HUT 8 MINING CORP.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Introduction

This Management's Discussion and Analysis ("MD&A") is dated May 29, 2019, unless otherwise indicated, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 ("Q1-2019") of Hut 8 Mining Corp. ("Hut 8" or the "Company"). Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.

The Company applies International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. For a complete list of the factors that could affect the Company, please make reference to those risk factors referenced in Part VI – "*Risk Factors*" of the Filing Statement of the Company dated February 26, 2018. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Company

Hut 8 is a cryptocurrency mining company with industrial scale bitcoin mining operations in Canada. Hut 8 has an exclusive North American partnership with Bitfury Holding BV ("Bitfury"), one of the world's leading full-service hardware and software blockchain technology companies.

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 bitcoin.

For its mining activities, Hut 8 utilizes the BlockBox Data Center AC ("BlockBoxes") which are manufactured by Bitfury. These BlockBoxes are regarded as one of the most powerful and cost-effective bitcoin mining solution available on the market. The BlockBox is based on cutting-edge hardware and software and are fully configurable and upgradeable to the next generation of silicon technology.

The Company was incorporated under the laws of the Province of British Columbia on June 9, 2011. The registered office of the Company is located at Suite 1700 Park Place 666 Burrard Street, Vancouver BC, Canada, V6C 2X8. The Company's financial year ends on December 31. The Company's common shares are listed under the symbol "HUT" on the TSX Venture Exchange and as "HUTMF" on the OTCQX Exchange. On March 2, 2018, the Company closed its "Qualifying Transaction" with Hut 8 Holdings Inc. ("Hut 8 Holdings"). The Company was a capital pool company prior to the Qualifying Transaction.

Industry Overview

Bitcoin

Bitcoin is a digital currency that allows peer-to-peer transactions globally over the internet. Bitcoin is independent of any central authority, such as a bank or government. Instead, bitcoin is governed by a pre-programmed algorithm called Secure Hash Algorithm 256 ("SHA-256") that is backed by millions of computers across the world called "miners". Bitcoin miners record transactions and check their authenticity. Unlike fiat currencies which are controlled by central banks and governments, bitcoin miners are spread out across the world and store transactions on a digital public ledger called the "blockchain" that can be accessed by anyone. This global and transparent system is referred to as decentralized control as the management of bitcoin does not have a central point of failure or attack.

Unlike fiat currencies, which have an unlimited supply which is controlled by governments and central banks, the supply of bitcoin is tightly controlled by the SHA-256 to keep its availability scarce. To date, approximately 17.7 million bitcoin exist and only 21 million bitcoin will ever exist. It is expected that all bitcoin will be mined by 2140. Due to the scarcity and computational power required to mine bitcoin, it is often referred to as "digital gold", as physical gold is also scarce and is costly to mine.

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 bitcoin blockchain is maintained by a community of miners. All transactions on the blockchain are transparent and designed to make it impossible to add, remove or change data without being detected by users.

Bitcoin Mining

Mining is the process of verifying cryptocurrency transactions by solving a computationally difficult encrypted code, called a "hash". The hash rate is the number of attempts at solving the encryption code the equipment can process per second. Miners use equipment that produces a high hash rate, as it results in more attempts at solving the encrypted code. This computational process of decrypting the code through hashing is referred to as "proof of work". Bitcoin miners use powerful Application Specific Integrated Circuit ("ASIC") computing chips to compete with each other to correctly solve the encryption code.

The power of the ASIC chip to produce a high number of hashes is essential to successfully mining. When a miner is successful in solving the code, a block containing transactions is validated and incorporated into the blockchain resulting in an economic incentive payment for the miner in the amount of 12.5 newly minted bitcoins plus potential transaction fees. This incentive payment halves every four years and is set to half around May 2020.

When mining Bitcoin, Hut 8 measures the output to process in computer hash rates. Each BlockBox, as owned by Hut 8, is capable of processing a total hash rate of approximately 9 to 12 Petahash per second ("PH/s"). Thus, each BlockBox has a processing power of between 9-12 (depending on the strength of the ASIC chip) quadrillion hashes per second. In total, at full operation, Hut 8 has 784 PH/s or 784 quadrillion hashes per second that are attempting to solve the cryptology code and receive the bitcoin incentive payment.

Hut 8 Custody of Bitcoin

For the protection of its bitcoin on behalf of shareholders, Hut 8 does not self-custody its bitcoin. Instead, Hut 8 uses the services of Xapo Gmbh ("Xapo") which provides Bitcoin management, storage, and related services out of Switzerland.

Xapo is approved by FINMA, a Swiss financial regulator, to operate on the bitcoin management, storage, and related services out of Switzerland. Xapo is regulated under the oversight of the Association for Financial Quality Assurance and is audited on a quarterly basis. In 2018, Xapo obtained SOC I and II, Type I certifications.

Hut 8 continues to explore new ways to enhance the custody of its bitcoin and improve security for shareholders.

Non-GAAP Measures

This MD&A 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.

Throughout this MD&A, 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 re-measurement 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.

"Mining Profit" represents gross profit (revenue less cost of revenue), excluding depreciation. "Mining Profit Margin" represents Mining Profit as a percentage of revenue.

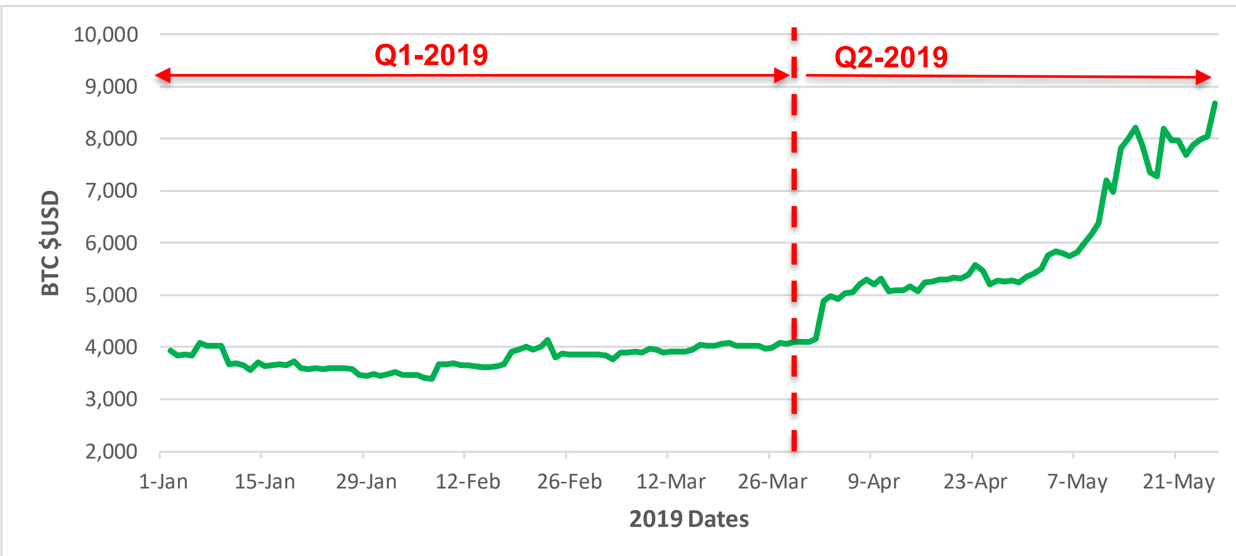
"Cost per bitcoin" represents cost of revenue excluding depreciation, divided by the number of bitcoin mined in the period.

"Adjusted Working Capital" represents current assets, less current liabilities, with the inclusion of digital assets. The Adjusted Working Capital is not a substitute for the conventional working capital but instead shows the short-term liquidity of the company including the available digital assets at the period end.

Summary

The "crypto winter" continued in the first quarter of 2019, as bitcoin prices remained near their 52-week lows, trading consistently below the US$4,000 mark, and an increase in network difficulty within the quarter of 14%. In addition to these industry wide headwinds, we worked through record cold weather in Alberta in Q1-2019 which caused volatility in the natural gas prices. The impact of the extreme weather from the polar vortex did not just impact Alberta Power and Gas prices but was felt across North America as the natural gas prices in Q1-2019 were 67% higher than Q4-2018, and 120% higher than Q3-2018. Hut 8 utilized flexibility inherent in the BlockBoxes to optimize its electricity use.

Our focus is to continue optimizing the hash rate output of our BlockBoxes to increase mining profit margins and find additional areas to lower expenses to retain as much value for shareholders who are seeking exposure to bitcoin. This strategy will allow Hut 8 to maintain a lean cost structure, thereby increasing profitability for the next pricing cycle. From March 31, 2019 to the date of this MD&A, the current bitcoin price increased to approximately US$8,800, per the below chart, a 114% increase from March 31, 2019, and the network difficulty increased by 5%, showing that the Hut 8 strategy has become advantageous.



Selected Annual Financial Information

	Three months ended March 31, 2019	2018
Revenue	$ 12,102,014	$ 10,988,949
Site operating costs	(12,632,795)	(2,165,299)
Mining profit	(530,781)	8,823,650
Mining profit margin	-4%	80%
Depreciation	(4,732,305)	(5,640,469)
Gross profit	$ (5,263,086)	$ 3,183,181
Gross profit margin	-43%	29%
Expenses	(1,848,249)	(1,813,079)
Fair value loss on re-measurement of digital assets	789,678	(4,073,310)
Net operating loss	(6,321,657)	(2,703,208)
Gain on share issuance	951,059	-
Foreign exchange gain	488,868	6,510
Net finance expense	(1,183,765)	32,315
Listing and qualifying transaction	-	(1,151,401)
Net loss and comprehensive loss	(6,065,495)	(3,815,784)
Adjusted EBITDA	$ (1,277,382)	$ 7,690,365
Adjusted EBITDA margin	-11%	70%
Net loss per share - basic and diluted	$ (0.08)	$ (0.05)

Assets

	March 31, 2019	December 31, 2018
Total assets	$ 76,730,985	$ 82,895,453
Total non-current financial liabilities	$ 27,031,494	$ 28,296,238

Discussion of Operations for the three months ended March 31, 2019

For the three months ended March 31, 2019, the Company mined 2,405 bitcoin, resulting in revenue generation of $12,102,014 compared with the same period of the prior year of 817 bitcoin mined, with revenue of $10,988,949. Revenue between the two periods increased by 10% while the amount of bitcoin mined increased by 194%. The reason for the difference in bitcoin mined to revenue was primarily due to the decrease of average bitcoin prices in Q1-2019 of US$3,799 from the same period of the prior year of US$10,568 while average difficulty rates increased by over 120% from Q1-2019 to the same period of the prior year. In addition, Hut 8 increased the number of BlockBoxes under operation from to 85 in Q1-2019 from 17 in Q1-2018.

The site operating costs for the year were $12,632,795 which represents the costs incurred related to mining the 2,405 bitcoin for the three months ended March 31, 2019. The cost of mining each bitcoin for the period was US$3,950 calculated by dividing site operating costs by the number of bitcoin mined for quarter. The main reason for the high costs compared to bitcoin mined was due to the extreme weather conditions in Alberta over the 2019 winter including a polar vortex and record cold temperatures. This caused higher than normal natural gas prices which negatively affected electricity costs at our Drumheller site and the smaller portion of our Medicine Hat site which is exposed to market natural gas prices.

Expenses for the first quarter of 2019 were $1,813,079 of which there were non-cash share-based payments of $1,101,648 compared with the same period of the prior year expenses of $1,848,249 of which there were non-cash share-based payments of $125,416. Management has worked to decrease quarterly expenses since the large drop in the bitcoin price in November 2018. Hut 8's continued management of expenses has helped minimize losses in the short term and maintain a cost structure to maximize profitability in the next bitcoin pricing cycle.

For Q1-2019, fair value gain on re-measurement of digital assets of $789,678 represented the gain on adjusting the value of the digital assets held in inventory to the market value on the reporting date. This was the first gain on re-measurement of digital assets in Hut 8's history and marks a turn in the bitcoin price. In future quarters, the Company would expect to see gains or losses based on the price of bitcoin on the reporting date, relative to the price on the day mined, when revenue is recorded.

Hut 8 recognized negative $1,277,382 in Adjusted EBITDA, the first quarter of negative Adjusted EBITDA operations for the Company. A net loss was recorded for the three months ended March 31, 2019 of $6,065,495. Both losses were largely as a result to bitcoin prices remaining at approximately a 52-week lows during Q1-2019, hash rates increasing, and volatile natural gas prices which all negatively impacted operations for the first quarter of 2019.

Hut 8's working capital deficit for Hut 8 as at March 31, 2019 was $13,846,371; however, when considering the digital assets of the company, the Adjusted Working Capital surplus was $497,464. The Adjusted Working Capital amount fluctuates with changes in the bitcoin price and has significantly improved as of the MD&A date considering the 2,615 bitcoin held in reserve.

Selected Quarterly Information

The Company commenced operations on November 15, 2017. As such, there is limited comparable quarterly information.

Period Ended	Revenue ($)	Net income (loss)	
		Total ($)	Basic and diluted income per share ($)
December 31, 2017	1,123,216	94,512	0.00
March 31, 2018	10,988,949	(3,815,784)	(0.05)
June 30, 2018	7,800,370	(4,936,542)	(0.06)
September 30, 2018	17,654,901	(11,443,878)	(0.14)
December 31, 2018	12,994,880	(116,569,333)	(2.18)
March 31, 2019	12,102,014	(6,065,495)	(0.08)

Liquidity and Capital Resources

As at March 31, 2019, the Company had a working capital deficit of $13,846,371 and shareholders' equity of $32,584,468. A primary reason for the large working capital deficit was because Hut 8's digital assets were classified as a non-current asset based on the assessment of the agreements related to the Galaxy Digital Holdings Ltd. ("Galaxy") loan. Hut 8 has the ability to use its bitcoin over the next 12 months; however, the Company's bitcoin is pledged against the Galaxy loan and due to the agreed upon limitations Hut 8 has over its spending of bitcoin, the digital asset has been classified as non-current. The limitations in movement in bitcoin and added security in place was considered necessary when using the digital assets as collateral for the loan. The loan has two covenants requiring the Company to have a minimum US$2,250,000 cash balance and from June 28, 2019 through and including August 30, 2019 the Company to maintain a loan to bitcoin value of 100%. From August 31, 2019 through and including October 30, 2019, the loan to bitcoin value decreases to 85% and from October 31, 2019 and thereafter the loan to bitcoin value remains at 75%.

Net cash used in operating activities was $367,810, which does not include the bitcoin mined but not converted to cash. Cash used in investing activities amounted to $55,745 and was used to prepay for the Company's insurance policies. The Company had no cash movements in financing activities for the quarter.

As at March 31, 2019, the Company had cash on hand of $3,133,006 (December 31, 2018 - $3,556,560) and digital assets of $14,343,835 (December 31, 2018 - $15,408,189).

The directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 on a going concern basis, which do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation on a liquidation basis, which could differ materially from the values presented in the unaudited condensed consolidated interim financial statements.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability and maintaining the Company's credit agreement in good standing with Galaxy. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the viability of the economics of bitcoin mining, the liquidity of bitcoin, and the Company's ability to maintain its security of its digital assets and execute its business plan.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Financial Instruments and Business Risks

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

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and deposits and prepaid expenses. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

Hut 8 does not self-custody its bitcoin. Instead, Hut 8 uses the services of Xapo Gmbh ("Xapo"). Xapo provides bitcoin management, storage, and related services out of Switzerland and is approved by FINMA, a Swiss financial regulator, to operate on the bitcoin management, storage, and related services out of Switzerland. Xapo is regulated under the oversight of the Association for Financial Quality Assurance and is audited on a quarterly basis. In 2018, Xapo obtained SOC I and II, Type I certifications. The carrying amount of financial assets represents the maximum credit exposure.

Interest Rate Risk

The Company is exposed to interest rate risk through its loan payable with Galaxy. The loan payable bears interest at a rate equal to LIBOR + 10%.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents and digital assets. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans.

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Company. The Company's functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. The Company has also transacted in US Dollars to purchase mining equipment from Bitfury and with loans payable denominated in US Dollars. Management currently does not hedge its foreign exchange risk.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Currently, the Company has its investment highly concentrated in a single asset, bitcoin. The Company tracks the market price of bitcoin, less the Company's liabilities and expenses, by investing in the assets of the company in bitcoin.

Security Risk

Bitcoins are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the bitcoins are held. The bitcoin network requires a public key relating to a digital wallet to be published when used in a spending transaction and, if keys are lost or destroyed, this could prevent trading of the corresponding bitcoins.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the bitcoin exchange market since the launch of the bitcoin network. Any security breach caused by hacking could cause loss of bitcoin investments.

Bitcoin Network Risk

The open-source structure of the bitcoin network protocol means that the core developers of the bitcoin network and other contributors are generally not directly compensated for their contributions in maintaining and developing the bitcoin network protocol. A failure to properly monitor and upgrade the bitcoin network protocol could damage the bitcoin network.

Digital Assets and Risk Management

Digital assets are measured using level two fair values, determined by taking the rate from Coinmarketcap.com.

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently solely consist of bitcoin.

Related Party Transactions

See the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019, for related party transactions with respect to share issuances.

A Director of the Company is also a controlling shareholder of Galaxy, resulting in the Company and Galaxy to be related party entities. On May 13, 2019, the date of the Company's Annual General Meeting, this same Director ceased to be a Director of the Company. During the three months ended March 31, 2019, the Company sold 1,342 bitcoin for approximately $6,718,603 in cash with Galaxy. The interest expense for the three months ended March 31, 2019 was $766,662 (US$575,774) of which $96,696 (US$72,734) was related to interest accretion.

During the three months ended March 31, 2019, the Company was charged $5,657,807 (2018 - $2,165,299) in site operating costs from Bitfury. As at March 31, 2019, $9,311,921 (March 31, 2019 - $10,021,717) was owed to Bitfury, which has been included in accounts payable. The interest expense for the three months ended March 31, 2019 was $416,057 (US$312,958) of which $63,512 (US$47,774) was related to interest accretion and has been recognized as finance expense. Interest payable as at March 31, 2019 was $352,545 (US$265,184).

Capital Management

The Company's capital currently consists of Common Shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is committed to delivering timely and accurate disclosure of all material information.

Disclosure controls and procedures ensure that reporting requirements are satisfied, and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting.

However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the three months ended March 31, 2019 and all material subsequent activity up to May 29, 2019.

Share Capital

As of the date of this MD&A, the Company has issued, and outstanding share capital comprised of 90,234,921 Common Shares, 965,000 stock options, 2,882,222 warrants, and 1,262,626 restricted share units.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.