

SIXTY SIX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2023

This discussion and analysis of financial position and results of operation is prepared as at August 10, 2023 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the six months ended June 30, 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 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 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

	June 30, 2023 \$	December 31, 2022 \$
Northern Data common shares, at cost	43,553,481	49,065,239
Fair market values effect on shares of Northern Data	<u>(33,777,153)</u>	<u>(46,087,865)</u>
	<u>9,776,328</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 June 30, 2023 and December 31, 2022 was also determined using quoted market values. The received shares of Northern Data were subject to a two-year holding period which expired on March 4, 2023.

During the six months ended June 30, 2023 the Company sold 38,000 shares of Northern Data for \$1,083,013 resulting in a loss on sale of investment in equity security of \$4,428,745.

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	
	Jun 30 2023 \$	Mar 31 2023 \$	Dec 31 2022 \$	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$
Operations:								
Expenses	(30,606)	(19,151)	(93,957)	(48,092)	(64,576)	(54,454)	(72,364)	(99,519)
Other items	4,584,313	3,060,958	(2,743,172)	(5,565,802)	(17,035,727)	(10,143,728)	1,051,624	(3,606,788)
Net income (loss)	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	979,260	(3,706,307)
Other comprehensive loss, net	Nil	Nil	Nil	Nil	Nil	Nil	(71,074)	Nil
Comprehensive income (loss)	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	908,186	(3,706,307)
Basic and diluted income (loss) per share	0.03	0.02	(0.02)	(0.04)	(0.13)	(0.08)	0.03	(0.04)
Balance Sheet:								
Working capital (deficit)	9,592,389	4,919,481	1,758,472	(1,272,940)	(142,498)	(78,733)	(22,825)	1,635,643
Total assets	10,621,566	6,225,628	3,040,367	5,540,241	11,855,073	28,976,013	39,113,933	38,181,587
Total non-current liabilities	(6,627,724)	(6,508,523)	(6,389,321)	(6,265,242)	(8,076,828)	(8,097,271)	(8,074,746)	(8,023,176)

Results of Operations

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

During the three months ended June 30, 2023 (“Q2”) the Company reported net income of \$4,553,707 compared to net income of \$3,041,807 for the three months ended March 31, 2023 (“Q1/2023”), a fluctuation of \$1,511,900. The fluctuation is primarily due to:

- (i) the recognition of an unrealized gain of \$9,108,098 in Q2, compared to an unrealized gain of \$3,202,614 in Q1, due to the changes in the quoted stock price on the Company’s holdings in the Northern Data Shares; and
- (ii) partially offset by the recognition of a realized loss on sale of 38,000 shares of Northern Data of \$4,428,745;

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

During the six months ended June 30, 2023 (the “2023 period”) the Company reported net income of \$7,595,514 compared to a net loss of \$27,298,485 for the six months ended June 30, 2022 (the “2022 period”), a fluctuation of \$34,893,999. The fluctuation is primarily due to:

- (i) recognition of an unrealized gain of \$12,310,712 in the 2023 period compared to an unrealized loss of \$27,046,483 in the 2022 period due to the changes in the quoted stock price on the Company's holdings in the Northern Data Shares;
- (ii) recognition of a realized loss on sale of 38,000 shares of Northern Data of \$4,428,745 in the 2023 period;
- (iii) recognition of a foreign exchange loss of \$3,920 in the 2023 period compared to a foreign exchange gain of \$104,826 in the 2022 period; and
- (iv) during the 2022 period the Company incurred director and officer compensation of \$64,500. No fees were incurred during the 2023 period.

Financing Activities

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

Advances

The Company has received ongoing advances from Mr. David Rowe, the Chairman and CEO of the Company. The advances were payable on demand with interest at 10% per annum compounded and calculated monthly. During the six months ended June 30, 2023 the Company repaid \$97,605 for the principal and accrued interest 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 six months ended June 30, 2023 the Company recognized \$238,403 (2022 - \$235,138) of interest expense. As at June 30, 2023 \$4,768,063 of principal and \$1,859,661 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 \$1,019,337 (€708,125) remains payable to Northern Data as at June 30, 2023.

Financial Condition / Capital Resources

As at June 30, 2023 the Company had working capital of \$9,592,389 and an accumulated deficit of \$27,750,155. 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.

Subsequent to June 30, 2023 the Company sold 42,473 shares of Northern Data for \$1,493,035 cash.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Financial Instruments

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) Cash
- (ii) Investment in equity security
- (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 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:

	As at June 30, 2023			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Accounts payables and accrued liabilities	9,840	-	-	-
Amount due	1,019,337	-	-	-
Convertible debentures	-	-	6,627,724	-
Total	<u>1,029,177</u>	<u>-</u>	<u>6,627,724</u>	<u>-</u>

	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	-	-	-
Advances	63,629	-	-	-
Amount due	1,019,975	-	-	-
Convertible debentures	-	-	6,389,321	-
Total	<u>1,281,895</u>	<u>-</u>	<u>6,389,321</u>	<u>-</u>

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

	2023 \$	2022 \$
David Rowe, director, Chairman & CEO	-	18,000
Alex Johnstone, director, CFO and Corporate Secretary	-	12,000
Richard Croft, director	-	12,000
Michael Hudson, director	-	9,000
Richard Patricio, director	-	9,000
Nick DeMare ⁽¹⁾ , former Corporate Secretary	-	4,500
	<u>-</u>	<u>64,500</u>

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

Effective November 1, 2022 the Company ceased compensation to its directors and officers of the Company. As at June 30, 2023 \$nil (December 31, 2022 - \$139,750) remained unpaid.

- (ii) The Company has received ongoing advances from Mr. David Rowe. The advances were payable on demand with interest at 10% per annum compounded and calculated monthly. During the six months ended June 30, 2023 the Company repaid a total of \$97,605 for the principal and accrued interest outstanding.

(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 June 30, 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 August 10, 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.