



# HUT 8

## Hut 8 Mining Corp. Reports Financial Results for Second Quarter 2018

*All Figures in Canadian Dollars Unless Otherwise Noted*

TORONTO, Ontario, August 16, 2018 – [Hut 8 Mining Corp.](#) (TSX-V: HUT) (OTCQX: HUTMF) (“**Hut 8**”, or the “**Company**”), one of the world’s largest publicly-traded cryptocurrency mining companies by operating capacity, today announces its financial results for the second quarter ended June 30, 2018 (“**Q2 2018**”).

	<b>Three months ended June 30, 2018</b>	<b>Six months ended June 30, 2018</b>
<b>Revenue</b>	\$ 7,800,370	\$ 18,789,319
Project costs	(2,843,831)	(5,009,130)
<b>Mining profit</b>	4,956,539	13,780,189
<b>Mining profit margin</b>	64%	73%
Depreciation	(5,900,495)	(11,540,964)
<b>Gross profit</b>	\$ (943,956)	\$ 2,239,225
<b>Gross profit margin</b>	-12%	12%
Expenses	(2,227,665)	(5,192,143)
<b>Net operating loss</b>	(3,171,621)	(2,952,918)
Fair value loss on re-measurement of digital assets	(1,755,962)	(5,829,272)
Foreign exchange loss	(8,960)	(2,450)
Interest income	-	32,315
<b>Net loss</b>	(4,936,543)	(8,752,325)
<b>Adjusted EBITDA</b>	\$ 3,860,052	\$ 11,034,861
<b>Adjusted EBITDA margin</b>	49%	59%
<b>Net loss per share - basic and diluted</b>	\$ (0.06)	\$ (0.11)
<b>Bitcoin mined</b>	786	1,614
<b>Cost per bitcoin (CAD)</b>	\$ 3,618	\$ 3,104
<b>Cost per bitcoin (USD)</b>	\$ 2,721	\$ 2,334

As of June 30, 2018, Hut 8 had 82,808,400 shares outstanding, 595,000 stock options, and 945,600 warrants.

With a mining profit margin of 64%, the cost of mining bitcoin in Q2 2018 was \$3,618 (US\$2,721) per bitcoin. Hut 8 believes it is amongst the lowest cost miners of bitcoin in the world. The Company anticipates the cost per bitcoin to remain competitive, based on the increasing difficulty rate, offset by

the facility in the City of Medicine (the “**CMH Facility**”), which operates more efficient, next generation BlockBoxes.

“Hut 8 continued to produce a positive mining operating margin and adjusted EBITDA in Q2 2018, despite the price of bitcoin declining by 15% over the quarter and mining difficulty increasing by 69%. In our Q3 2018, we will see the positive impact of our CMH Facility, which was completed on July 11, 2018 and represents a 350% increase in our operating capacity resulting in 360 PH/s increase in output,” said Andrew Kiguel, President and Chief Executive Officer of Hut 8.

Due to the decrease in the price of bitcoin in Q2 2018, Hut 8 incurred a \$1.8 million non-cash loss on the re-measurement of the value of bitcoin in inventory, and consequently finished the quarter with a net loss of about \$4.9 million. In future quarters, when revenue is recorded, the Company would expect to see unrealized gains or losses based on the price of bitcoin on the corresponding reporting date, relative to the price on the day mined.

“We are optimistic about the long-term direction of the price of bitcoin. We continue to hold our bitcoin, after paying for expenses,” said Kiguel.

“With 66.7 MW of operating capacity that is fully paid for from proceeds of previous fund raising, Hut 8 is Canada’s largest publicly-traded crypto miner. We are currently exploring several new sites in North America that would have aggregate capacity in excess of 300 MW for future developments,” said Kiguel.

A conference call has been scheduled to discuss the Company’s second quarter financial results, hosted by CEO Andrew Kiguel and CFO Jimmy Vaiopoulos, starting at 10:00 a.m. ET.

Date: Thursday, August 16, 2018

Time: 10:00 a.m. ET

Dial-In: 1 (888) 465-5079, Canada 1 (888) 424-8151, US

Passcode: 7934 356#

### **Master Agreement Amendments**

In addition, Hut 8 has made amendments to its Master Services Agreement (“**MSA**”) and Master Purchase Agreement (“**MPA**”) with Bitfury.

With respect of the MSA, Hut 8 will move from paying Bitfury a monthly service fee of costs plus 10% to paying a \$2,500 monthly management fee per BlockBox, plus costs associated with operating the BlockBoxes (with no mark-up). Hut 8 management believes this fee schedule will result in a monthly cost reduction and incentivize Bitfury to reduce expenses associated with servicing the BlockBoxes.

With respect of the MPA, amendments were made in two categories: (1) confirmation of the ability by Bitfury to deploy its own BlockBoxes for the purposes of self-mining in North America (the “**Self-Mining Right**”); and (2) granting Hut 8 an irrevocable and unconditional purchase right with respect to any BlockBoxes deployed by Bitfury in connection with its Self-Mining Right, in each case subject to certain terms and conditions as specified in the amendment to the MPA. Hut 8 will also have a purchase right in respect of any Bitfury joint venture interests or self-mining sites. Bitfury will otherwise continue to be subject to its exclusivity arrangements with Hut 8 for the supply and servicing of BlockBoxes in North America. Hut 8 management believe these amendments represent a strategic benefit for Hut 8 as well as

its shareholders, including Bitfury. In times when Hut 8 is unable to finance the purchase of additional BlockBoxes, Bitfury will now have the ability to develop and warehouse sites for Hut 8's benefit.

Amendments to both the MSA and MPA have been approved by the board and will be filed on [www.sedar.com](http://www.sedar.com)

This earnings release should be read in conjunction with the Company's Management Discussion & Analysis, Financial Statements and Notes to Financial Statements for Q2 2018, which has been posted under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and are also available on the Company's website at [www.hut8mining.com](http://www.hut8mining.com).

Since beginning its mining operations in December 2017, Hut 8 has mined more than 2,600 bitcoin.

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**ABOUT HUT 8 MINING CORP.**

Hut 8 Mining Corp., headquartered in Toronto, Canada is a cryptocurrency mining and blockchain infrastructure company established through an exclusive arrangement with the Bitfury Group, the world's leading full-service blockchain technology company. Through the Bitfury Group, Hut 8 has access to a world-leading proprietary mix of hardware, software and operational expertise to construct, optimize and manage datacenters in low-cost and attractive jurisdictions. Hut 8 is led by a team of industry experts and intends to provide investors with exposure to blockchain processing infrastructure and technology along with underlying cryptocurrency rewards and transaction fees.

Hut 8 provides investors with direct exposure to bitcoin, without the technical complexity or constraints of purchasing the underlying cryptocurrency. Investors avoid the need to create online wallets, wire money offshore and safely store their bitcoins. Hut 8 provides a secure and simple way to invest. For more information, visit [www.hut8mining.com](http://www.hut8mining.com).

Key investment highlights and FAQ's: <https://www.hut8mining.com/investors>.

Keep up-to-date on Hut 8 events and developments and join our online communities at [Facebook](#), [Twitter](#) and [LinkedIn](#).

## **FORWARD LOOKING STATEMENTS**

Certain information in this press release constitutes forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “is positioned”, “estimates”, “intends”, “assumes”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by Hut 8 as of the date of this press release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the “Risk Factors” section of the Filing Statement relating to the Qualifying Transaction of Oriana Resources Corporation and Hut 8, which is available at [www.sedar.com](http://www.sedar.com). These factors are not intended to represent a complete list of the factors that could affect Hut 8; however, these factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. The forward-looking statements contained in this press release are made as of the date of this press release, and Hut 8 expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

<sup>1</sup> **EBITDA** and **Adjusted EBITDA** are non-GAAP measures and consequently, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for net income and loss presented in accordance with GAAP. The Company uses Adjusted EBITDA as a non-GAAP financial performance measurement. The Company calculates Adjusted EBITDA by adding back to net income (loss): interest, income taxes, depreciation and amortization expense, and impairment charges as further adjusted to add back stock-based compensation expense and non-recurring items. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing the Company’s financial results with other companies in the industry, many of which also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as amortization, depreciation, stock-based compensation and impairment charges, as well as non-operating charges for interest and income taxes, investors can evaluate the Company's operations and its ability to generate cash flows from operations and can compare its results on a more consistent basis to the results of other companies in the industry. Management also uses Adjusted EBITDA to establish internal budgets and goals, and evaluate performance of its business units and management, and evaluate potential acquisitions. The Company considers Adjusted EBITDA to be an important indicator of the Company's operational strength and performance of its business and a useful measure of the Company's historical and prospective operating trends. However, there are significant limitations to the use of Adjusted EBITDA since it excludes

interest income and expense and income taxes and non-recurring items such as goodwill impairments, each of which impact the Company's profitability and operating cash flows, as well as depreciation, amortization, impairment charges and stock-based compensation. The Company believes that these limitations are compensated by clearly identifying the difference between the two measures. Adjusted EBITDA as defined by the Company may not be comparable with similarly named measures provided by other entities.