



# HUT 8

HUT 8 MINING CORP.

SEPTEMBER 2020

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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.

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The following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.  
*EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)*

- "EBITDA" represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- "Adjusted EBITDA" represents EBITDA adjusted to exclude share-based compensation, fair value loss or gain on revaluation of digital assets, write-offs, and costs associated with one-time transactions (such as listing fees).
- "Adjusted EBITDA Margin" represents Adjusted EBITDA as a percentage of revenue.

EBITDA is used to show ongoing profitability without the impact of non-cash accounting policies, capital structure, and taxation. This provides a consistent comparable metric for profitability.

"Mining Profit" represents gross profit (revenue less cost of revenue), excluding depreciation. "Mining Profit Margin" represents Mining Profit as a percentage of revenue. Mining Profit and Mining Profit Margin show the cash expenses against the revenue without the impact of non-cash accounting policies such as depreciation.

"Cost per Bitcoin" represents cost of revenue excluding depreciation, divided by the number of bitcoin mined in the period. This metric is commonly referenced in the bitcoin mining industry and is important to gain an understanding of the profitability in reference to the price of bitcoin.



Hut 8 is one of the largest public **bitcoin** miners in the world, with operations in Alberta, Canada.

Hut 8 **creates** value for investors through low cost bitcoin mining production and appreciation of its bitcoin inventory.

Hut 8 provides investors with **exposure** to bitcoin without the technical complexity of purchasing the underlying cryptocurrency.

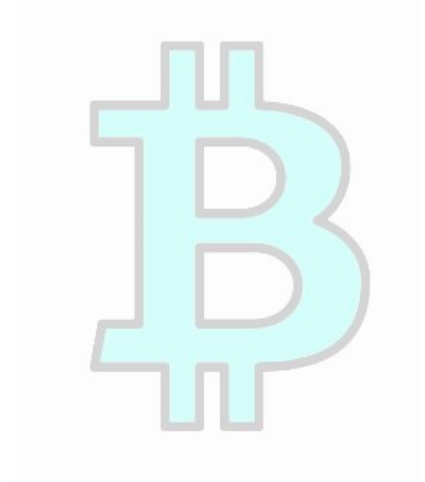
TSX: **HUT**

OTCQX: **HUTMF**

# Industry Overview

## Bitcoin

- Bitcoin is the **first and largest cryptocurrency**, bitcoin dominance between 50-75%
- To date, ~18 million bitcoin exist and only **21 million bitcoin will ever exist**
- **Bitcoin is deflationary** with the bitcoin block reward halving every four years
- Bitcoin transactions are stored on a digital public ledger called **the Blockchain**
- It is expected that all bitcoin will be mined by **2140**



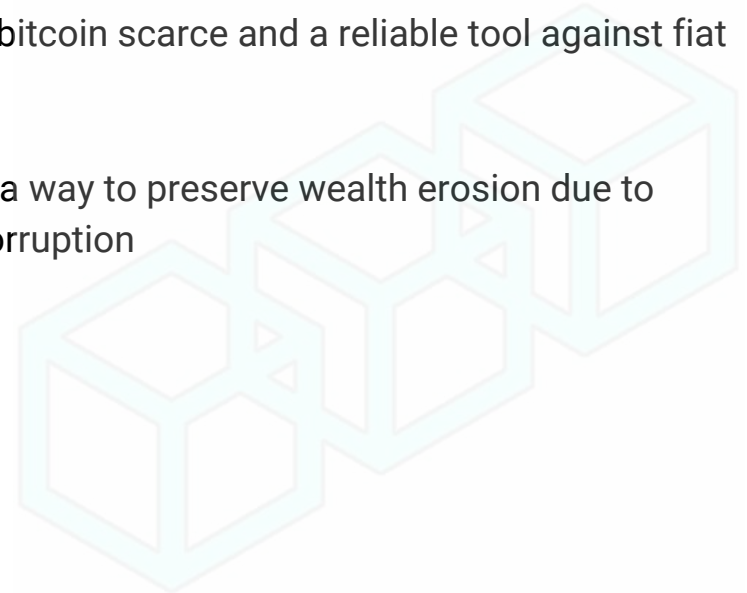
## Blockchain

- 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
- 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 Advantages

- **Global mobility** – a bitcoin is the same everywhere in the world regardless of local politics and government intervention
- **High daily transaction volume** – bitcoin trades 24/7
- **Low transaction costs** – minimal fees to transport bitcoin quickly anywhere in the world
- **Independent from interference from governments or central banks** – operates via a mathematical algorithm and protected through cryptography
- **Fixed supply** – only 21 million bitcoin will ever exist, making bitcoin scarce and a reliable tool against fiat currency inflation.
- **Storage of value** – more practical and versatile than gold as a way to preserve wealth erosion due to localized inflation, economic dysfunction and government corruption



# Bitcoin as Gold 2.0 and a Currency

## Characteristics of both Bitcoin and Gold

- **Scarcity** – only 21 million bitcoin will ever exist, making bitcoin scarce and a reliable tool against fiat currency depreciation.
- **Durable** – because it's a digital asset that is held on a ledger kept by people all around the world, it's very durable and can be use anywhere.
- **Portable** – due to it's digital nature, it can be brought anywhere, all that's needed is a private key.
- **Divisible** – currently one bitcoin can be divisible by 100 million.
- **Authenticity/Unique** – bitcoin is immutable and cannot be duplicated or counterfeited.
- **Storage** – simple to store with many large players investing in the space including Goldman Sachs, Visa, and Fidelity.
- **Fungible** – every bitcoin is the same and can be sent digitally via a private key.

# 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

## Custody

- Institutional custodial services by key traditional market players
- Pathway for US banks to act as custodian for customers
- Fidelity to grow custodian services. Goldman Sachs via Bitgo, Visa via Anchorage
- Major players, such as Lloyd's, providing insurance to custodians

## Investor Base

- Grayscale (largest bitcoin trust) with US\$5 billion of AUM
- Canadian bitcoin trust set up with over CA\$100 million of AUM
- ETF applications by major asset managers under SEC review
- Institutional interest as a result of worldwide inflationary pressure on fiat currencies

## 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
- Apple and Samsung incorporating crypto wallet and security in new devices

## Trading

- Evolving futures market by CME, CBOE and NYSE via Bakkt
- TD Ameritrade investment in ErisX, a cryptocurrency exchange
- Cash app, Wealthfront, and Robinhood offering bitcoin to retail investors



# Overview: Current Asset Base



Location	Medicine Hat		Drumheller	Total
	Self-mining <sup>2</sup>	Hosting	Self-mining	
Blockbox AC	50	6	38	<b>94</b>
Installed Power <sup>1</sup>	58 MW	6 MW	39 MW	<b>103 MW</b>
Hashpower <sup>1</sup>	547 PH/s	n/a	328 PH/s	<b>875 PH/s</b>

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, BlockBoxes may be temporarily placed in standby mode for normal maintenance.
2. Includes M31S and M31S+ installed in September 2020, does not include M30S ordered.

# Overview: Recent Financing + Upgrade

- Hut 8 closed an CA\$8.3 million financing on June 25, 2020 of which the entire proceeds were allocated to upgrade to the latest generation bitcoin miner.
- This equipment has been tested on site for three months in preparation of the upgrade.
- The equipment will be installed in Medicine Hat alongside our lowest priced energy.

<b>Model</b>	<b>M31s</b>	<b>M31s+</b>	<b>M30S</b>	<b>Total</b>
Date available	Jul-20	Jul-20	Nov-20	
Units	1,000	1,000	1,590	
Purchase price (USD)	\$1,263,600	\$1,527,000	\$2,609,400	<b>\$5,400,000</b>
Price per unit	\$1,264	\$1,527	\$1,641	
Price per TH (USD)	\$17.55	\$19.58	\$18.65	
BlockBoxes	3	3	5	<b>11</b>
PH purchased	72	78	140	<b>290</b>
MW purchased	3.31	3.28	5.32	<b>12</b>
Current PH for 11 BlockBoxes	25	25	40	<b>90</b>
<b>Additional PH</b>	<b>47</b>	<b>53</b>	<b>100</b>	<b>200</b>

# Competitive Advantage

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## Secure, Low-Cost Electricity

- Electricity in Medicine Hat is generated from combination of **natural gas** and **wind power**
- Streamlined operational costs and negotiated rent and property taxes **to minimal levels.**
- **Great relationship** with the city of Medicine with special contract since Medicine Hat running their own grid.
- **10-year** electricity supply agreement and land lease agreement in Medicine Hat, signed in 2018
- Have built up great expertise with the team at the facilities **to maximize output.**



# Management



## Jimmy Vaiopoulos

Interim CEO

Jimmy has been with Hut 8 for over two years joining shortly after it went public. He was previously the CFO of Hut 8 and involved with the building of the flagship Medicine Hat facility and uplisting to the TSX, being the first cryptocurrency company to do so. Jimmy has extensive experience from small companies to large public companies having worked in the energy, infrastructure, and traditional mining industries. He also worked with KPMG in both audit and advisory practices and is a member of the Chartered Professional Accountants of British Columbia. He holds a Bachelor of Engineering Science from Western University and an Honours Business Administration from the Richard Ivey School of Business.



## Kyle Appleby

Interim CFO

Kyle was the initial CFO before and after Hut 8 went public until July 2018. Kyle has been providing CFO services to a number of public and private companies both domestic and international. He has focused on assisting companies with financial reporting and controls, governance, operations, regulatory compliance and taxation. Prior to 2007, Kyle worked for several public accounting firms in Canada. He is a member in good standing of the Chartered Professional Accountants of Canada and the Chartered Professional Accountants of Ontario.

# Board of Directors



Bill Tai Chairman

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.



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.



Jeremy Sewell

Jeremy Sewell is the Chief Financial Officer for the Bitfury Group and has 30 years of extensive international financial, commercial and operating experience. He was most recently CFO of the Silicon Valley fintech company eCurrency, where he led the equity investment from eBay Founder Pierre Omidyar's VC and Bridgewater Associates and Farallon Capital hedge fund founders Ray Dalio and Tom Steyer.



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.

# Financial: Income Statement

	Fiscal 2018	Fiscal 2019	Q1-2020	Q2-2020
Revenue	\$ 49,439,100	\$ 81,990,119	\$ 12,739,901	\$ 9,229,659
Gross Mining Profit	\$ 24,565,572	\$ 36,541,570	\$ 134,015	\$ 586,370
Gross Mining Profit Margin <sup>1</sup>	50%	45%	1%	6%
Adjusted EBITDA <sup>2</sup>	\$ 19,291,271	\$ 33,523,508	\$ (558,053)	\$ (85,515)
Bitcoin Mined	5,592	8,618	1,116	795
Cost per Bitcoin (USD)	\$ 3,423	\$ 3,978	\$ 8,411	\$ 7,792

<sup>1</sup> Does not include depreciation

<sup>2</sup> EBITDA excluding listing costs, write-downs, unrealized gain/loss, and share based compensation

# Capitalization and Ownership

TSX:	HUT
Shares Outstanding <sup>1</sup> :	96,731,824
Total Debt <sup>2</sup> :	US\$20 million
Cash <sup>3</sup> :	\$8.7 million
Digital Assets <sup>3</sup> :	\$36.8 million
Warrants <sup>1</sup> :	8,317,205
Options <sup>1</sup> :	795,000
RSUs <sup>1</sup> :	241,667

<sup>1</sup> As at August 13, 2020

<sup>2</sup> Loan with Genesis Global Capital (US\$20 million) as at June 30, 2020

<sup>3</sup> As at June 30, 2020; at \$12,453 (US\$9,138) Bitcoin 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.

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of bitcoin, the ability for the Company to raise capital and the supply of upgraded equipment highly uncertain and as such, the Company cannot determine their financial impact at this time.

**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.

**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)

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.

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 maintenance and development of the open-source software protocol of the network;
- 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.

# 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.

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.

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.

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.



# HUT 8

HUT 8 MINING CORP.

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