



**HUT 8**

**HUT 8 MINING CORP.**

Unaudited Condensed Consolidated Interim Financial Statements  
Amended and Restated  
(In Canadian dollars)

Three months ended March 31, 2020 and 2019

# HUT 8 MINING CORP.

(In Canadian dollars)

Unaudited Condensed Consolidated Interim Statements of Financial Position  
Amended and Restated

	March 31, 2020	December 31, 2019
	(Restated - Note 14)	
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 1,026,200	\$ 2,946,017
Digital assets (Note 5)	1,400,886	10,484,106
Digital assets collateral (Note 5)	7,264,474	-
Digital assets receivable (Note 5)	108,958	943,438
Deposits and prepaid expenses (Note 4)	759,052	321,189
	10,559,570	14,694,750
<b>Non-current assets</b>		
Plant and equipment (Note 6, 14)	27,867,969	34,883,085
Digital assets collateral (Note 5)	18,524,408	15,883,182
Deposits and prepaid expenses (Note 4)	5,782,227	5,776,227
<b>Total assets</b>	<b>\$ 62,734,174</b>	<b>\$ 71,237,244</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 2,584,738	\$ 2,496,864
Loans payable (Note 8)	7,419,653	6,231,548
	10,004,391	8,728,412
<b>Non-current liabilities</b>		
Loans payable (Note 8)	21,280,500	19,807,075
	31,284,891	28,535,487
<b>Shareholders' equity</b>		
Share capital (Note 9)	170,676,997	170,622,599
Contributed surplus (Note 9)	5,591,530	5,300,480
Warrants (Note 9)	-	1,367,901
Accumulated deficit	(144,819,244)	(134,589,223)
	31,449,283	42,701,757
<b>Total liabilities and shareholders' equity</b>	<b>\$ 62,734,174</b>	<b>\$ 71,237,244</b>

Reporting entity and going concern (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board:

**"Bill Tai"**  
Director

**"Joseph Flinn"**  
Director

# HUT 8 MINING CORP.

(In Canadian dollars)

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
Amended and Restated

For the three months ended March 31,

	2020 (Restated - Note 14)	2019 (Restated - Note 14)
<b>Revenue</b>		
Digital assets mined (Note 5)	\$ 12,739,901	\$ 12,102,014
<b>Cost of revenue</b>		
Site operating costs	(12,605,886)	(12,632,795)
Depreciation (Note 6, 14)	(7,009,115)	(8,178,269)
<b>Gross profit</b>	<b>(6,875,100)</b>	<b>(8,709,050)</b>
Gain (loss) on use of digital assets (Note 5)	913,996	(253,081)
Revaluation of digital assets (Note 5)	(1,281,619)	1,042,759
	(367,623)	789,678
<b>Expenses</b>		
Share based payments (Note 9)	707,863	(1,101,648)
Professional	(121,138)	(166,345)
General and office	(235,237)	(210,356)
Salary and benefits	(276,966)	(278,447)
Investor and public relations	(5,000)	(27,218)
Regulatory	(53,727)	(64,235)
	15,795	(1,848,249)
<b>Operating loss</b>	<b>(7,226,928)</b>	<b>(9,767,621)</b>
Foreign exchange gain (loss)	(2,354,200)	488,868
Finance expense	(652,722)	(1,183,765)
Finance income	3,830	-
Other gain	-	951,059
<b>Net loss and comprehensive loss</b>	<b>\$ (10,230,020)</b>	<b>\$ (9,511,459)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.11)</b>	<b>\$ (0.13)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>90,470,002</b>	<b>73,979,319</b>

# HUT 8 MINING CORP.

(In Canadian dollars)

Unaudited Condensed Consolidated Interim Statement of Cash Flows

Amended and Restated

for the three months ended March 31,

	2020 (Restated - Note 14)	2019 (Restated - Note 14)
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net loss	\$ (10,230,020)	\$ (9,511,459)
Change in non-cash operating items:		
Digital assets mined	(12,808,388)	(12,102,014)
Digital assets converted to fiat currency	12,452,764	7,844,338
Depreciation	7,009,115	8,178,269
Loss (gain) on use of digital assets	(913,996)	253,081
Revaluation of digital assets	1,281,619	(1,042,759)
Share based payments	(707,863)	1,101,648
Gain on shares issued to settle accounts payable	-	(951,059)
Net finance expense and other	(1,172,813)	945,521
Foreign exchange	2,354,200	(488,868)
Accretion expense on lease obligations	9,763	-
	(2,725,619)	(5,773,302)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	1,259,151	5,405,493
Total change in non-cash operating working capital	1,259,151	5,405,493
Net cash used in operating activities	(1,466,468)	(367,809)
<b>Investing activities</b>		
Deposits and prepaid expenses	(437,862)	(55,745)
Net cash used in investing activities	(437,862)	(55,745)
<b>Financing activities</b>		
Repayment of loan payable	(6,622,302)	-
Finance draw from loan payable	6,615,500	-
Repayment of lease obligations	(8,685)	-
Net cash used in financing activities	(15,487)	-
Decrease in cash	(1,919,817)	(423,554)
Cash, beginning of year	2,946,017	3,556,560
<b>Cash, end of period</b>	<b>\$ 1,026,200</b>	<b>\$ 3,133,006</b>

## Significant non-cash transactions included:

- Payment in bitcoin of loans payable interest and principal totaling \$Nil (2019 – \$1,442,014);
- Payment in bitcoin of accounts payable totaling \$Nil (2019 - \$4,669,694);
- Derecognition of broker warrants upon expiry of \$1,367,901 (2019 - \$Nil); and
- Settlement of accounts payable in common shares valued at \$Nil (2019 - \$5,855,486).

## HUT 8 MINING CORP.

(In Canadian dollars)

Unaudited Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

Amended and Restated

	Share Capital		Shares to be issued	Warrants	Contributed surplus	Accumulated deficit	Total
	Number of shares	Dollar amount					
<b>Balance, December 31, 2018</b>	<b>85,227,858</b>	<b>\$ 162,733,360</b>	<b>\$ 1,167,386</b>	<b>\$ 1,367,901</b>	<b>\$ 4,061,740</b>	<b>\$ (136,671,025)</b>	<b>\$ 32,659,362</b>
Shares issued for mining equipment	838,511	1,167,386	(1,167,386)	-	-	-	-
Shares issued in settlement of accounts payable	3,717,433	4,609,617	-	-	-	-	4,609,617
Shares issued for services	206,966	279,337	-	-	-	-	279,337
Share based payments	-	-	-	-	1,101,648	-	1,101,648
Net loss and comprehensive loss (Restated - Note 14)	-	-	-	-	-	(9,511,459)	(9,511,459)
<b>Balance, March 31, 2019</b>	<b>89,990,768</b>	<b>\$ 168,789,700</b>	<b>\$ -</b>	<b>\$ 1,367,901</b>	<b>\$ 5,163,388</b>	<b>\$ (146,182,484)</b>	<b>\$ 29,138,505</b>

	Share Capital		Shares to be issued	Warrants	Contributed surplus	Accumulated deficit	Total
	Number of shares	Dollar amount					
<b>Balance, December 31, 2019</b>	<b>90,438,009</b>	<b>\$ 170,622,599</b>	<b>\$ -</b>	<b>\$ 1,367,901</b>	<b>\$ 5,300,480</b>	<b>\$ (134,589,223)</b>	<b>\$ 42,701,757</b>
Share based payments	38,308	54,398	-	-	(707,863)	-	(653,465)
Share based payments withholding	-	-	-	-	(123,067)	-	(123,067)
Expiry of broker warrants	-	-	-	(1,367,901)	1,367,901	-	-
Loss on retirement of Bitfury debt	-	-	-	-	(245,922)	-	(245,922)
Net loss and comprehensive loss (Restated - Note 14)	-	-	-	-	-	(10,230,020)	(10,230,020)
<b>Balance, March 31, 2020</b>	<b>90,476,317</b>	<b>\$ 170,676,997</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,591,530</b>	<b>\$ (144,819,244)</b>	<b>\$ 31,449,283</b>

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amended and Restated

For the three months ended March 31, 2020 and 2019

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### 1. Reporting entity and going concern

#### *(a) Reporting entity*

Hut 8 Mining Corp. (the "Company" or "Hut 8" or "Pubco") 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 St, Vancouver BC, Canada, V6C 2X8 and the headquarter is located at 130 King St. W, Suite 1800, Toronto, ON, Canada, M5X 2A2. The Company's common shares are listed under the symbol "HUT" on the Toronto Stock Exchange ("TSX") and as "HUTMF" on the OTCQX Exchange. As at March 31, 2020, Bitfury Holding BV ("Bitfury") owned 47% of the Company's common shares and is a controlling shareholder and related party of Hut 8. The Company is in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain. The Company receives bitcoin in return for successful service.

#### *(b) Going concern*

These unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern, notwithstanding that the Company has an accumulated deficit. As at March 31, 2020, the Company has working capital of \$555,179 and shareholders' equity of \$31,449,283.

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 loans in good standing. 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, the Company's ability to maintain its security of its digital assets and execute its business plan. As discussed in Note 8, the Genesis loan requires bitcoin collateral. If the bitcoin price reaches a price where Hut 8 does not have the bitcoin to sufficiently collateralize the loan, then after a cure period of 10 days, Genesis may be able to liquidate a significant portion of Hut 8's bitcoin, demand immediate repayment of the loan, or terminate the loan agreement. The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued security, operational efficiency, revenue growth, improving overall mining profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more of loans and equity investments. Given the volatility in the financial markets, it may be difficult to raise financing when needed. Failure to implement the Company's business plan could have a material adverse effect on the Company's financial condition and/or financial performance, see also Note 12. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements 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 the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amended and Restated

For the three months ended March 31, 2020 and 2019

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### 2. Statement of compliance and basis of presentation

#### *(a) Statement of compliance*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's December 31, 2019 audited annual consolidated financial statements.

The Company is in the business of digital currencies, many aspects of which are not specifically addressed by current IFRS guidance. The Company is required to make judgments as to the application of IFRS and the selection of its accounting policies. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of revenue as well as significant assumptions and judgments, however, if specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's earnings and financial position as presented.

These unaudited condensed consolidated interim financial statements have been amended to correct errors relating to depreciation recorded during the three months ended March 31, 2020 and to correct certain errors attributable to the allocation of impairment to plant and equipment and the recognition of depreciation during the three months ended March 31, 2019. Certain line items in the statements of financial position and the statements of loss and comprehensive loss and cash flows for the three months ended March 31, 2020 and 2019 have been adjusted and reclassified according to the nature of the transactions. Refer to Notes 6 and 14 for details of the restatement adjustments.

These amended and restated unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors for June 8, 2020.

#### *(b) Basis of presentation*

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

#### *(c) Functional and presentation currency*

Items included in the unaudited condensed consolidated interim financial statements of the Company and its wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates. These unaudited condensed consolidated interim financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

#### *(d) Consolidation*

These unaudited condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

The Company has three wholly owned subsidiaries: Hut 8 Holdings Inc., Hut 8 Asset Management Inc., and Hut 8 Finance Ltd.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amended and Restated

For the three months ended March 31, 2020 and 2019

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### 2. Statement of compliance and basis of presentation (continued)

#### (d) Consolidation (continued)

The Company incorporated Hut 8 Asset Management Inc. on November 1, 2018 for the Company's digital currency trading operations in Bridgetown, Barbados. No transactions have occurred to date. The Company incorporated Hut 8 Finance Ltd. on January 30, 2019 in Ontario, Canada, which is also related to the digital currency trading operations.

### 3. Significant accounting policies, judgements, and estimates

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the unaudited condensed consolidated interim financial statements:

#### (i) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.



## HUT 8 MINING CORP.

(In Canadian dollars)

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For the three months ended March 31, 2020 and 2019

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### 3. Significant accounting policies, judgements, and estimates (continued)

#### (ii) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company has not recognized the value of any deferred tax assets in its statements of financial position.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

The Company has earned bitcoin from the commercial activity of bitcoin mining. The Company has followed the published Canada Revenue Agency ("CRA") view that bitcoin is a commodity and inventory of the business, the value of which is included in the calculation of taxable income from the business. Bitcoin is valued in accordance with Section 10 of the Income Tax Act. Revenue from bitcoin mining is included in taxable income when the bitcoin earned is sold or exchanged for cash or another asset. There is uncertainty regarding the taxation of cryptocurrency and the CRA may assess the Company differently from the position adopted. This could result in additional current taxes payable with equal offset to deferred tax expense.

#### (iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. See Note 7 for the discussion regarding impairment of the Company's non-financial assets.

#### (iv) Foreign currency translation

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amended and Restated

For the three months ended March 31, 2020 and 2019

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### 3. Significant accounting policies, judgements, and estimates (continued)

(v) Fair value measurement of stock options and broker warrants

The Company measures the cost of equity-settled transaction by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options and broker warrants are disclosed in Note 9.

(vi) Revenue recognition

The Company recognizes revenue from the provision of transaction verification services within the bitcoin blockchain, and as consideration for these services, the Company receives bitcoin. Revenue is measured based on the fair value of the bitcoin received. The fair value is determined using the closing bitcoin price per [www.coinmarketcap.com](http://www.coinmarketcap.com) ("Coinmarketcap"). The Company is relying on the data available at Coinmarketcap to be an accurate representation of the closing price for the digital assets.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of bitcoin and management has exercised significant judgment in determining appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

(vii) Digital assets

Digital assets consist of Bitcoin. Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Where digital assets are recognized as revenue, the fair value of the bitcoin received is considered to be the cost of the digital assets. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital asset at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

Digital assets are measured at fair value using the quoted price on Coinmarketcap. Management considers this fair value to be a Level 2 input under IFRS 13 *Fair Value Measurement* fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges

The Company's determination to classify its holding of bitcoin as current assets is based on management's assessment that its bitcoin held can be considered to be a commodity, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amended and Restated

For the three months ended March 31, 2020 and 2019

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### 3. Significant accounting policies, judgements, and estimates (continued)

(viii) Non-monetary transactions

Where the Company is settling a liability for the purchase of goods and services where the price was established in a fiat currency, the difference between the liability settled and the fair value of the digital assets transferred is recognized as a gain or loss on settlement. Otherwise, the transaction is measured based on the fair value of the digital assets exchanged. Any difference between the fair value of the digital assets exchanged and the carrying amount of the digital assets is recognized in profit and loss.

(ix) Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated on the treasury stock basis. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

(x) Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

(xi) Share based transactions

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Company issued broker warrants as part of brokered private placement offering for common shares. Broker warrants are measured at fair value at the date of the offering and accounted for as a separate component of shareholders' equity. When the broker warrants are exercised, the proceeds received together with the related amount allocated as a separate component of shareholders' equity are allocated to capital stock. If the broker warrants expire unexercised, the related amount separately allocated to shareholders' equity is allocated to contributed surplus.

## HUT 8 MINING CORP.

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For the three months ended March 31, 2020 and 2019

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### 3. Significant accounting policies, judgements, and estimates (continued)

(xii) Useful life of mining equipment

Management is depreciating mining equipment using a straight-line basis, with a useful life of:

Seacan containers and supporting infrastructure	4 years
Mining servers	2 years

The mining equipment is used to generate bitcoin. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its mining equipment are influenced by several factors including, but not limited to, the following:

- The complexity of the mining process which is driven by the algorithms contained within the digital assets open source software; and
- Technological obsolescence reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to run in terms of digital assets mined as a function of operating costs, primarily power costs (ie., the speed of mining machines evolution in the industry) is such that later mining machine models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

Based on the Company and the industry's limited history to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including digital asset's price and network difficulty, and derived from management's assumptions. Based on current data available, management has determined that the straight-line method of amortization best reflects the current expected useful life of mining equipment. Management will review their estimates at each reporting date and will revise such estimates as and when data become available. Management will review the appropriateness of its assumption related to residual value at each reporting date.

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(In Canadian dollars)

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For the three months ended March 31, 2020 and 2019

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### 4. Deposits and prepaid expenses

	March 31, 2020	December 31, 2019
<b>Current</b>		
Prepaid electricity <sup>(i)</sup>	\$ 627,923	\$ 158,391
Prepaid insurance	80,114	82,225
Miscellaneous deposits	51,015	80,573
<b>Total current deposits and prepaids expenses</b>	<b>\$ 759,052</b>	<b>\$ 321,189</b>
<b>Non-current</b>		
Deposits related to electricity supply under		
Electricity Supply Agreement <sup>(ii)</sup>	\$ 5,652,240	\$ 5,652,240
Land lease deposit	129,987	123,987
<b>Total non-current deposits and prepaids expenses</b>	<b>\$ 5,782,227</b>	<b>\$ 5,776,227</b>

(i) Electricity deposits for facility in Drumheller, Alberta.

(ii) Electricity deposits for facility in Medicine Hat, Alberta

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(In Canadian dollars)

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### 5. Digital assets

Digital assets solely consist of bitcoin. Below is the bitcoin mined and transacted.

		Bitcoin
<b>Balance, December 31, 2018</b>	<b>\$ 15,408,189</b>	<b>3,035</b>
Bitcoin mined	81,990,119	8,618
Bitcoin traded for cash	(68,181,784)	(6,883)
Bitcoin used for debt and interest payments	(2,808,396)	(449)
Bitcoin paid for services	(7,514,399)	(1,397)
Gain on use of digital assets	4,143,311	-
Revaluation of digital assets	4,273,686	-
<b>Balance, December 31, 2019</b>	<b>\$ 27,310,725</b>	<b>2,923</b>
Bitcoin mined	12,739,901	1,116
Bitcoin traded for cash	(12,384,277)	(1,050)
Gain on use of digital assets <sup>(i)</sup>	913,996	-
Revaluation of digital assets <sup>(ii)</sup>	(1,281,619)	-
<b>Balance, March 31, 2020</b>	<b>\$ 27,298,726</b>	<b>2,989</b>
<b>Current portion</b>		
Digital assets, current <sup>(iii)</sup>	<b>\$ 1,400,886</b>	<b>154</b>
Digital assets, receivable <sup>(iv)</sup>	<b>\$ 108,958</b>	<b>12</b>
Bitcoin used as collateral <sup>(v)</sup>	<b>\$ 7,264,474</b>	<b>795</b>
<b>Non-current portion</b>		
Bitcoin used as collateral <sup>(vi)</sup>	<b>\$ 18,524,408</b>	<b>2,028</b>

- (i) During the three months ended March 31, 2020, the Company used its bitcoin for cash, payments of debts, interest, and other services totaling \$12,452,764 with a cost of \$11,538,768, which resulted in a realized gain on use of \$913,996.
- (ii) Digital assets held are revalued each reporting period based on the fair market value of the price of bitcoin on the reporting date. As at March 31, 2020, the price of bitcoin was \$9,135 (US\$6,439) which for the three months ended March 31, 2020 resulted in a revaluation loss of \$1,281,619.
- (iii) Bitcoin that is held by Hut 8, is available for use, and not subject to any restrictions or covenants as at March 31, 2020.
- (iv) Bitcoin receivable refers to the amount of bitcoin mined that has not been transferred from the mining pool to the Company. During the three months ended March 31, 2020, the Company mined approximately 12 bitcoins that were received shortly after the period end.
- (v) Digital assets held by Genesis as collateral for the current portion of the loan of \$7,093,500 (Note 8).
- (vi) Digital assets held by Genesis as collateral for the non-current portion of the loan of \$21,280,500 (Note 8).

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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For the three months ended March 31, 2020 and 2019

### 6. Plant and equipment

	Infrastructure	Mining servers	Right-of-use assets <sup>(i)</sup>	Total
<b>Cost</b>				
As at January 1, 2019	\$ 30,006,954	\$ 75,292,993	\$ -	\$ 105,299,947
Additions	2,123,912	7,110,488	575,274	9,809,674
As at December 31, 2019	32,130,866	82,403,481	575,274	115,109,621
Additions	-	-	-	-
As at March 31, 2020	32,130,866	82,403,481	575,274	115,109,621
<b>Accumulated Depreciation</b>				
As at January 1, 2019	\$ 8,743,809	\$ 38,429,130	\$ -	\$ 47,172,939
Depreciation <sup>(ii)</sup>	6,314,949	26,664,389	74,259	33,053,597
As at December 31, 2019	15,058,758	65,093,519	74,259	80,226,536
Depreciation <sup>(iii)</sup>	1,700,270	5,298,105	10,740	7,009,115
Accretion expense	-	-	6,001	6,001
As at March 31, 2020	16,759,028	70,391,624	91,000	87,241,652
Net Book Value December 31, 2019	17,072,108	17,309,962	501,015	34,883,085
Net Book Value March 31, 2020	15,371,838	12,011,857	484,274	27,867,969

(i) The right-of-use assets ("ROU") comprise of a 10-year land lease with the City of Medicine Hat, dated June 1, 2018, and a three-year sublease with a landlord in Drumheller with an optional 3-year extension dated May 8, 2017. See Note 8 for the related lease liability.

- The City of Medicine Hat lease was originally for payment of \$10,500 per month. A ROU asset and a related lease liability had been recognized as such. On July 1, 2019, the City of Medicine Hat reduced the monthly obligation to \$1,395 per month, which results in an immediate de-recognition of the original ROU asset and recognition of a new ROU asset.
- The Drumheller sublease is \$1,500 monthly in lease payment. A ROU asset and a related lease liability had been recognized as such.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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### 6. Plant and equipment (continued)

- (ii) The Company amended depreciation expense for the three months ended March 31, 2020 due to a clerical error. Refer to Note 14.
- (iii) The Company amended the impairment allocation to plant and equipment as of December 31, 2018 on a pro-rata basis of the pre-impairment carrying value of infrastructure and mining servers. Previously, the impairment was first allotted to mining servers to the maximum of the carrying value with the remaining allotted to infrastructure. The amendment resulted in the restatement to depreciation expense for the three months ended March 31, 2019. Refer to Note 14.

	Infrastructure	Mining servers	Right-of-use assets	Total
<b>Net book value</b>				
As at December 31, 2018	\$ 49,156,238	\$ 8,970,771	\$ -	\$ 58,127,009
Reallocation of impairment	(27,893,093)	27,893,093	-	-
Balanced as at January 1, 2019	21,263,145	36,863,864	-	58,127,009
Restated depreciation	(1,567,676)	(6,592,029)	(18,564)	(8,178,269)
As at March 31, 2019	19,695,469	30,271,835	(18,564)	49,948,740

### 7. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
<b>Current</b>		
Prepaid electricity <sup>(i)</sup>	\$ 627,923	\$ 158,391
Prepaid insurance	80,114	82,225
Miscellaneous deposits	51,015	80,573
<b>Total current deposits and prepaids expenses</b>	<b>\$ 759,052</b>	<b>\$ 321,189</b>
<b>Non-current</b>		
Deposits related to electricity supply under Electricity Supply Agreement <sup>(ii)</sup>	\$ 5,652,240	\$ 5,652,240
Land lease deposit	129,987	123,987
<b>Total non-current deposits and prepaids expenses</b>	<b>\$ 5,782,227</b>	<b>\$ 5,776,227</b>



## HUT 8 MINING CORP.

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### 8. Loans payable

	March 31, 2020	December 31, 2019
Genesis	\$ 28,374,000	\$ 19,482,000
Lease liabilities	326,153	325,075
Bitfury	-	6,231,548
	28,700,153	26,038,623
<b>Current portion</b>	<b>\$ 7,419,653</b>	<b>\$ 4,070,004</b>
<b>Non-current portion</b>	<b>\$ 21,280,500</b>	<b>\$ 21,968,619</b>

#### (i) Genesis loan

As at March 31, 2020, the Company has a loan payable of \$28,374,000 (US\$20,000,000) to Genesis Global Capital, LLC ("Genesis"), including a \$21,280,500 (US\$15,000,000) loan maturing on May 21, 2021 ("Original loan"), which has been classified as non-current, and a \$7,093,500 (US\$5,000,000) loan maturing on February 18, 2021 ("Extension loan"), which has been classified as current. The loans bear interest at 9.85% per annum, which is payable monthly. The Original loan has a covenant requiring 85% of the loan principal to be collateralized by bitcoin. The Extension loan has a covenant requiring 100% of the loan principal to be collateralized by bitcoin. The bitcoin for collateral related to these loans are held by Genesis. If the collateralized value of the bitcoin drops below 75% of the Original loan and/or 90% of the Extension loan, Genesis may request additional bitcoin to bring the collateral back to the required levels. Conversely, if the collateralized bitcoin value goes over 95% of the Original loan and/or 110% of the Extension loan, the Company may request the return of the surplus bitcoin. Interest expense for three months ended March 31, 2020 was \$572,895 (US\$425,034) (2019 - \$Nil). A foreign exchange loss of \$2,276,500 was recognized for the three months ended March 31, 2020 (2019 - \$Nil).

#### (ii) Lease liability

A lease liability for each ROUs was recognized in 2018 and re-measured at amortized cost using the effective interest method. On July 1, 2019, the terms of the City of Medicine Hat lease changed, resulting in the de-recognition of the original lease liability and recognition of a lower amount.

#### (iii) Bitfury loan

As at March 31, 2020, the Company has fully paid off the Bitfury loan. On February 20, 2020, the Company made a payment consisting of a \$6,295,650 (US\$4,750,000) towards the remaining principal and a \$1,324,166 (US\$999,069) for the accrued interest, thus effectively retired the loan. For the three months ended March 31, 2020, interest accretion was \$19,691 (US\$15,046) [2019 – \$63,512 (US\$47,774)] and interest accrued was \$97,700 (US\$74,654) [2019 – \$416,057 (US\$312,958)]. A foreign exchange loss of \$122,183 (2019 – gain of \$181,625) was recognized for the three months ended March 31, 2020.

## HUT 8 MINING CORP.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements

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For the three months ended March 31, 2020 and 2019

### 9. Equity

#### (a) Common shares

The Company has authorized share capital of an unlimited number of common shares.

	Number of shares	Amount
<b>Balance, December 31, 2018</b>	<b>85,227,858</b>	<b>\$ 162,733,360</b>
Shares issued for mining equipment	838,511	1,167,386
Shares issued in settlement of accounts payable	3,717,433	4,609,617
Shares issued for services	419,507	667,256
Shares issued for RSUs	234,700	1,444,980
<b>Balance, December 31, 2019</b>	<b>90,438,009</b>	<b>\$ 170,622,599</b>
Shares issued for RSUs <sup>(i)</sup>	38,308	54,398
<b>Balance, March 31, 2020</b>	<b>90,476,317</b>	<b>\$ 170,676,997</b>

- (i) Shares related to RSUs vested during the period, which were issued net of employment withholdings.

#### (b) Warrants

The warrant activity is as follows:

	Grant date	Number of warrants	Value
<b>Balance, January 1, 2019</b>		<b>714,000</b>	<b>\$ 736,848</b>
Broker warrants	2/7/2018	660,000	1,367,901
Warrants exercised		(714,000)	(736,848)
Galaxy warrants	9/10/2018	2,222,222	-
<b>Balance, December 31, 2019 and 2018</b>		<b>2,882,222</b>	<b>\$ 1,367,901</b>
Broker warrants expired	2/7/2020	(660,000)	(1,367,901)
<b>Balance, March 31, 2020</b>		<b>2,222,222</b>	<b>-</b>

The warrants issued and outstanding as at March 31, 2020 are as follows:

Exercise price	Number	Weighted average remaining contractual life (months)	Expiry date
\$ 4.50	2,222,222	42	9/10/2023

## HUT 8 MINING CORP.

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For the three months ended March 31, 2020 and 2019

### 9. Equity (continued)

#### (c) Incentive plan

On March 5, 2018, the Company adopted a Long-Term Incentive Plan ("LTIP") under which it is authorized to grant stock options, restricted share units and deferred share units ("Awards") to officers, directors, employees, and consultants enabling them to acquire common shares of the Company. The maximum number of common shares reserved for issuance of Awards that may be granted under the plan is 10% of the issued and outstanding common shares of the Company.

#### Stock options

The stock option activity is as follows:

	Number of options	Weighted average exercise price
Balance, January 1, 2019	965,000	\$ 4.63
Granted	110,000	1.20
Forfeiture	(165,000)	
Balance, December 31, 2019	910,000	4.34
<b>Options outstanding, March 31, 2020</b>	<b>910,000</b>	<b>\$ 4.34</b>
<b>Options exercisable, March 31, 2020</b>	<b>433,335</b>	<b>\$ 4.85</b>

As at March 31, 2020, the Company had the following stock options outstanding:

Exercise price	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life (months)
\$ 1.14	100,000	-	\$ 1.14	33
1.80	10,000	-	1.80	31
3.00	90,000	30,000	3.00	42
5.00	710,000	373,335	5.00	36
<b>\$ 4.63</b>	<b>910,000</b>	<b>403,335</b>	<b>\$ 4.85</b>	<b>36</b>

During the three months ended March 31, 2020, the Company recorded a total of \$135,290 (2019 - \$337,759) as share-based payments related to stock options. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for the three months ended March 31,

	2020	2019
Expected life (years)	n/a	4.96
Expected volatility	n/a	109.36%
Dividend rate	n/a	0.00%
Risk-free interest rate	n/a	2.00%
<b>Weighted average fair value per option granted</b>	<b>n/a \$</b>	<b>3.08</b>

## HUT 8 MINING CORP.

(In Canadian dollars)

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### 9. Equity (continued)

(c) *Incentive plan (continued)*

*Restricted Share Units ("RSUs")*

The Company has a restricted share unit plan that provides for the granting of restricted share units to directors, officers, employees and consultants of up to 3,000,000 shares of the Company. Upon vesting, the Company will issue shares from treasury to the employees for no additional consideration.

As at March 31, 2020, rights to receive 621,718 shares have been granted of which 505,051 vest in the remainder of 2020, 58,333 vests in 2021, and 58,334 vests in 2022.

During the three months ended March 31, 2020, the Company recognized a recovery of \$843,153 (2018 – expense of \$1,101,648) as share based payments related to RSUs. This gain is a result of a reversal of share based payments previously recognized in prior periods due to the forfeiture of 505,050 RSUs.

### 10. Related party transactions

*Related party transactions*

Key management includes members of the Board of Directors and its corporate officers. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Salary, fees, and other short-term benefits	\$ 323,956	\$ 249,769
Share based payments	350,527	929,388
	<u>\$ 674,483</u>	<u>\$ 1,179,157</u>

During the three months ended March 31, 2020, Bitfury, a related party, charged the Company \$1,571,155 (2019 - \$5,657,807) in site operating costs. As at March 31, 2020, \$Nil (2019 - \$9,311,921) was owed to Bitfury.

### 11. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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### 12. Financial Instruments

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

(a) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, digital assets, 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 BitGo Trust Company Inc. ("BitGo"). BitGo is considered one of the top custodians for cryptocurrency and has US\$100 million of insurance backing its digital asset custody. The custodian agreement between the Company and BitGo commenced on November 1, 2019.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances nominated in foreign currency at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

(c) 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.

(d) 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.

The table below indicates the foreign currencies to which the Company has significant exposure as at March 31, 2020 in Canadian dollar terms:

	<u>2020</u>
Cash	\$ 421,497
Accounts payable	234,147
Loans payable	28,374,000

The effect on earnings before tax of a 10% strengthening or weakening of the CAD exchange rate at the balance sheet date for financial instruments denominated in USD, with all other variables held constant, is \$2,902,964.

## HUT 8 MINING CORP.

(In Canadian dollars)

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For the three months ended March 31, 2020 and 2019

### 12. Financial Instruments (continued)

(e) Fair value measurements:

i. Financial hierarchy:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and

Level 3: Inputs that are not based on observable market data.

The Company's financial instruments have been classified as follows:

<b>December 31, 2019</b>	Level 1	Level 2	Level 3	Total
<b>Fair value through profit and loss</b>				
Cash	\$ 2,946,017	\$ -	\$ -	\$ 2,946,017
Digital assets	\$ -	\$ 27,310,725	\$ -	\$ 27,310,725
<hr/>				
<b>March 31, 2020</b>	Level 1	Level 2	Level 3	Total
<b>Fair value through profit and loss</b>				
Cash	\$ 1,026,200	\$ -	\$ -	\$ 1,026,200
Digital assets	\$ -	\$ 27,298,727	\$ -	\$ 27,298,727

(f) Digital assets and risk management

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

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.

As at March 31, 2020, had the market price of the Company's holdings of Bitcoin increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to \$2,279,873.

## HUT 8 MINING CORP.

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### 13. Subsequent events

On April 30, 2020, Andrew Kiguel stepped down as CEO of the Company as previously announced. On the same day, Jimmy Vaiopoulos was named Interim CEO while the Board of Directors continues the search for a permanent CEO. Kyle Appleby will replace Vaiopoulos as Interim CFO, while Viktoriya Griffin will take Appleby's place as Corporate Secretary.

The continuing outbreak of the coronavirus, also known as "COVID-19", is still 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.

### 14. Restatement of the financial statements

The condensed consolidated interim financial statements of the Company as at March 31, 2020 and 2019 and for the periods then ended have been restated to correct material errors and omissions in its prior filing. The Company discovered the deficiencies in the accounting information subsequent to the filing and issuance of the financial statements. The interim financial statements for the periods ended March 31, 2020 and 2019 have been prepared using the most complete information currently available. Below are the restated:

*Period ended March 31, 2020*

#### Condensed Consolidated Interim Statement of Financial Position

Plant and equipment as at March 31, 2020 was decreased by \$1,839,345 to \$27,867,969 from \$29,707,314 due to a change in depreciation expense on plant and equipment, which was adjusted to \$7,009,115 from \$5,169,770.

#### Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

The loss and comprehensive loss for the three months ended March 31, 2020 was increased by \$1,839,345 to \$10,230,020 from \$8,390,675 due to the change in depreciation expense.

#### Condensed Consolidated Interim Statement of Cash flows

The net loss was increased by \$1,839,345 which was offset by non-cash depreciation expense of \$1,839,345 resulting in no changes to cash used in operating activities.

## HUT 8 MINING CORP.

(In Canadian dollars)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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### 14. Restatement of the financial statements (continued)

*Period ended March 31, 2019*

#### Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

The net and comprehensive loss for the three months ended March 31, 2019 was increased by \$3,445,964 to \$9,511,459 from \$6,065,495 due to a change in depreciation expense on plant and equipment, which was adjusted to \$8,178,269 from \$4,732,305.

#### Condensed Consolidated Interim Statement of Cash flows

The net loss was increased by \$3,445,964 which was offset by non-cash depreciation expense of \$3,445,964 resulting in no changes to cash used in operating activities.