

SIXTY SIX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

This discussion and analysis of financial position and results of operation is prepared as at November 15, 2023 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, 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.sedarplus.ca 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

	September 30, 2023 \$	December 31, 2022 \$
Northern Data common shares, at cost	34,492,004	49,065,239
Fair market values effect on shares of Northern Data	<u>(26,609,888)</u>	<u>(46,087,865)</u>
	<u>7,882,116</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 September 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 nine months ended September 30, 2023 the Company sold 100,473 shares of Northern Data for \$3,219,950 resulting in a loss on sale of investment in equity security of \$11,353,285.

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	
	Sept 30 2023 \$	Jun 30 2023 \$	Mar 31 2023 \$	Dec 31 2022 \$	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$
Operations:								
Expenses	(36,431)	(30,606)	(19,151)	(93,957)	(48,092)	(64,576)	(54,454)	(72,364)
Other items	143,840	4,584,313	3,060,958	(2,743,172)	(5,565,802)	(17,035,727)	(10,143,728)	1,051,624
Net income (loss)	107,409	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	979,260
Other comprehensive loss, net	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(71,074)
Comprehensive income (loss)	107,409	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)	908,186
Basic and diluted income (loss) per share	0.00	0.03	0.02	(0.02)	(0.04)	(0.13)	(0.08)	0.03
Balance Sheet:								
Working capital (deficit)	9,818,999	9,592,389	4,919,481	1,758,472	(1,272,940)	(142,498)	(78,733)	(22,825)
Total assets	10,846,648	10,621,566	6,225,628	3,040,367	5,540,241	11,855,073	28,976,013	39,113,933
Total non-current liabilities	(6,746,925)	(6,627,724)	(6,508,523)	(6,389,321)	(6,265,242)	(8,076,828)	(8,097,271)	(8,074,746)

Results of Operations

Three Months Ended September 30, 2023 Compared to Three Months Ended June 30, 2023

During the three months ended September 30, 2023 (“Q3”) the Company reported net income of \$107,409 compared to net income of \$4,553,707 for the three months ended June 30, 2023 (“Q2”), a decrease in income of \$4,446,298. The decrease is primarily due to:

- (i) the recognition of an unrealized gain of \$7,167,265 in Q3, compared to an unrealized gain of \$9,108,098 in Q2, 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 62,473 shares of Northern Data of \$6,924,540 in Q3 compared to a realized loss on sale of 38,000 shares of Northern Data of \$4,428,745 in Q2.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

During the nine months ended September 30, 2023 (the “2023 period”) the Company reported net income of \$7,702,923 compared to a net loss of \$32,912,379 for the nine months ended September 30, 2022 (the “2022 period”), a fluctuation of \$40,615,302. The fluctuation is primarily due to:

- (i) recognition of an unrealized gain of \$19,477,977 in the 2023 period compared to an unrealized loss of \$31,707,911 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 100,473 shares of Northern Data of \$11,353,285 in the 2023 period;
- (iii) recognition of a foreign exchange loss of \$665 in the 2023 period compared to a foreign exchange gain of \$63,374 in the 2022 period; and
- (iv) the Company remunerated certain directors and officers commencing July 1, 2023. During the 2023 period the Company incurred director and officer compensation of \$21,500 (2022 - \$96,750). See “Related Party Disclosure”.

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 nine months ended September 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 nine months ended September 30, 2023 the Company recognized \$357,604 (2022 - \$352,727) of interest expense. As at September 30, 2023 \$4,768,063 of principal and \$1,978,862 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 \$1,015,727 (€708,125) remains payable to Northern Data as at September 30, 2023. See also “Financial Condition / Capital Resources”.

Financial Condition / Capital Resources

As at September 30, 2023 the Company had working capital of \$9,818,999 and an accumulated deficit of \$27,642,746. 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.

The requirement to hold the shares of Northern Data AG expired in March 2023. Management believes that the upcoming halving of Bitcoin presents an attractive opportunity to take direct exposure to the price of Bitcoin over the coming 18 months and, subsequent to September 30, 2023 has therefore rebalanced its asset portfolio by reducing the holdings of Northern Data shares and purchasing shares in the Purpose Bitcoin ETF. As at the date of this MD&A the Company has sold an additional 110,000 shares of Northern Data for \$3,817,376 cash (and now holds 127,800 shares in Northern Data) and has purchased 735,000 shares of Purpose Bitcoin ETF for \$4,403,572.

In addition, the Company holds approximately \$2,350,000 in cash, of which approximately \$1,000,000 is earmarked for payment of €708,125 amount due Northern Data.

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

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 Company'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

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 condensed consolidated interim statement of comprehensive income (loss) 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, 2023			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Accounts payables and accrued liabilities	11,922	-	-	-
Amount due	1,015,727	-	-	-
Convertible debentures	-	-	6,746,925	-
Total	1,027,649	-	6,746,925	-

	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	1,281,895	-	6,389,321	-

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

Cash and Cash Equivalents

Cash and cash equivalents are currently held in Canadian Dollars (\$) and United States Dollars ("USD") and placed on deposit in Canadian banks.

Risk Exposures

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables. The credit risk in respect of cash balances held with banks is remote as they are held only with major reputable financial institutions. The Company is mainly exposed to credit risk from credit sales.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations.

Short-term liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

Longer-term liquidity risk is the ability of the Company to continue as a going concern. This risk is managed by the preparation by the Directors of cash flow forecasts and the strict management of expenditure.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and US Dollars. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At September 30, 2023 1 Canadian Dollar was equal to 0.70 Euro and 0.74 US Dollar.

	Euros	United States Dollars	CDN \$ Equivalent
Cash		1,074	1,451
Investment in equity security	5,469,400	-	7,882,116
Amount due	(708,125)	-	(1,015,727)
	<u>4,761,275</u>	<u>1,074</u>	<u>6,867,840</u>

Based on the net exposures as of September 30, 2023 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro and US Dollar would result in the Company's comprehensive income or loss being approximately \$646,000 higher (or lower).

(c) Equity Price Risk

The Company is exposed to equity risk due to the significance of its holding of 237,800 common shares of Northern Data. On September 30, 2023 these shares were valued at €23 each, for a total of €5,469,400. A change in the price of Northern Data shares by +/- €1, will impact the value of the Company's holding by €237,800.

A 10% fluctuation in the value of Northern Data common shares from the value at September 30, 2023 would result in the Company recording a gain or loss through unrealized loss or gain in fair value of investment in equity security of \$748,000.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. There has been no change to the Company's capital management strategy during the nine months ended September 30, 2023 and the Company is not subject to any externally imposed capital requirements.

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	9,000	27,000
Alex Johnstone, director, CFO and Corporate Secretary	6,500	18,000
Richard Croft, director	6,000	18,000
Michael Hudson, director	-	13,500
Richard Patricio, director	-	13,500
Nick DeMare ⁽¹⁾ , former Corporate Secretary	-	6,750
	<u>21,500</u>	<u>96,750</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. The Company re-commenced compensation to certain directors and officers effective July 1, 2023. As at September 30, 2023 \$9,000 (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 nine months ended September 30, 2023 the Company repaid a total of \$97,605 for the principal and accrued interest outstanding.
- (iii) During the 2022 period the Company incurred a total of \$20,350 to Chase Management Ltd., a private corporation owned by the Nick DeMare, the former Corporate Secretary of the Company, for accounting and administration services.

(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 September 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 November 15, 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.