

# SIXTY SIX CAPITAL INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

This discussion and analysis of financial position and results of operation is prepared as at April 16, 2024 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2023 and 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 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](http://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 investment portfolio, as of December 31, 2023, consists of shares of Northern Data AG ("Northern Data"), a specialist technology company that provides high performance computing infrastructure solutions, and shares of Purpose Bitcoin ETF ("Purpose ETF"). The Company continues to review business and investments opportunities within the Fin Tech space, including investing in cryptocurrencies.

## Investments

	As at December 31, 2023			
	Number	Cost \$	Unrealized (Loss) Gain \$	Carrying Value \$
Northern Data	127,800	18,536,914	(13,702,405)	4,834,509
Purpose ETF	735,000	4,403,572	1,505,828	5,909,400
		<u>22,940,486</u>	<u>(12,196,577)</u>	<u>10,743,909</u>

	As at December 31, 2022			
	Number	Cost \$	Unrealized (Loss) Gain \$	Carrying Value \$
Northern Data	338,273	49,065,239	(46,087,865)	2,977,374

- (a) 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 received shares of Northern Data were subject to a two-year holding period which expired on March 4, 2023.

During fiscal 2023 the Company sold 210,473 shares of Northern Data for \$7,037,326 resulting in a realized loss on sale of investment of \$23,490,999.

- (b) During fiscal 2023 the Company purchased 735,000 shares of Purpose ETF for \$4,403,572.

The carrying value of the investments were determined using quoted market values. During fiscal 2023 the Company recorded an unrealized gain of \$33,891,288 (2022 - loss of \$34,058,745) on its investments.

## 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		
	2023 \$	2022 \$	2021 \$
<b>Operations:</b>			
Revenues	Nil	Nil	1,778,485
Cost of sales	Nil	Nil	(1,139,723)
Cryptocurrency related items	Nil	Nil	(2,866)
Expenses	(145,864)	(261,079)	(2,203,548)
Gain on disposal of subsidiaries	Nil	Nil	38,788,992
Other items	9,783,633	(35,488,429)	(12,806,878)
Net income (loss)	9,637,769	(35,749,508)	24,414,462
Other comprehensive income (loss), net	Nil	Nil	(33,147)
Comprehensive income (loss)	9,637,769	(35,749,508)	24,381,315
Basic and diluted income (loss) per share	0.07	(0.27)	0.19
<b>Balance Sheet:</b>			
Working capital (deficit)	11,020,139	1,758,472	(22,825)
Total assets	12,074,053	3,040,367	39,113,933
Total non-current liabilities	(5,845,499)	(6,389,321)	(8,074,746)

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

Three Months Ended	Fiscal 2023				Fiscal 2022			
	Dec 31 2023 \$	Sept 30 2023 \$	Jun 30 2023 \$	Mar 31 2023 \$	Dec 31 2022 \$	Sept 30 2022 \$	Jun 30 2022 \$	Mar 31 2022 \$
<b>Operations:</b>								
Expenses	(59,676)	(36,431)	(30,606)	(19,151)	(93,957)	(48,092)	(64,576)	(54,454)
Other items	1,994,522	143,840	4,584,313	3,060,958	(2,743,172)	(5,565,802)	(17,035,727)	(10,143,728)
Net income (loss)	1,934,846	107,409	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)
Other comprehensive loss, net	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Comprehensive income (loss)	1,934,846	107,409	4,553,707	3,041,807	(2,837,129)	(5,613,894)	(17,100,303)	(10,198,182)
Basic and diluted income (loss) per share	0.02	0.00	0.03	0.02	(0.02)	(0.04)	(0.13)	(0.08)
<b>Balance Sheet:</b>								
Working capital (deficit)	11,020,139	9,818,999	9,592,389	4,919,481	1,758,472	(1,272,940)	(142,498)	(78,733)
Total assets	12,074,053	10,846,648	10,621,566	6,225,628	3,040,367	5,540,241	11,855,073	28,976,013
Total non-current liabilities	(5,845,499)	(6,746,925)	(6,627,724)	(6,508,523)	(6,389,321)	(6,265,242)	(8,076,828)	(8,097,271)

## Results of Operations

### *Three Months Ended December 31, 2023 Compared to Three Months Ended September 30, 2023*

During the three months ended December 31, 2023 (“Q4”) the Company reported net income of \$1,934,846 compared to net income of \$107,409 for the three months ended September 30, 2023 (“Q3”), a fluctuation of \$1,827,437. The fluctuation is primarily due to:

- (i) the recognition of an unrealized gain of \$14,413,311 in Q4, compared to an unrealized gain of \$7,167,265 in Q3, due to the changes in the quoted stock prices on the Company’s investments; and
- (ii) offset by the recognition of a realized loss on sale of 110,000 shares of Northern Data of \$12,137,714 in Q4 compared to a realized loss on sale of 62,473 shares of Northern Data of \$6,924,540 in Q3.

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

During the three months ended December 31, 2023 (“Q4/2023”) the Company reported net income of \$1,934,846 compared to a net loss of \$2,837,129 for the three months ended December 31, 2022 (“Q4/2022”), a fluctuation of \$4,771,975. The fluctuation is primarily due to:

- (i) the recognition of an unrealized gain of \$14,413,311 in Q4/2023 compared to an unrealized loss of \$2,350,834 in Q4/2022 due to the changes in the quoted stock prices on the Company’s investments;
- (ii) recorded an impairment provision of \$202,879 in Q4/2022 on amounts receivable from former employees of the Company.

The fluctuation was offset by the recognition of a realized loss on sale of 110,000 shares of Northern Data of \$12,137,714 in Q4/2023 compared to \$nil in Q4/2022.

### *Year Ended December 31, 2023 Compared to Year Ended December 31, 2022*

During the year ended December 31, 2023 (“fiscal 2023”) the Company reported net income of \$9,637,769 compared to a net loss of \$35,749,508 for the year ended December 31, 2022 (“fiscal 2022”), a fluctuation of \$45,387,277. The fluctuation is primarily due to:

- (i) recognition of an unrealized gain of \$33,891,288 in fiscal 2023 compared to an unrealized loss of \$34,058,745 in fiscal 2022 due to the changes in the quoted stock price on the Company’s investments;
- (ii) recognition of a realized loss on sale of 210,473 shares of Northern Data of \$23,490,999 in fiscal 2023;
- (iii) recorded an impairment provision of \$202,879 in fiscal 2022 on amounts receivable from former employees of the Company;

- (iv) the Company remunerated certain directors and officers commencing July 1, 2023. During fiscal 2023 the Company incurred director and officer compensation of \$42,500 (2022 - \$107,500). See “Related Party Disclosures”; and
- (v) recognition of a settlement of the VAT indemnification of \$609,623 in fiscal 2022.

#### *Financing Activities*

No financing activities were conducted by the Company during fiscal 2023.

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.

#### *Advances*

The Company has received ongoing advances from Mr. David Rowe, the Company’s Chairman and CEO. The advances were payable on demand with interest at 10% per annum compounded and calculated monthly. During fiscal 2023 the Company recognized \$3,976 (2022 - \$5,963) of interest expense. In June 2023 the Company repaid \$97,605 on account of the outstanding advances and accrued interest.

#### *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 2023 and August 2027. During fiscal 2023 the Company recognized \$476,806 (2022 - \$476,806) of interest expense. As at December 31, 2023 \$4,768,063 of principal and \$2,098,064 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.

Subsequent to December 31, 2023 the Company paid \$1,020,628 of accrued interest on the Convertible Debentures.

#### *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 €708,125 remained payable to Northern Data as at December 31, 2022. During fiscal 2022 the Company recorded a loss of \$609,623 on the difference between the provision as at December 31, 2021 and the actual settlement with the Swedish tax authorities.

In December 2023 the Company reimbursed Northern Data the payable amount of \$1,015,727 (€708,125).

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

During fiscal 2023 the Company recorded net income of \$9,637,769 and, as at December 31, 2023, had working capital of \$11,020,139 and non-current indebtedness totalling \$5,845,499. As at December 31, 2023 management considers that the Company has adequate resources to maintain its operations and investments and repay indebtedness as they come due.

The requirement to hold the shares of Northern Data 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 during fiscal 2023 has therefore rebalanced its asset portfolio by reducing the holdings of Northern Data shares and purchasing shares in other investments in cryptocurrencies.

## **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) Investments
- (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 December 31, 2023			
	Current		Non-Current	
	Within 6 Months \$	6-12 Months \$	1 - 5 Years \$	Over 5 Years \$
Accounts payables and accrued liabilities	33,286	-	-	-
Convertible debentures	1,020,628	-	5,845,499	-
<b>Total</b>	<b>1,053,914</b>	<b>-</b>	<b>5,845,499</b>	<b>-</b>

  

	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	-
<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.

### ***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 December 31, 2023 1 Canadian Dollar was equal to 0.68 Euro and 0.76 US Dollar.

	Euros	United States Dollars	CDN \$ Equivalent
Cash	-	466	613
Investments	3,290,850	-	4,834,509
	<u>3,290,850</u>	<u>466</u>	<u>4,835,122</u>

Based on the net exposures as of December 31, 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 \$483,500 higher (or lower).

(c) Equity Price Risk

The Company is exposed to equity risk due to the significance of its holdings in two investments. On December 31, 2023 these investments were valued at \$10,743,909.

A 10% fluctuation in the value of its investments from the value at December 31, 2023 would result in the Company recording a gain or loss through unrealized loss or gain in fair value of its investments of \$1,074,000.

### ***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 fiscal 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 material accounting policies is included in Note 3 to the December 31, 2023 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 2023 and 2022 the Company incurred the following compensation amounts to its key management personnel:

	2023 \$	2022 \$
David Rowe, director, Chairman & CEO	18,000	30,000
Alex Johnstone, director, CFO and Corporate Secretary	12,500	20,000
Richard Croft, director	12,000	20,000
Michael Hudson, director	-	15,000
Richard Patricio, director	-	15,000
Nick DeMare <sup>(1)</sup> , former Corporate Secretary	-	7,500
	<u>42,500</u>	<u>107,500</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. The Company re-commenced compensation to certain directors and officers effective July 1, 2023. As at December 31, 2023 \$9,400 (2022 - \$139,750) remained unpaid.

During fiscal 2022 the Company also recorded \$38,179 share-based compensation for share options granted to key management personal.

- (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 fiscal 2023 the Company repaid \$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 2023 and August 2027. As at December 31, 2023 \$2,587,854 (2022 - \$2,587,854) of principal and \$1,132,960 (2022 - \$874,175) of accrued interest were due to directors of the Company.

**Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at April 16, 2024 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.