



HUT 8

HUT 8 MINING CORP.

Unaudited Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars)

Six months ended June 30, 2023 and 2022

HUT 8 MINING CORP.**Unaudited Condensed Consolidated Interim Statements of Financial Position***(In thousands of Canadian dollars)*

<i>As at</i>	Note	June 30, 2023	December 31, 2022 <i>(Audited)</i>
Assets			
Current assets			
Cash		\$ 26,687	\$ 30,515
Accounts receivable and other		2,116	1,589
Digital assets – held in custody	7	334,764	203,627
Digital assets – pledged as collateral	7, 9	34,178	–
Deposits and prepaid expenses	6	5,552	9,892
		<u>403,297</u>	<u>245,623</u>
Non-current assets			
Plant and equipment	8	113,258	124,959
Deposits and prepaid expenses	6	26,213	27,220
Intangible assets and goodwill		14,781	15,135
Total assets		\$ 557,549	\$ 412,937
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 22,281	\$ 13,916
Lease liabilities		4,010	4,325
Loans payable	9	31,692	11,892
		<u>57,983</u>	<u>30,133</u>
Non-current liabilities			
Lease liabilities		21,013	16,973
Loans payable	9	7,387	14,229
Warrant liability		–	212
Total liabilities		86,383	61,547
Shareholders' equity			
Share capital	10	773,587	767,641
Warrants		79	2,122
Contributed surplus		14,318	12,700
Accumulated deficit		(339,283)	(431,073)
AOCI - Unrealized gain on digital asset revaluation	7	22,465	–
Total shareholders' equity		471,166	351,390
Total liabilities and shareholders' equity		\$ 557,549	\$ 412,937

See accompanying notes to the unaudited condensed consolidated interim financial statements.

HUT 8 MINING CORP.**Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income***(In thousands Canadian dollars, except for per share amounts)*

<i>For the periods ended June 30</i>	Note	Three Months Ended		Six Months Ended	
		2023	2022	2023	2022
Revenue	13	\$ 19,183	\$ 43,845	\$ 38,204	\$ 97,178
Cost of revenue	14	(23,834)	(47,686)	(49,062)	(84,564)
Gross (loss) profit		(4,651)	(3,841)	(10,858)	12,614
General and administrative expenses	15	(12,539)	(12,278)	(36,885)	(23,812)
(Loss) gain on disposition of digital assets	7	(565)	–	4,390	–
Operating loss		(17,755)	(16,119)	(43,353)	(11,198)
Foreign exchange gain (loss)		298	27	291	(684)
Net finance expense		(1,437)	(1,543)	(2,869)	(2,835)
Amortization		(177)	(343)	(354)	(572)
Gain on revaluation of warrant liability		339	43,281	212	97,421
Net (loss) income before tax and revaluation on digital assets		(18,732)	25,303	(46,073)	82,132
(Loss) gain on revaluation of digital assets	7	(36)	(104,898)	134,736	(104,898)
Deferred income tax recovery (expense)		2,055	(8,472)	3,127	(9,593)
Net (loss) income		\$ (16,713)	\$ (88,067)	\$ 91,790	\$ (32,359)
Other comprehensive (loss) income					
Items that will not be reclassified to net (loss) income					
Revaluation gain (loss) on digital assets, net of tax	7	14,760	(98,591)	22,465	(103,540)
Total comprehensive (loss) income		\$ (1,953)	\$ (186,658)	\$ 114,255	\$ (135,899)
Net (loss) income per share:					
Basic		\$ (0.08)	\$ (0.49)	\$ 0.42	\$ (0.19)
Diluted		\$ (0.08)	\$ (0.49)	\$ 0.40	\$ (0.19)
Weighted average number of shares outstanding:					
Basic		221,279,766	178,013,476	221,118,780	174,258,330
Diluted		221,279,766	178,013,476	229,415,622	174,258,330

See accompanying notes to the unaudited condensed consolidated interim financial statements.

HUT 8 MINING CORP.**Unaudited Condensed Consolidated Interim Statements of Cash Flows***(In thousands of Canadian dollars)*

<i>For the six months ended June 30</i>	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 91,790	\$ (32,359)
Change in non-cash operating items:		
Digital assets mined	(29,517)	(88,426)
Depreciation and amortization	20,705	39,841
Gain on disposition of digital assets	(4,390)	–
(Gain) loss on revaluation of digital assets	(134,736)	104,898
Gain on revaluation of warrant liability	(212)	(97,421)
Share based payments	5,512	3,276
Deferred income tax (recovery) expense	(3,127)	9,593
Net finance expense and other	2,869	2,835
Foreign exchange (gain) loss	(291)	684
	(51,397)	(57,079)
Proceeds from the sale of digital assets	29,244	–
Net change in working capital (note 16)	11,569	1,315
Net cash used in operating activities	(10,584)	(55,764)
Investing activities		
Purchase of plant and equipment	(3,472)	(102,390)
Deposits and prepaid expenses	973	46,972
Purchase of digital assets (note 7)	(325)	–
Business acquisition	–	(30,174)
Net cash used in investing activities	(2,824)	(85,592)
Financing activities		
Proceeds from loan payable, net of financing costs (note 9)	19,188	–
Repayment of loan payable for financed equipment	(5,908)	(11,051)
Proceeds from issuance of common shares, net of issuance cost	9	75,931
Proceeds from exercise of warrants and options	–	14
Finance income received	5	831
Finance expense paid	(1,909)	(3,428)
Payment of lease obligations	(1,776)	(919)
Net cash provided by financing activities	9,609	61,378
Decrease in cash	(3,799)	(79,978)
Cash, beginning of period	30,515	140,127
Effect of movement in exchange rates on cash held in foreign currencies	(29)	(17)
Cash, end of period	\$ 26,687	\$ 60,132

See accompanying notes to the unaudited condensed consolidated interim financial statements.

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Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total
<i>For the six months ended June 30, 2023</i>							
Balance, January 1, 2023	220,547,442	\$ 767,641	\$ 2,122	\$ 12,700	\$ (431,073)	\$ –	\$ 351,390
Net income	–	–	–	–	91,790	–	91,790
Other comprehensive income	–	–	–	–	–	22,465	22,465
Comprehensive income	–	–	–	–	91,790	22,465	114,255
Other equity movements							
Shares issued on vesting of RSU	1,058,453	5,937	–	(5,937)	–	–	–
Shares issued under employee stock purchase plan	5,813	9	–	–	–	–	9
Expiry of warrants	–	–	(2,043)	2,043	–	–	–
Share based payments	–	–	–	5,512	–	–	5,512
Balance, June 30, 2023	221,611,708	\$ 773,587	\$ 79	\$ 14,318	\$ (339,283)	\$ 22,465	\$ 471,166

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total
<i>For the six months ended June 30, 2022</i>							
Balance, January 1, 2022	169,590,061	\$ 636,597	\$ 2,163	\$ 11,928	\$ (188,260)	\$ 103,540	\$ 565,968
Net loss	–	–	–	–	(32,359)	–	(32,359)
Other comprehensive loss	–	–	–	–	–	(103,540)	(103,540)
Comprehensive income	–	–	–	–	(32,359)	(103,540)	(135,899)
Other equity movements							
Shares issued for equity raises	22,098,392	75,905	–	–	–	–	75,905
Shares issued on exercise of RSU	292,500	1,345	–	(1,345)	–	–	–
Shares issued on exercise of DSU	76,296	574	–	(574)	–	–	–
Shares issued under employee stock purchase plan	6,387	26	–	–	–	–	26
Shares issued on exercise of warrants	863	3	(2)	–	–	–	1
Shares issued on exercise of options	3,333	11	–	(5)	–	–	6
Expiry of broker warrants	–	–	(39)	39	–	–	–
Share based payments	–	–	–	3,276	–	–	3,276
Balance, June 30, 2022	192,067,832	\$ 714,461	\$ 2,122	\$ 13,319	\$ (220,619)	\$ –	\$ 509,283

See accompanying notes to the unaudited condensed consolidated interim financial statements.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2023 and 2022

(In thousands of Canadian dollars, except for per share amounts)

1. Nature of presentation:

Hut 8 Mining Corp. 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 2500 Park Place 666 Burrard Street, Vancouver, BC, Canada V6C 2X8 and the headquarters are located at 24 Duncan St., Suite 500, Toronto, ON, Canada, M5V 2B8. The Company's common shares are listed under the symbol "HUT" on the Toronto Stock Exchange and the Nasdaq Global Select Market.

Hut 8 Mining Corp. and its subsidiaries (collectively as a single enterprise, the "Company") are primarily in the business of the mining of digital assets – with an operational focus on utilizing specialized equipment to solve complex computational problems to validate transactions on different blockchains and receiving Bitcoin in return for successful services. Additionally, the Company operates cloud and colocation data centre facilities in Canada targeting enterprise customers seeking high performance computing services.

These unaudited condensed consolidated interim financial statements ("interim financial statements") were approved by the Company's Board of Directors on August 11, 2023.

2. Basis of presentation

These interim financial statements for the six months ended June 30, 2023 and 2022 have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2022 and 2021 ("annual financial statements") prepared in accordance with IFRS as issued by the IASB. Certain comparative figures have been reclassified to conform to current presentation.

The preparation of the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, revenue and expenses, consistent with those described in the Company's annual financial statements and as described in these interim financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

The Company is in the business of digital assets, many aspects of which are not specifically addressed by current IFRS guidance. IFRS does not currently provide specific guidance to address many aspects of the digital asset industry. 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.

3. Selected significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented, except for the change in estimate disclosed in Note 4 in these unaudited condensed consolidated interim financial statements.

(a) Revenue recognition

The Company records revenue from contracts with customers in accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15") as follows:

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- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

The following are the specific revenue recognition criteria which must be met before revenue is recognized:

i. Revenues from digital asset mining

The Company has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form of digital asset. Revenue is recognized upon receipt of Bitcoin in exchange for its mining activities at the fair market value of the Bitcoin received. The fair value is determined using the closing Bitcoin price per Coinbase.com.

Management considers the prices quoted on Coinbase.com to be a Level 1 input under IFRS 13 Fair Value Measurement. Any difference between the fair value of digital assets recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of digital assets.

ii. Revenues from hosting

The Company has also entered into hosting contracts where it operates mining equipment on behalf of third parties within its facilities. Revenue from hosting contracts is measured as the Company meets its obligation of operating the hosted equipment over time.

iii. Revenues from high performance computing

The high performance computing business earns revenue by providing cloud, colocation and connectivity services to clients. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Revenue is recognized as the related services are provided to customers. The Company applies the five step IFRS 15 Revenue from Contracts with Customers model in determining the appropriate treatment of its various sources of revenue. The principal sources of revenue to the Company and recognition of these revenues are as follows:

- Monthly recurring revenue ("MRR") from high performance computing services are recognized as service revenue ratably over the enforceable term of individual contracts which is typically the stated term. The Company satisfies its performance obligation as these services are made available over time. The Company believes this method to be the best representation of transfer of services as it is consistent with industry practice to measure satisfaction through passage of time.
- Transaction price is determined as the list price of services (net of discounts) that the Company delivers to its customers, taking into account the term of each individual contract, and the ability to enforce and collect the consideration.
- Revenue from installation services, which are not treated as distinct performance obligations, are recognized over the enforceable term of individual contracts consistent with the schedule of MRR discussed above.
- Usage revenue (overage and consumption-based services) is recorded as service revenue in the month the usage is incurred/service is consumed by the customer, based on a fixed agreed upon amount per unit consumed.

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- Invoices are typically issued at the beginning of each month for MRR services and at the end of each month for usage revenue.

Sale of bundled services

The Company offers certain customers bundled connectivity, colocation, and cloud services. Total consideration in contracts with customers are allocated to distinct performance obligations based on their stand-alone selling prices. The Company determined the stand-alone selling price to be the list price at which the Company sells connectivity, and colocation and cloud services.

(b) Goodwill

Goodwill represents the excess of the cost of the Company's business acquisitions over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment charges and is not amortized but is subject to an impairment test annually and whenever impairment indicators are identified.

(c) Intangible assets

Intangible assets consist of customer relationships acquired through acquisitions or business combinations.

Intangible assets acquired as part of business acquisitions are measured initially at fair value.

Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives. Amortization is recognized over the assets' estimated useful lives as follows:

Customer relationships	6 years
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Residual values and useful lives are reviewed at each reporting date. Amortization expense has been presented in profit or loss as amortization. Assets are removed from asset and accumulated amortization balances once they become fully amortized. Proceeds from disposals are netted against the related assets and accumulated amortization, and resulting gains and losses are included in profit or loss.

4. Change in estimate

During the six months ended June 30, 2023, Management has reviewed its fair value estimate of non-cash consideration received used in revenue recognition for revenues from digital asset mining, and its fair value estimate of digital assets used in the revaluation method of intangible assets; specifically, Management has adopted the use of Level 1 fair value estimates sourced from Coinbase.com. Previously, Management used Level 2 fair value estimates sourced from coinmarketcap.com. The result is a change in estimate and applied prospectively.

5. Business combination with U.S. Data Mining Group, Inc.

On February 6, 2023, the Company entered into a business combination agreement (the "Business Combination Agreement") by and among the Company, U.S. Data Mining Group, Inc., a Nevada corporation doing business as "US Bitcoin Corp" ("USBTC"), and Hut 8 Corp., a Delaware corporation ("New Hut"). Pursuant to the Business Combination Agreement, (i) Hut 8 and Hut 8 Holdings, will, as part of a court-sanctioned plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia), be amalgamated to continue as one British Columbia corporation ("Hut Amalco"), with the capital of Hut Amalco being the same as the capital of Hut 8 (the "Amalgamation"), (ii) following the Amalgamation, and pursuant to the Arrangement, each common share of Hut Amalco (other than any shares held by dissenting shareholders) will be exchanged for 0.2000 of a share of New Hut common stock, which will effectively result in a consolidation of the Common Shares on a 5:1 basis and (iii) following the completion of the Arrangement, a newly-formed direct wholly-owned Nevada subsidiary of New Hut

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will merge with and into USBTC, with each share of common and preferred stock of USBTC, being exchanged for 0.6716 of a share of New Hut common stock in a merger executed under the laws of the State of Nevada (the "Merger", and together with the Arrangement, the "Business Combination"). As a result of the Business Combination, both Hut Amalco and USBTC will become wholly-owned subsidiaries of New Hut. New Hut intends to list its shares on Nasdaq Stock Exchange ("Nasdaq") and the Toronto Stock Exchange (the "TSX") under the trading symbol "HUT" following the completion of the Business Combination, subject to the approval of Nasdaq and the TSX.

6. Deposits and prepaid expenses

The components of deposits and prepaid expenses are as follows:

<i>As at</i>	June 30, 2023	December 31, 2022
Current		
Prepaid insurance	\$ 442	\$ 1,778
Prepaid electricity	257	3,191
Deposits related to power purchase agreement	3,000	3,000
Miscellaneous deposits	1,853	1,923
Total current deposits and prepaid expenses	\$ 5,552	\$ 9,892
Non-current		
Deposits related to power purchase agreement	17,000	17,000
Deposits related to operating site development	829	902
Deposits related to electricity supply under electricity supply agreement	7,529	8,522
Other	855	796
Total non-current deposits and prepaid expenses	\$ 26,213	\$ 27,220

7. Digital assets

The Company's digital assets are either held in custody or held in a segregated custody account under the Company's ownership and pledged as collateral under a borrowing arrangement. The details of the digital assets are as follows:

<i>As at</i>	Amount		Number of digital assets	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Digital assets – Bitcoin held in custody	\$ 334,475	\$ 203,627	8,289	9,086
Digital assets – Filecoin held in custody	289	–	55,008	–
Total digital assets – held in custody	\$ 334,764	\$ 203,627	63,297	9,086
Digital assets – Bitcoin pledged as collateral	34,178	–	847	–
Total digital assets	\$ 368,942	\$ 203,627	64,144	9,086

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Below is the Company's Bitcoin mined and transacted:

	Amount	Number of Bitcoin
Total digital assets – Bitcoin, January 1, 2022	\$ 323,946	5,518
Bitcoin mined	133,040	3,568
Revaluation of digital assets	(253,359)	–
Total digital assets – Bitcoin, December 31, 2022	\$ 203,627	9,086
Bitcoin mined	29,517	874
Bitcoin traded for cash	(29,244)	(824)
Gain on disposition of digital assets	4,390	–
Revaluation of digital assets – Bitcoin	160,363	–
Total digital assets – Bitcoin, June 30, 2023	\$ 368,653	9,136

Below is the Company's Filecoin transacted:

	Amount	Number of Filecoin
Total digital assets – Filecoin, December 31, 2022	\$ –	–
Purchase of Filecoin for cash	325	55,008
Revaluation of digital assets – Filecoin	(36)	–
Total digital assets – Filecoin, June 30, 2023	\$ 289	55,008

During the six months ended June, 2023, the Company traded 824 Bitcoin for cash totaling \$29.2 million (June 30, 2022 – \$nil) with a cost of \$24.8 million (June 30, 2022 – \$nil), which resulted in a realized gain on the sale of Bitcoin of \$4.4 million (June 30, 2022 – \$nil).

Digital assets are revalued each reporting period based on the fair market value of the price of the digital assets on the reporting date. As at June 30, 2023, the price of Bitcoin was \$40,352 (US\$30,477) (December 31, 2022 – \$22,412 (US\$16,548)), resulting in a revaluation gain for the six months ended June 30, 2023, of \$160.4 million. The Company recorded \$134.8 million of the gain in income or loss, and the remaining \$22.5 million was recorded in other comprehensive income or loss net of deferred tax expense of \$3.1 million. As at June 30, 2022, the price of Bitcoin was \$25,945 (US\$19,785) (December 31, 2021 – \$58,707 (US\$46,306)), resulting in a revaluation loss for the six months ended June 30, 2022 of \$223.5 million. The Company recorded \$104.9 million of the loss in income or loss, and the remaining \$103.5 million of the loss in other comprehensive income or loss net of taxes of \$15.1 million.

During the six months ended June 30, 2023 the Company purchased 55,008 (June 30, 2022 – nil) of Filecoin for \$0.3 million (June 30, 2022 – \$nil) and recorded a revaluation loss to income or loss of \$0.04 million (June 30, 2022 – \$nil).

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(In thousands of Canadian dollars, except for per share amounts)

8. Plant and equipment

The changes in the carrying value of plant and equipment are as follows:

	Mining infrastructure	Mining servers	Data centre infrastructure	Computer and network equipment	Leasehold improvements	Right-of-use assets	Total
Cost							
Balance, January 1, 2022	\$ 46,707	\$ 173,227	\$ –	\$ –	\$ –	\$ 964	\$ 220,898
Additions	35,229	157,176	444	6,297	572	13,632	213,350
Acquired through business acquisition	–	–	8,815	4,531	287	9,606	23,239
Balance, December 31, 2022	81,936	330,403	9,259	10,828	859	24,202	457,487
Additions	75	–	467	3,368	170	4,570	8,650
Balance, June 30, 2023	\$ 82,011	\$ 330,403	\$ 9,726	\$ 14,196	\$ 1,029	\$ 28,772	\$ 466,137
Accumulated Depreciation and Impairment							
Balance, January 1, 2022	\$ 27,887	\$ 96,595	\$ –	\$ –	\$ –	\$ 290	\$ 124,772
Depreciation	5,177	81,820	1,222	2,083	160	3,418	93,880
Impairment	25,999	87,877	–	–	–	–	113,876
Balance, December 31, 2022	59,063	266,292	1,222	2,083	160	3,708	332,528
Depreciation	1,652	14,374	588	2,182	165	1,390	20,351
Balance, June 30, 2023	\$ 60,715	\$ 280,666	\$ 1,810	\$ 4,265	\$ 325	\$ 5,098	\$ 352,879
Net book value as of							
December 31, 2022	\$ 22,873	\$ 64,111	\$ 8,037	\$ 8,745	\$ 699	\$ 20,494	\$ 124,959
June 30, 2023	\$ 21,296	\$ 49,737	\$ 7,916	\$ 9,931	\$ 704	\$ 23,674	\$ 113,258

During the six months ended June 30, 2023, the Company made \$4.6 million (June 30, 2022 – \$10.7 million) in non-cash additions to right-of-use assets and \$0.6 million (June 30, 2022 – \$49.2 million) in additions to plant and equipment which were applied against deposits and prepaid expenses.

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(In thousands of Canadian dollars, except for per share amounts)

9. Loans payable

The Company has a loan outstanding as at June 30, 2023, of \$20.0 million with Trinity Capital Inc. (“Trinity”) (December 31, 2022 – \$26.1 million), net of deferred financing costs of \$0.7 million (December 31, 2022 – \$1.0 million). The loan bears an interest rate of 9.5% and is secured against the financed equipment.

The Company entered into a \$65.8 million (US\$50 million) credit facility with Coinbase Credit, Inc. (“Coinbase”) on June 26, 2023. The loan bears interest at a rate of 5.0% plus the greater of (i) the US Federal Funds Target Rate – Upper Bound and (ii) 3.25%. The credit facility has drawdowns made available in three tranches: \$19.7 million (US\$15.0 million) available from loan inception to 15 business days thereafter, \$26.4 million (US\$20.0 million) available starting 30 calendar days after loan inception to 15 business days thereafter, and \$19.7 million (US\$15.0 million) available the day after the closing of the Business Combination and 15 business days thereafter. The credit facility is fully repayable 364 days from the date of first drawdown. On or prior to a drawdown, the Company is required to pledge, as collateral, Bitcoin with custodian Coinbase Custody Trust Company, LLC., to be held in a segregated custody account under the Company’s ownership, such that the loan-to-value ratio of principal outstanding of the loan and the fair value of collateral is equal to or less than 60%. If the value of the collateral under the credit facility decreases past a specified margin, the Company may be required to post additional Bitcoin as collateral. On June 27, 2023, the Company drew on the first tranche for \$19.7 million (US\$15.0 million). As at June 30, 2023, the Company has a \$19.1 million (US\$14.4 million) loan outstanding with Coinbase, net of deferred financing costs of \$0.8 million (US\$0.6 million). The Company made \$nil principal payments during the six months ended June 30, 2023 (June 30, 2022 – \$nil).

10. Equity

(a) Share capital

The Company has authorized share capital of an unlimited number of common shares. The changes in share capital are as follows:

	Number of shares	Amount
Balance, January 1, 2022	169,590,061	\$ 636,597
Shares issued for equity raises, net of issuance cost (\$3,197)	49,646,368	124,771
Shares issued for RSUs and DSUs	1,273,795	6,175
Shares issued under employee stock purchase plan	33,022	84
Shares issued for exercise of options	3,333	11
Shares issued on exercise of warrants	863	3
Balance, December 31, 2022	220,547,442	\$ 767,641
Shares issued for RSUs and DSUs	1,058,453	5,937
Shares issued under employee stock purchase plan	5,813	9
Balance, June 30, 2023	221,611,708	\$ 773,587

August 2022 At-the-market Equity Program (“August 2022 ATM”)

On August 17, 2022, the Company entered into the August 2022 ATM equity distribution agreement to sell the Company’s common shares with maximum proceeds of up to \$270.9 million (US\$200.0 million). During the six months ended June 30, 2023 the Company issued nil common shares totaling \$nil (June 30, 2022 – nil common shares totaling \$nil) under the August 2022 ATM and incurred \$nil (June 30, 2022 – \$nil) in issuance cost. Subsequent to the six months ended June 30, 2023, the Company did not complete any issuances under the August 2022 ATM.

(b) Incentive plan

Stock options

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Stock option activity is as follows:

	Number of options	Weighted average exercise price
Balance, January 1, 2022	546,667	\$ 5.13
Exercised (i)	(3,333)	1.80
Forfeited	(63,334)	6.32
Balance, December 31, 2022	480,000	5.00
Expired	(365,000)	5.00
Options outstanding, June 30, 2023	115,000	\$ 5.00
Options exercisable, June 30, 2023	115,000	\$ 5.00

(i) The options exercised comprise of 3,333 options with an exercise price of \$1.80 and underlying common share price of \$7.23 at the time of exercise.

During the six months ended June 30, 2023, the Company recorded a total of \$nil (June 30, 2022 – \$0.2 million in stock-based compensation recovery as a result of forfeitures) as share-based compensation expense 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. No stock options were granted for the six months ended June 30, 2023 and the six months ended June 30, 2022.

Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”)

During the six months ended June 30, 2023, the Company recorded a total \$5.1 million (June 30, 2022 – \$3.1 million) as share-based compensation expense related to RSUs and \$0.4 million (June 30, 2022 – \$0.4 million) as share-based compensation expense related to DSUs.

11. Financial instruments and risk management

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:

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June 30, 2023	Level 1	Level 2	Level 3	Total
Fair value carried through profit and loss				
Deposits	\$ 30,211	\$ –	\$ –	\$ 30,211
Fair value carried at amortized cost				
Loan payable	–	(40,580)	–	(40,580)
December 31, 2022	Level 1	Level 2	Level 3	Total
Fair value through profit and loss				
Warrant liability	\$ –	\$ 212	\$ –	\$ 212
Deposits	31,347	–	–	31,347
Fair value carried at amortized cost				
Loan payable	\$ –	\$ (27,125)	\$ –	\$ (27,125)

The Company determined that the carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate the corresponding fair value because of the relatively short periods to maturity of these instruments and the low credit risk. The Company determined that the carrying value of deposits made on future purchases approximates the corresponding fair value given the deposits are future payments of arm's length purchases.

As at June 30, 2023, the loans payable balance has a carrying value of \$39.1 million (December 31, 2022 – \$26.1 million) and a fair value of \$40.6 million (December 31, 2022 – \$27.1 million). The fair value is determined based on the cost of borrowing for a company with a similar risk profile (Level 2).

12. Digital assets and risk management

Digital assets are measured using Level 1 fair values, determined by taking the rate from Coinbase.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 balance 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 relatively volatile. Historical performance of digital assets is not indicative of their future price performance.

As at June 30, 2023, had the market price of the Company's digital assets increased or decreased by 10% with all other variables held constant, the corresponding digital assets value increase or decrease respectively would amount to \$36.9 million.

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its cash exposure to credit loss by placing its cash with high credit quality financial institutions. The Company uses the digital asset custodial services of BitGo Trust Company, Inc., NYDIG Trust Company LLC, and Coinbase Custody Trust Company, LLC. The Company does not self-custody its Bitcoin. The credit risk related to the accounts receivable is not significant.

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13. Revenue

The details of our revenue by type are as follows:

<i>For the periods ended June 30</i>	Three months ended		Six months ended	
	2023	2022	2023	2022
Digital assets mined	\$ 14,991	\$ 39,134	\$ 29,517	\$ 88,426
Hosting fees	–	–	–	751
High performance computing	4,192	4,711	8,687	8,001
Total revenue	\$ 19,183	\$ 43,845	\$ 38,204	\$ 97,178

14. Cost of revenue

The details of our cost of revenue by type are as follows:

<i>For the periods ended June 30</i>	Three months ended		Six months ended	
	2023	2022	2023	2022
Site operating costs	\$ (14,342)	\$ (26,782)	\$ (28,711)	\$ (45,295)
Depreciation	(9,492)	(20,904)	(20,351)	(39,269)
Total cost of revenue	\$ (23,834)	\$ (47,686)	\$ (49,062)	\$ (84,564)

15. General and administrative expenses

The details of our general and administrative expenses by type are as follows:

<i>For the periods ended June 30</i>	Three months ended		Six months ended	
	2023	2022	2023	2022
One-time transaction costs	\$ (2,887)	\$ –	\$ (15,175)	\$ (1,611)
Share based payments	(2,477)	(1,977)	(5,512)	(3,276)
Salary and benefits	(2,094)	(1,869)	(4,179)	(3,786)
Insurance expense	(1,179)	(1,344)	(2,863)	(2,425)
General, marketing, office and other	(1,373)	(2,036)	(3,016)	(3,281)
Sales tax expense	(530)	(2,024)	(1,973)	(5,187)
Professional fees	(1,530)	(2,312)	(2,732)	(3,009)
Decommissioning costs	(245)	–	(919)	–
Investor relations and regulatory	(224)	(716)	(516)	(1,237)
Total general and administrative expense	\$ (12,539)	\$ (12,278)	\$ (36,885)	\$ (23,812)

16. Supplementary cash flow information

Change in working capital for the six months ended June 30, 2023 and 2022 was as follows:

<i>For the six months ended June 30</i>	2023	2022
Accounts receivable and other	\$ (472)	\$ (1,110)
Prepaid expenses	3,732	1,039
Accounts payable and accrued liabilities	8,309	1,386
Net change in working capital	\$ 11,569	\$ 1,315

Non-cash transactions

<i>For the six months ended June 30</i>	2023	2022
Shares issued on vesting of RSU	\$ 5,937	\$ 1,345
Shares issued on vesting of DSU	–	574
Derecognition of warrants upon expiry	2,043	39

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17. Litigation with North Bay facility power provider and leasehold provider

On January 25, 2023, the Company filed a statement of claim in the Ontario Superior Court of Justice against Validus Power Corp. ("VPC") and Bay Power Corp., (collectively with VPC, "Validus") as defendants. VPC was the Company's power provider for the Company's North Bay mining facility. Pursuant to a power purchase agreement dated October 22, 2021 (the "PPA"), VPC would design, construct, own, operate, and maintain certain power generation facilities on a site located in North Bay, Ontario (the "Facility"), and Hut 8 would purchase energy from the Facility on the terms set out in the PPA. In connection with entering into of the PPA, the Company entered into (i) a lease agreement dated October 27, 2021 by and among the Company, Validus (the "Lease Agreement"), and (ii) a design-build stipulated price contract dated October 21, 2021 between the Company and VPC.

The Company's statement of claim includes Validus' failure to meet obligations under the PPA. The Company is seeking various relief including enforcement of certain provisions of the PPA and monetary damages incurred as a result of the dispute.

On February 9, 2023, the Company received from Validus a notice of termination of the Lease Agreement. On February 21, 2023, the Company announced that it received a statement of defence and counterclaim from Validus. In addition to denying the majority of allegations in the Company's statement of claim, Validus brought counterclaims against the Company and is seeking monetary damages. On March 28, 2023, Hut 8 announced that it served and filed an amended statement of claim in the Superior Court of Justice of Ontario against Validus, and on April 11, 2023, Validus served and filed an amended statement of defence and counterclaim (collectively, the "Counterclaim") in the Superior Court of Justice of Ontario against the Company.

The company intends to pursue the claims set out in its amended statement of claim. While the Company believes that the Counterclaim is meritless and intends to vigorously prosecute the aforementioned matters, these matters are in the early stages of litigation and no assessment can be made as to the likely outcome of the matters or whether they will be material to the Company. As of the date of the interim financial statements, the Company's North Bay facility is not operational.

18. Subsequent events

On August 11, 2023, the Company announced that it has entered into a transaction support agreement (the "Support Agreement") with Macquarie Equipment Finance Ltd. ("Macquarie") a subsidiary of Macquarie Group Limited, in support of an opportunity to potentially acquire certain assets of VPC and VPC's subsidiaries (collectively, the "Validus Entities"). VPC was previously a supplier of energy to the Company's mining facility in North Bay, Ontario. Macquarie is a secured creditor of the Validus Entities under an existing secured lease and participation agreement.

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") issued on August 10, 2023, on application by Macquarie, KSV Restructuring Inc. ("KSV"), a licensed insolvency trustee, has been appointed as receiver of the property, assets, and undertakings of the Validus Entities (KSV in such capacity, the "Receiver").

Subject to the satisfaction of certain conditions, under the terms of the Support Agreement, a stalking horse bid (the "Stalking Horse Bid") is to be submitted to the Receiver in support of a proposed sale and investment solicitation process to be carried out in respect of the Validus Entities.

A Stalking Horse Bid, if ultimately successful, is expected to result in the full and final resolution of all litigation claims and counterclaims currently pending between Hut 8 and certain Validus Entities. Further details in respect of any Stalking Horse Bid will be provided if and as conditions warrant and subject to, among other things, the acceptance of a Stalking Horse Bid by the Receiver and approval of the Court.

As a result of KSV being appointed as Receiver pursuant to the order of the Court issued on August 10, 2023,

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subsequent to the six months ended June 30, 2023, the following assets and liabilities of the Company will have an expected carrying value of \$nil: deposits and prepaid expenses – deposits related to power purchase agreement (carrying value as at June 30, 2023 of \$20.0 million, resulting in an impairment loss of \$20.0 million), plant and equipment – right-of-use assets related to the Company's North Bay facility (net book value as at June 30, 2023 of \$9.2 million), lease liabilities – lease liability related to the Company's North Bay facility (carrying value as at June 30, 2023 of \$9.5 million). A remeasurement of the lease liabilities is expected to be netted against the right-of-use assets resulting in a net remeasurement gain of \$0.3 million.