This management presentation is intended to provide an overview of the business of Hut 8 Mining Corp. ("Hut 8" or the "Company"). It has been prepared for information purposes only and does not purport to be complete. It is not intended to be relied upon as advice to or as a solicitation from investors or potential investors in connection with a distribution of securities of the Company and does not take into account the investment objectives, financial situation or needs of any particular investor. Our financial projections were not prepared with a view toward compliance with published guidelines of the International Financial Reporting Standards or American Institute of Certified Public Accountants and have not been examined, reviewed or compiled by our accountants or auditors. Our financial projections represent our estimates as of the dates indicated thereon.

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This presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities of Hut 8 in the United States. The securities of Hut 8 have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any state securities laws, and such securities may not be offered or sold in the United States or to U.S. persons unless registered or exempt therefrom.

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The presentation presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

Please see the slides titled "Risk Factors" for a description of potential risks and other factors in connection with our business. The "forward-looking" statements in this presentation are expressly qualified by this cautionary statement.
Hut 8 is the largest public bitcoin mining company in the world, with operations in Alberta, Canada.

Hut 8 creates value for investors through low production costs and appreciation of its bitcoin inventory.
Hut 8 provides investors with direct exposure to bitcoin without the technical complexity of purchasing the underlying cryptocurrency. Investors avoid the need to create online wallets, wire money offshore and safely store their bitcoin. Hut 8 provides a secure and simple way to invest.

TSX-V: HUT
OTCQX: HUTMF

10,874+ bitcoin Mined
3,250+ bitcoin Retained

1 As of June 30, 2019
Industry Overview

Bitcoin

- Bitcoin is the **first and largest** cryptocurrency
- To date, ~17.7 million bitcoin exist and only **21 million bitcoin will ever exist**
- New bitcoin are **minted by cryptocurrency miners**
- Bitcoin transactions are stored on a digital public ledger called the **Blockchain**
- It is expected that all bitcoin will be mined by **2140**

Blockchain

- The Bitcoin Blockchain is a cloud-based **digital public ledger** where bitcoin transactions are grouped together and represented as a block in a network chain, containing all relevant transaction details
- The Blockchain is maintained by a **community** of users. All transactions on the blockchain are **transparent**
- It is designed to make it **impossible** to add, remove or change data **without being detected** by users
Industry Overview

Bitcoin Mining

- Mining is the process of verifying cryptocurrency transactions by **solving a computationally difficult puzzle** that is like guessing a combination code.

- Bitcoin miners use powerful **Application Specific Integrated Circuit (ASIC)** computing chips to compete with each other to correctly solve the encryption puzzle.

- When a miner is **successful**, the block is incorporated into the blockchain and the miner receives **12.5** newly minted bitcoin (this number will halve every four years to keep supply constrained) plus transaction fees.

- For its mining activities, Hut 8 utilizes the **Bitfury BlockBox AC data centers**.

- Manufactured by the Bitfury Group, the BlockBoxes AC data centers are regarded as one of the **most powerful and cost-effective bitcoin mining solutions** available.

- BlockBoxes are based on **cutting-edge** hardware and software and are fully configurable and **upgradeable** to the next generation of silicon technology.
Industry Overview

Bitcoin Advantages

- Globally fungible - a bitcoin is the same everywhere in the world
- Low transaction costs
- Unlike physical commodities, there is little to no fee to transport bitcoin anywhere in the world
- Low to zero storage costs - custodians charge low fees to store bitcoin, ideal storage of value
- Non-sovereign and controlled by mathematical algorithm that makes it not prone to inflation
Bitcoin: Evolution

**Regulation**
- Bitcoin deemed not a ‘security’ by SEC chairman
- Regulated by CFTC as a commodity
- Distinguished from other cryptocurrencies which are under review by SEC

**Security**
- Institutional custodial services coming from key traditional market players
- Fidelity launching in 2019. Goldman Sachs and Galaxy via Bitgo
- Major players, such as Lloyd’s, providing insurance

**Investor Base**
- Seen as the new Institutional asset class for 2019
- ETF applications by major asset managers under SEC review
- Worldwide inflationary pressure on fiat currencies
- Visa has teamed up with Coinbase to provide a payment solution

**Adoption**
- Visa has teamed up with Coinbase to provide a payment solutions
- Lightning network can be used to shop at e-commerce sites like Amazon

**Trading**
- NASDAQ, NEO expanding or investing in bitcoin trading
- Evolving futures market by CME, CBOE and NYSE via Bakkt
- TD Ameritrade investment in ErisX, a cryptocurrency exchange
Overview: Asset Base

Hut 8 has demonstrated the ability to execute better than any other public markets comparable, effectively leveraging its lean management team and global strategic partnerships.

<table>
<thead>
<tr>
<th>Location</th>
<th>Medicine Hat</th>
<th>Drumheller</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlockBoxes</td>
<td>56</td>
<td>29</td>
<td>85</td>
</tr>
<tr>
<td>Installed Power</td>
<td>62.7 MW</td>
<td>32.5 MW</td>
<td>95.2 MW</td>
</tr>
<tr>
<td>Hashpower</td>
<td>504 PH/s</td>
<td>280 PH/s</td>
<td>784 PH/s</td>
</tr>
</tbody>
</table>

1. Figures reflect full operational capacity. Actual figures vary daily based on optimizing efficiency from the price of bitcoin, mining difficulty and electricity costs, which are dynamic and move frequently. In addition, boxes may be temporarily placed in standby mode for normal maintenance.
Bitfury BlockBox AC: Overview

- The BlockBox AC is a containerized data center for bitcoin mining that substantially shortens the time required to start mining bitcoin on a commercial scale.

- Units are comprised of a standard 40’ High Cube freight container for ease of transportation and installation.

- Capacity of 1.10 - 1.15 MW of power supply per BlockBox.

- Each unit includes 180 air-cooled mining servers that deliver a total hashrate of 8 - 12 PH/s from over 100,000 custom ASIC chips.
Competitive Advantage

Bitfury Partnership

- One of the largest bitcoin miners in the world, in business since 2011
- Manufactures their own proprietary ASIC chips
- Bitfury provides a turn-key service to install, service and maintain BlockBox AC data centers
- Hut 8 has the exclusive option for future acquisition & development of data centers and operational services in North America
- Own approximately 47.6% of Hut 8
Competitive Advantage

BlockBox AC Data Center Technology

- Custom designed and engineered to be long lasting
- Ability to throttle output dynamically to adjust to market conditions and optimize profitability
- Capital efficient via the ability to retrofit with more powerful chips and extend useful life
- Ability to deploy in remote areas with rapid assembly
Competitive Advantage

Secure, Low-Cost Electricity

- Electricity in Medicine Hat is generated from combination of **natural gas** and **wind power**
- **10-year** electricity supply agreement and land lease agreement in Medicine Hat
Management

Andrew Kiguel
CEO, Director of Hut 8

As one of the co-founders, Andrew played a key role in the formation, structure and financing of Hut 8. He brings knowledge and skill from his 21+ years in the finance industry to his role of CEO. Under Andrew's leadership, Hut 8 has grown to become the world's largest publicly traded cryptocurrency miner by market capitalization and size of operations. Prior to Hut 8, he served as Managing Director in investment banking at GMP Securities, with a focus on blockchain and technology. Andrew has extensive experience in providing investment banking services to numerous public and private entities, including raising equity and debt capital in excess of C$5 billion through his career.

Jimmy Vaiopoulos
CFO of Hut 8

Jimmy joins Hut 8 following his role as CFO with a TSXV-listed commercial solar solutions provider, where he served since 2015. Prior to that role, he worked with KPMG in both audit and advisory practices with a focus on energy and infrastructure markets. Vaiopoulos has worked closely with independent power producers and specializes in start-up growth, international management, tech and mining, and has extensive experience in the underlying Canadian and U.S. compliance regimes. He holds a Bachelor of Engineering Science from Western University and an Honours Business Administration from the Richard Ivey School of Business and is a member of the Chartered Professional Accountants of British Columbia.

Michael Perrow
Vice President of Hut 8

Since 2008, Michael has played an integral leadership role in the development, operations and strategy of numerous successful startups. Michael spent the last 5 years focused on scaling a music and technology company as the head of business development. He holds a business degree from the University of Western Ontario with a specialization in finance.
Bill Tai is a Board Director of Bitfury and co-founder Chairman of data science company Treasure Data. He is an early seed investor behind high profile startups Canva, Color Genomics, Tweetdeck/Twitter, Wish.com and Zoom Video. He is a Partner Emeritus for CRV after establishing their Silicon Valley office. Previously he founded several successful technology companies and served as Board Director of 7 publicly listed companies. He holds a BSEE with Honors from the University of Illinois and an MBA from Harvard.

Valery Vavilov

Co-founding member of Bitfury. Assumed the role of Bitfury CEO in 2011. Seasoned entrepreneur with an eye for market opportunity and more than 15 years of experience in information technology and business management. Proven track record in building successful companies and high-performing teams. Prior to that, held numerous technology and business leadership positions at 212.ua, Advideo.ua, Allroll and Uzdevumi. MS Riga Transport & Telecommunication University.

Joe Flinn

Joseph Flinn joins Hut 8 following 12 years of senior leadership at Sysco Corporation, where he played an integral role as both Chief Financial Officer of Sysco Canada, and President of Sysco Canada’s Eastern Division, and 2 years as President of Clarke Freight Transportation Group, a major national freight carrier. Mr. Flinn holds a business degree from Saint Mary’s University and is a chartered professional accountant. Currently Mr. Flinn is the CFO of Seaboard Transportation Group, a major international bulk transportation group of companies.

Dennis Mills

Former Member of Parliament of Canada for 16 years with roles including working with the Minister of Industry. Held leadership positions at Magna Entertainment from 2004 to 2008 followed by CEO of MI Developments, a global real estate company, from 2008 to 2010. Dennis served on the board of Pacific Rubiales Energy and is currently on the board of CGX Energy.

Gerri Sinclair

Kensington Managing Director where she serves as a member of the firm’s Investment Committee for the venture capital funds. Previously served on the Microsoft Senior Executive team as General Manager for the MSN Canadian subsidiary. Has served on several government and corporate boards including the TMX Group, Telus Corporation, BC Telecom, and Ballard Power. Gerri holds a Ph.D. in Renaissance Drama as well as an honorary Doctor of Science in Computing Science from the University of British Columbia.
Simplified Bitcoin Mining Economics

Bitcoin mining returns are largely driven by three variables: the price of bitcoin, share of total network hash rate, and electricity costs.

\[
\text{Annual Mining Revenue} = \text{Block reward per block} + \text{Transaction fees per block} \times 6 \times 24 \times 365 \div \text{BlockBox hash rate} \times \text{Bitcoin price}
\]

\[
\text{Annual Mining Costs} = \text{Cost of electricity ($ / kWh)} \times \text{Power consumption per BlockBox (MW)} \times 24 \times 365 + \text{Monthly management fee per BlockBox} \times \text{Number of BlockBoxes} \times 12
\]

1 Monthly management fee per BlockBox includes staff costs, management fees, insurances, spares and repairs, and site costs.
# Financial: Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019-Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$1,123,216</td>
<td>$49,439,100</td>
<td>$12,102,014</td>
</tr>
<tr>
<td>Gross Mining Profit</td>
<td>$991,794</td>
<td>$24,565,572</td>
<td>$(530,781)</td>
</tr>
<tr>
<td>Gross Mining Profit Margin(^{(1)})</td>
<td>88%</td>
<td>50%</td>
<td>-4%</td>
</tr>
<tr>
<td>Adjusted EBITDA(^{(2)})</td>
<td>$1,040,470</td>
<td>$19,291,271</td>
<td>$(1,277,382)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$94,512</td>
<td>$(136,765,537)</td>
<td>$(6,065,495)</td>
</tr>
<tr>
<td>Bitcoin Mined</td>
<td>62</td>
<td>5,592</td>
<td>2,405</td>
</tr>
<tr>
<td>Average BTC price (USD)</td>
<td>$4,006</td>
<td>$6,445</td>
<td>$3,799</td>
</tr>
<tr>
<td>Cost per Bitcoin (USD)</td>
<td>$1,632</td>
<td>$3,433</td>
<td>$3,951</td>
</tr>
</tbody>
</table>

\(^{1}\) Does not include depreciation  
\(^{2}\) EBITDA excluding listing costs, write-downs, unrealized gain/loss, and share based compensation
# Capitalization and Ownership

<table>
<thead>
<tr>
<th>TSX-V:</th>
<th>HUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares Outstanding(^1):</td>
<td>90,108,118</td>
</tr>
<tr>
<td>Total Debt(^2):</td>
<td>US $24 million</td>
</tr>
<tr>
<td>Cash(^3):</td>
<td>$3.1 million</td>
</tr>
<tr>
<td>Digital Assets(^3):</td>
<td>$14.3 million</td>
</tr>
<tr>
<td>Warrants(^1):</td>
<td>2,822,222</td>
</tr>
<tr>
<td>Options(^1):</td>
<td>965,000</td>
</tr>
</tbody>
</table>

\(^1\) As at March 31 2019  
\(^2\) Includes Galaxy Digital (US$16 million) and Bitfury (US$8 million). As at March 31 2019  
\(^3\) As at March 31 2019 at US$4,105 BTC price
Risk Factors

Due to the nature of Hut 8's business, the legal and economic climate in which it operates and its present stage and proposed operations, the Company is subject to significant risks. The Company's future development and actual operating results may be very different from those expected as at the date of this presentation. Readers should carefully consider all such risks, which include, but are not limited to, the risks presented below.

Additional Funding Requirements: Further acquisitions of Additional Data centers will require additional capital, the ongoing operation of Hut 8 will require monthly payments under the Master Services Agreement, and the Company will require funds to operate as a public company. There is no assurance that the Hut 8 will be successful in obtaining the required financing for these or other purposes, including for general working capital.

Conflicts of Interest: Certain of the officers and directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. In addition, certain proposed directors of the Company are principals of Bitfury, who will be a controlling shareholder of the Company and the commercial partner under the Services Agreement. The directors of the Hut 8 will be required by law to act honestly and in good faith with a view to the best interests of the Hut 8 and to disclose any interest which they may have in any project or opportunity of the Hut 8. If a conflict arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Hut 8 will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Hut 8 may be exposed and its financial position at that time.

Dividends: To date, the Company has not paid any dividends on its outstanding securities and the Hut 8 does not expect to do so in the foreseeable future. Any decision to pay dividends on the Hut 8 Shares will be made by the Board of Directors.

The Company's cryptocurrency inventory may be exposed to cybersecurity threats and hacks: As with any other computer code, flaws in the cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users’ information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare.

Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations: As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Governments may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments and taxation authorities may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Hut 8 Shares. Such a restriction could result in the Company liquidating its bitcoin inventory at unfavorable prices and may adversely affect the Company's shareholders.

The value of cryptocurrencies may be subject to momentum pricing risk: Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's bitcoin inventory and thereby affect the Company's shareholders.

Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure: To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of bitcoin Exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed bitcoin Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such bitcoin Exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.
Risk Factors (CONT’D)

Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment: A number of companies that provide bitcoin and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to bitcoin and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide bitcoin and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing bitcoin and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Company's bitcoin inventory.

The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain: Crises may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Company's bitcoin inventory. The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the prices of. Crises in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance which would, in turn, adversely affect the Company's investments. As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralised means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of bitcoins either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Company's operations and profitability.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate: The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Company's operations. The factors affecting the further development of the industry, include, but are not limited to:

Continued worldwide growth in the adoption and use of cryptocurrencies;
Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
Changes in consumer demographics and public tastes and preferences;
The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
General economic conditions and the regulatory environment relating to digital assets; and
Negative consumer sentiment and perception of cryptocurrencies generally.

Acceptance and/or widespread use of cryptocurrency is uncertain: Currently, there is relatively small use of bitcoins and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability. As relatively new products and technologies, bitcoin, the Bitcoin Network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies, and profitability.

The Company may be required to sell its coins to pay for maintaining its mining datacenters: The Company may sell its coins to pay expenses covered under the Master Services Agreement and other expenses incurred, irrespective of then-current coin prices. Consequently, the Company's coins may be sold at a time when the price is low, resulting in a negative effect on the Company's profitability.

The Company's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies: The Company competes with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Company. Market and financial conditions, and other conditions beyond the Company's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for the Company's shares and reduce their liquidity.
Risk Factors (CONT’D)

The Company’s coins may be subject to loss, theft or restriction on access: There is a risk that some or all of the Company’s coins could be lost or stolen. Access to the Company’s coins could also be restricted by cybercrime (such as a denial of service (“DoS”) attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect the operations of the Company and, consequently, its investments and profitability. The loss or destruction of a private key required to access the Company’s digital wallets may be irreversible. The Company’s loss of access to its private keys or its experience of a data loss relating to the Company’s digital wallets could adversely affect its investments. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its coins and such private keys will not be capable of being restored by network. Any loss of private keys relating to digital wallets used to store the Company’s bitcoin could adversely affect its investments and profitability.

Incorrect or fraudulent coin transactions may be irreversible: Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Company’s investments. Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft. Although the Company’s transfers of coins will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Company’s coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations: As the number of coins awarded for solving a block in the blockchain decreases, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company’s bitcoin inventory and investments. In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins. If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company’s mining activities. If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. MINERS CEASING OPERATIONS WOULD REDUCE COLLECTIVE PROCESSING POWER, WHICH WOULD ADVERSELY AFFECT THE CONFIRMATION PROCESS FOR TRANSACTIONS (I.E., DECREASING THE SPEED AT WHICH BLOCKS ARE ADDED TO THE BLOCKCHAIN UNTIL THE NEXT SCHEDULED ADJUSTMENT IN DIFFICULTY FOR BLOCK SOLUTIONS) AND MAKE THE NETWORK MORE VULNERABLE TO A MALICIOUS ACTOR OR BOTNET OBTAINING CONTROL IN EXCESS OF 50 PERCENT OF THE PROCESSING POWER. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's mining activities, inventory of coins, and future investment strategies.

The price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets: To the extent that other vehicles investing in coins or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for coins, large redemptions of the securities of those vehicles and the subsequent sale of coins by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by the Company.

Reliance on Bitfury: As the Company and its management are reliant on the expertise and experience of Bitfury, the Company may be exposed to certain risks should Bitfury fail to manage the datacenters in a proper manner or otherwise fail to meet its obligations under the Purchase Agreement or Services Agreement described herein.

Risk related to technological obsolescence and difficulty in obtaining hardware: To remain competitive, the Company will continue to invest in hardware and equipment at the datacenters required for maintaining the Company’s mining activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment. The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as individuals purchase equipment for mining at home. Equipment in the datacenters will require replacement from time to time.

Risks related to insurance: The Hut 8 intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Hut 8, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Hut 8.