,957)	(48,092)	(64,576)	(54,454)	(72,364)	(99,519)	(854,624)
Other items	3,060,958	(2,743,172)	(5,565,802)	(17,035,727)	(10,143,728)	1,051,624	(3,606,788)	(11,734,066)
Net (loss) income	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	979,260	(3,706,307)	(12,588,690)
Other comprehensive (loss) income, net	Nil	Nil	Nil	Nil	Nil	(71,074)	Nil	Nil
Comprehensive (loss) income	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	908,186	(3,706,307)	(12,588,690)
Basic and diluted (loss) income per share	0.02	(0.02)	(0.04)	(0.13)	(0.08)	0.03	(0.04)	(0.10)
<b>Balance Sheet:</b>								
Working capital (deficit)	4,919,481	1,758,472	(1,272,940)	(142,498)	(78,733)	(22,825)	1,635,643	1,728,101
Total assets	6,225,628	3,040,367	5,540,241	11,855,073	28,976,013	39,113,933	38,181,587	41,760,951
Total non-current liabilities	(6,508,523)	(6,389,321)	(6,265,242)	(8,076,828)	(8,097,271)	(8,074,746)	(8,023,176)	(7,914,287)

## Results of Operations

### *Three Months Ended March 31, 2023 Compared to Three Months Ended December 31, 2022*

During the three months ended March 31, 2023 (“Q1/2023”) the Company reported net income of \$3,041,807 compared to a net loss of \$2,837,129 for the three months ended December 31, 2022 (“Q4/2022”), an increase in income of \$5,878,936. The increase in income is primarily due to the recognition of an unrealized gain of \$3,202,614 in Q1/2023, compared to an unrealized loss of \$2,350,834 in Q4/2022, due to the changes in the quoted stock price on the Company’s holdings in the Northern Data Shares.

### *Three Months Ended March 31, 2023 Compared to Three months Ended March 31, 2022*

During the three months ended March 31, 2023 (“Q1/2023”) the Company reported net income of \$3,041,807 compared to a net loss of \$10,198,182 for the three months ended March 31, 2022 (“Q1/2022”), an increase in income of \$13,239,989. The increase in income is primarily due to recognition of an unrealized gain of \$3,202,614 in Q1/2023 compared to an unrealized loss of \$10,043,991 in Q1/2022 due to the changes in the quoted stock price on the Company’s holdings in the Northern Data Shares.

## *Financing Activities*

No financing activities were conducted by the Company during Q1/2023 or Q1/2022.

### *Advances*

In November 2021 the Company received an advance from Mr. Rowe, the Chairman and CEO of the Company. On February 25, 2023 Mr. Rowe advanced an additional \$30,000 to the Company. The advances are payable on demand and the rate of interest is 10% per annum compounded and calculated monthly. As at March 31, 2023 \$95,370 of advances and accrued interest remained outstanding.

### *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 the three months ended March 31, 2023 the Company recognized \$119,202 of interest expense. As at March 31, 2023 \$4,768,063 of principal and \$1,740,460 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.

### *Amounts 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 \$1,036,826 (€708,125) remains payable to Northern Data as at March 31, 2023.

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

As at March 31, 2023 the Company had working capital of \$4,919,481 and an accumulated deficit of \$32,303,862. 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) Amount receivables
- (ii) Cash
- (iii) Investment in equity security
- (iv) Accounts payable and accrued liabilities
- (v) Advances and convertible debentures
- (vi) Amount due

Amount receivables are initially measured at the amount of consideration that is unconditional. 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 ongoing costs.

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

	<b>As at March 31, 2023</b>			
	<b>Current</b>		<b>Non-Current</b>	
	<b>Within 6 Months \$</b>	<b>6-12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>
Accounts payables and accrued liabilities	173,951	-	-	-
Advances	95,370	-	-	-
Amount due	1,036,826	-	-	-
Convertible debentures	-	-	6,508,523	-
<b>Total</b>	<b>1,306,147</b>	<b>-</b>	<b>6,508,523</b>	<b>-</b>

  

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

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 Q1/2023 and Q1/2022 the Company incurred the following compensation amounts to its key management personnel:

	2023 \$	2022 \$
David Rowe, director, Chairman & CEO	-	9,000
Alex Johnstone, director, CFO and Corporate Secretary	-	6,000
Richard Croft, director	-	6,000
Michael Hudson, director	-	4,500
Richard Patricio, director	-	4,500
Nick DeMare <sup>(1)</sup> , former Corporate Secretary	-	2,250
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	-	32,250

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

Effective November 1, 2022 the Company determined to cease to provide compensation to its directors and officers of the Company. As at March 31, 2023 \$139,750 (December 31, 2022 - \$139,750) remained unpaid.

- (ii) In November 2021 the Company received an advance from Mr. David Rowe. On February 25, 2023 Mr. Rowe advanced an additional \$30,000 to the Company. The advances are payable on demand and the rate of interest is 10% per annum compounded and calculated monthly. As at March 31, 2023 principal and accrued interest totalling \$95,370 remained outstanding to Mr. Rowe.

(b) *Convertible Debentures*

The Company has issued convertible debentures which bear interest of 10% per annum and are repayable between December 2025 and August 2027. As at March 31, 2023 \$4,168,063 of principal is due to certain directors of the Company.

## Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at May 26, 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.