

**HUT 8 MINING CORP.**  
**(formerly Oriana Resources Corporation)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Canadian dollars)**

Three months ended March 31, 2018  
(Unaudited)

## NOTICE TO SHAREHOLDERS

The accompanying condensed interim financial statements of Hut 8 Mining Corp. for the three months ended March 31, 2018 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

### Auditors Involvement

The external auditors of Hut 8 Mining Corp., have not audited or performed a review of the unaudited interim financial statements for the three months ended March 31, 2018 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

# HUT 8 MINING CORP

(In Canadian dollars)

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 23,664,330	\$ 23,248,485
Digital assets (note 8)	8,004,399	1,078,760
Deposits and prepaid expenses (note 7)	399,800	3,600
Sales tax and other receivables	4,230	50,000
	<b>32,072,759</b>	24,380,845
<b>Non-current assets</b>		
Mining equipment and infrastructure (note 9)	45,305,373	21,195,842
Site development	7,022,900	-
Prepaid mining equipment (note 10)	80,000,000	-
	<b>132,398,022</b>	21,195,842
<b>TOTAL ASSETS</b>	<b>\$ 164,401,032</b>	<b>\$ 45,576,687</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable (note 11)	\$ 12,743,697	\$ 9,069,145
<b>Shareholders' equity</b>		
Share capital (note 12)	153,148,442	35,676,182
Warrants (note 13)	2,104,749	736,848
Contributed surplus	125,416	-
Deficit	(3,721,272)	94,512
	<b>151,657,335</b>	36,507,542
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 164,401,032</b>	<b>\$ 45,576,687</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# HUT 8 MINING CORP

(In Canadian dollars)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

For the three months ended March 31, 2018

(unaudited)

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	2018
<b>Revenue</b>	
Digital assets mined (note 8)	\$ 10,988,949
<b>Cost of revenue (including depreciation of \$5,640,469 - note 9)</b>	<b>7,805,768</b>
<b>Gross profit</b>	<b>3,183,181</b>
<b>Expenses</b>	
Consulting	83,943
Conference and travel	162,328
General and office	195,669
Listing and qualifying transaction	1,151,401
Professional	891,474
Public relations	287,272
Salary and benefits	66,977
Share based payments	125,416
	2,964,480
<b>Operating income</b>	<b>218,701</b>
Fair value loss on re-measurement of digital assets (note 8)	(4,073,310)
Interest income	32,315
Foreign exchange gain	6,510
<b>Net loss and comprehensive loss</b>	<b>\$ (3,815,784)</b>
<b>Loss per share - basic and diluted</b>	<b>\$(0.05)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>74,449,011</b>

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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# HUT 8 MINING CORP

(In Canadian dollars)

Condensed Interim Consolidated Statement of Cash Flows

For the three months ended March 31, 2018

(unaudited)

2018

Cash provided by (used in):

## Operating activities:

Net loss	\$ (3,815,784)
Change in non-cash operating items:	
Mining revenue (note 8)	(10,988,949)
Depreciation (note 9)	5,640,469
Listing and qualifying transaction expense (note 5)	1,151,401
Share based payments	125,416
Fair value loss on re-measurement of digital assets	4,073,310
	(3,814,137)
Change in non-cash working capital:	
Trade and other receivables	50,000
Prepaid expenses	(396,200)
Accounts payable and accrued liabilities	6,838,313
Net cash flow from operating activities	2,677,976

## Investing activities

Purchase of mining equipment	(15,989,657)
Prepaid mining equipment	(34,100,000)
Site development	(7,022,900)
Net cash used in investing activities	(57,112,557)

## Financing activities

Proceeds from issuance of common shares, net of issue costs	54,850,426
Net cash flow from financing activities	54,850,426

Increase in cash and cash equivalents	415,845
Cash and cash equivalents, beginning of period	23,248,485
Cash and cash equivalents, end of period	\$ 23,664,330

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# HUT 8 MINING CORP

(In Canadian dollars)

Condensed Interim Statement of Changes in Shareholders' Equity (unaudited)

For the three months ended March 31, 2018

	Share Capital		Warrants	Contributed surplus	Deficit	Total
	Number of shares	Dollar amount				
Balance, January 1, 2018	55,200,000	\$ 35,676,182	\$ 736,848	\$ -	\$ 94,512	\$ 36,507,542
Shares issued for mining equipment	14,560,000	51,400,000	-	-	-	51,400,000
Shares issued for reverse acquisition	220,000	1,100,000	-	-	-	1,100,000
Issuance of shares on private placement	14,000,000	70,000,000	-	-	-	70,000,000
Share issue costs	-	(4,947,740)	1,367,901	-	-	(3,579,839)
Share buyback	(1,600,000)	(80,000)	-	-	-	(80,000)
Share based payments	-	-	-	125,416	-	125,416
Net loss and comprehensive loss for the period	-	-	-	-	(3,815,784)	(3,815,784)
Balance, March 31, 2018	82,380,000	\$ 153,148,442	\$ 2,104,749	\$ 125,416	\$ (3,721,272)	\$ 151,657,335

The accompanying notes are an integral part of these condensed interim consolidated financial statements .

# HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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## 1. Nature of Operations

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 Street, Vancouver BC, Canada, V6C 2X8. The Company's financial year ends on December 31. The Company's common shares are listed under the symbol "HUT" on the TSX Venture Exchange ("TSX-V"). On March 2 2018, the Company closed its qualifying transaction with Hut 8 Holdings Inc. The Company was a capital pool company prior to the transaction. The transaction was accounted for as a reverse acquisition (Note 5).

As at March 31, 2018, Bitfury Holding BV ("Bitfury") owned 44% of the Company's common shares and is a controlling shareholder of Hut 8.

The Company is in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the blockchain. The Company receives digital assets in return for successful service. Currently, the Company is only mining bitcoin.

## 2. Statement of Compliance and Basis of Presentation

### *(a) Statement of compliance*

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 22, 2018.

### *(b) Basis of presentation*

The condensed interim consolidated 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*

These condensed interim consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

### *(d) Consolidation*

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

As of March 31, 2018, the Company had one wholly owned subsidiary, Hut 8 Holdings Inc.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 3. Significant Judgements and Estimates

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. 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. Such changes are reflected in the assumptions when they occur.

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 condensed interim consolidated financial statements:

(i) Income 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.



## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 3. Significant Judgements and Estimates (continued)

(ii) 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. At the period end, management concluded that none of the Company's non-financial assets were impaired.

(iii) 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.

(iv) 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 12.

(v) Accounting for digital assets

At present, there is limited guidance in IFRS on the recognition and measurement of digital assets.

Noted below are the key policies used to account for these assets.

(vi) Fair value of Digital Assets

Digital Assets are measured at fair value using the quoted price on [www.coinmarketcap.com](http://www.coinmarketcap.com). 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 Digital Assets are valued based on the closing price obtained from [www.coinmarketcap.com](http://www.coinmarketcap.com) ("Coin Market Cap") at the reporting period corresponding to the different Digital Assets mined by the Company. The Company is relying on the data available at [www.coinmarketcap.com](http://www.coinmarketcap.com) to be an accurate representation of the closing price for the different Digital Assets.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 3. Significant Judgements and Estimates (continued)

(vii) 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
Network, monitoring, and operation infrastructure	2 years
Mining Servers	2 years

The mining equipment is used to generate digital assets. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following:

- The complexity of the mining process which is driven by the algorithms contained within the digital assets open source software; and
- The general availability of appropriate computer processing capacity on a global basis 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 short life cycle 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 which are inherently judgmental. Based on current data available management has determined that the straight-line method of amortization over two years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

### 4. Significant Accounting Policies

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's December 31, 2017 audited financial statements, except for the adoption of new standards and interpretations as of January 1, 2018.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the period ended March 31, 2018 and accordingly, have not been applied in preparing these condensed interim consolidated financial statements:

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 4. Significant Accounting Policies (continued)

#### *IFRS 16, Leases*

IFRS 16 was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. For lessors, there is little changed to the existing accounting in IAS 17 Leases. The new standards is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of assessing the impact of this standard on the Company's condensed interim consolidated financial statements.

### 5. Reverse acquisition

On March 2 2018, the Company completed its qualifying transaction (the "Qualifying Transaction") with Hut 8 Holdings Inc. Pursuant to the Qualifying Transaction the following occurred:

- (i) The Company completed a consolidation of its common stock immediately prior to the completion of the Debt Conversion and the Amalgamation (as defined below), of its then issued and outstanding 9,500,000 common shares on the basis of one new Pubco share for every 52.7777 existing Pubco shares;
- (ii) The Company effected a conversion of \$200,000 of debt owing by Pubco into 40,000 Pubco common shares, based on a conversion price of \$5.00 per Pubco share (the "Debt Conversion");
- (iii) The Company acquired all of the issued and outstanding common shares of a private corporation incorporated under the Business Corporations Act (British Columbia) (the "BCBCA"), Hut 8 Mining Corp. (the "Hut 8 PrivateCo"), from the shareholders of Hut 8 PrivateCo in exchange for an aggregate of 82,160,000 Pubco shares;
- (iv) Hut 8 PrivateCo and 1149835 B.C. Ltd., a wholly-owned subsidiary of the Company amalgamated under the BCBCA (the "Amalgamation") and continued as one corporation, Hut 8 Holdings Inc. ("Amalco"), which is a wholly-owned subsidiary of the Company. The Company changed its name to "Hut 8 Mining Corp."

The Qualifying Transaction has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, Hut 8 Holdings Inc., has been treated as the acquirer and Hut 8 Mining Corp., the legal parent, has been treated as the acquiree. For accounting purposes, these condensed interim consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Hut 8 Holdings Inc.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 5. Reverse acquisition (continued)

**The fair value of the consideration is as follows:**

220,000 common shares at a price of \$5.00 per share	\$ 1,100,000
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**Net assets acquired:**

Receivables	4,167
Accounts payable and accrued liabilities	(55,568)
Listing costs expensed	1,151,401
Value attributed to Hut 8 shares issued	\$ 1,100,000

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### 6. Significant Agreements with related parties

On November 29, 2017, the Company entered into a Master Data Centre Purchase Agreement (the "Purchase Agreement") with Bitfury. The Purchase Agreement governs the terms and conditions for the purchase from Bitfury of certain equipment (the "Data Centres") used for the purpose of running diverse cryptographic hash functions in connection with the mining of cryptocurrency. The Purchase Agreement is for a term of five years, with two successive renewal terms of one year each.

Concurrent with the Purchase Agreement, on November 29, 2017, the Company entered into a Master Service Agreement (the "MSA") with Bitfury. In accordance with the MSA, Bitfury shall provide the management, maintenance, support, logistics and operational services (the "Services") required to run the Data Centres. Bitfury will charge a monthly fee equal to 110% of their costs incurred in connection with these Services. The MSA is for a term of five years, with two successive renewal terms of one year each.

### 7. Deposits and prepaid expenses

	<b>2018</b>
Land lease deposit with the city of Medicine Hat (note 19)	\$381,200
Other	18,600
	<b>\$399,800</b>

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## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

### 8. Digital Assets

Digital assets consist of Bitcoin. Below is a continuity of the digital assets mined and transacted.

	Dollars	Units
Opening balance as at November 15, 2017	-	-
Bitcoin received for share subscription	\$ 12,575,608	556
Bitcoin transferred to purchase equipment	(12,575,608)	(556)
Bitcoin Mined	1,123,216	62
Fair value on re-measurement of digital assets (i)	(44,456)	-
Balance as at December 31, 2017	1,078,760	62
Bitcoin received through share subscriptions	11,569,735	1,077
Bitcoin transferred to purchase equipment	(11,559,735)	(1,076)
Bitcoin Mined	10,988,949	828
Fair value on re-measurement of digital assets	(4,073,310)	-
Balance as at March 31, 2018	\$ 8,004,398	891

- (i) Included in the fair value loss on re-measurement of digital assets is a gain on revaluation of bitcoin in the amount of \$1,336,517, that is offset by an equivalent realized loss on the settlement, in bitcoin, of an amount owing to Bitfury (note 9).
- (ii) Digital assets held in inventory are re-valued each reporting date based on the fair market value of the price of Bitcoin on the reporting date. As at March 31, 2018, the price of Bitcoin was \$8,991 (US\$6,973) which resulted in an unrealized loss of \$4,073,310. This is a non-cash item and will fluctuate as the price of Bitcoin changes.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

### 9. Mining equipment

	Seacan containers and supporting infrastructure	Network, monitoring, and operation infrastructure	Mining servers	Total
<b>Cost</b>				
Additions (i)	\$ 4,812,500	\$ 220,500	\$ 16,317,000	\$ 21,350,000
As at December 31, 2017	4,812,500	220,500	16,317,000	21,350,000
Additions (ii)	6,842,500	297,500	22,610,000	29,750,000
As at March 31, 2018	\$ 11,655,000	\$ 518,000	\$ 38,927,000	\$ 51,100,000
<b>Accumulated Depreciation</b>				
Depreciation	\$ 29,007	\$ 2,215	\$ 122,936	\$ 154,158
As at December 31, 2017	29,007	2,215	122,936	154,158
Depreciation	728,438	46,156	4,865,875	5,640,469
As at March 31, 2018	\$ 757,445	\$ 48,371	\$ 4,988,811	\$ 5,794,627
<b>Net Book Value December 31, 2017</b>				
	\$ 4,783,493	\$ 218,285	\$ 16,194,064	\$ 21,195,842
<b>Net Book Value March 31, 2018</b>				
	\$ 10,897,556	\$ 469,629	\$ 33,938,189	\$ 45,305,373

Mining equipment is made up of specialized equipment to mine Bitcoin.

- (i) During the period ended December 31, 2017, the Company acquired certain mining equipment from Bitfury. The transaction was measured at the exchange amount. On December 15, 2017, the Company settled \$12,575,608 of the amount payable to Bitfury by issuing 556 units of bitcoin that were previously received through the common share subscription (note 12).
- (ii) During the three months ended March 31, 2018, the Company acquired certain mining equipment from Bitfury. The transaction was measured at the exchange amount. On February 2, 2018, the Company settled \$11,559,735 of the amount payable to Bitfury by issuing 1,076 units of bitcoin that were received through the common share subscription (note 12).

During the three months ended March 31, 2018, \$5,640,469 of depreciation was charged as a cost of revenue.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 10. Prepaid mining equipment

During the three months ended March 31, 2018, the Company paid \$80,000,000 (\$32,600,000 in cash and \$47,400,000 in common shares) for the delivery and installation of 40 containerized data centers containing proprietary Bitfury hardware, due within six months of ordering (being 15 units due by June 18, 2018 and 25 units by September 20, 2018).

### 11. Related Party Transactions

#### Key management salaries

During the three months ended March 31, 2018, \$12,000 (plus HST) was charged by CFO Advantage Inc. ("CAI"), a Company owned by the Chief Financial Officer of the Company, for consulting fees. As at March 31, 2018, \$4,480 of these fees were included in accounts payable and accrued liabilities.

During the three months ended March 31, 2018, \$62,500 was charged by the interim Chief Executive Officer of the Company as salary expenses.

During the three months ended March 31, 2018, \$75,000 was charged by a director of the Company for consulting fees in consideration of this director's involvement with various pre-listing and corporate governance-related matters.

#### Other

During the period, the Company was charged \$112,327 for out of pocket expenses, by First Block Capital Inc., a Company controlled by an officer and a former director of the Company. These expenses were charged primarily for travel costs related to fundraising, meetings with strategic partners and planning and organizing the Company.

See note 12 for related party transactions with respect to share issuances.

During the period, the Company acquired mining equipment, with a total cost of \$29,750,000 (2017 - \$21,350,000) (note 9) and made an \$80,000,000 pre-payment for mining equipment from a Bitfury Holding BV, a controlling shareholder of the Company. In 2017, \$4,000,000 of the purchase was assigned by Galaxy Digital L.P./ GACN 1 LLC. ("Galaxy"), a founding shareholder of the Company. During the three months ended March 31, 2018, the Company was charged \$2,165,299 in Services (note 6) by Bitfury. As at March 31, 2018 10,021,717 (December 31, 2017 - \$4,905,813) was owed to Bitfury and \$nil (December 31, 2017 - \$4,000,000) was owed to Galaxy, which have been included in accounts payable and accrued liabilities.

## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

### 12. Share Capital

#### (a) Authorized:

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

#### (b) Issued common shares:

On December 12, 2017, the Company completed a 10 to 1 share split. All numbers presented below are reflective of the share split.

	Number of Shares	Amount
Shares issued on incorporation (note (i))	40,000,000	\$ 200,000
Shares issued on private placement (note (ii))	15,200,000	38,000,000
Share issue costs – cash (note (ii))	-	(1,804,730)
Shares issue costs - broker warrants (note (ii))	-	(736,848)
Deferred tax recoverable (note 12)	-	17,760
<b>Balance, December 31, 2017</b>	<b>55,200,000</b>	<b>\$ 35,676,182</b>
Shares issued for mining equipment (note (iii))	14,560,000	51,400,000
Shares issued on private placement (note (iv))	14,000,000	70,000,000
Share issue costs – cash (note (iv))	-	(3,579,839)
Shares issue costs - broker warrants (note (iv))	-	(1,367,901)
Buyback of shares (v)	(1,600,000)	(80,000)
Shares issued for reverse takeover (note 5)	220,000	1,100,000
<b>Balance, March 31, 2018</b>	<b>82,380,000</b>	<b>\$ 153,148,442</b>

(i) On incorporation (November 15, 2017), 4,000,000 shares were issued at \$0.05 per share for proceeds of \$200,000. As a result of a 10 to 1 share split on December 12, 2017, the interim Chief Executive Officer subscribed for 5,600,000 shares, a director subscribed for 5,600,000 shares, and Bitfury, a controlling shareholder, subscribed for 23,200,000 shares.

(ii) On December 20, 2017, the Company completed a brokered financing for gross proceeds of \$19,000,000 through the issuance of 7,600,000 common shares at a price of \$2.50 per share, and a non-brokered financing for gross proceeds of \$19,000,000 through the issuance of 7,600,000 common shares at a price of \$2.50 per share (the "Financing"). In connection with the Financing, the Company paid a commission to the underwriters of 6% of the proceeds and a 2% advisory fee. Total cash issue costs (including the commission and advisory fee) amounted to \$1,804,730.

Related to this Financing, \$12,575,608 of Bitcoin was received as consideration for common share subscription, with the balance paid in cash.



## HUT 8 MINING CORP.

(In Canadian Dollars)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

March 31, 2018

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### 12. Share Capital (continued)

In connection with the Financing the agent received warrants equal to (i) 6.0% on 8,600,000 of the common shares issued, being 516,000, and 3% on 6,600,000 of the common shares issued, being 198,000 (note 11). Warrants can be exercised to acquire common shares at a price of \$2.50 for a period of two years until December 20, 2019. The warrants have been valued at \$736,848, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.43%
Dividend Yield	n/a
Volatility factor	75%
Expected life	2 years

- (iii) The Company issued \$51,400,000 worth of Common Shares as payment for the mining equipment acquired as well as deposits for additional equipment to be delivered in 2018.
- (iv) On February 7, 2018, the Company completed a brokered financing for gross proceeds of \$45,000,000 through the sale of 9,000,000 common subscription receipts at a price of \$5.00 per receipt, and a non-brokered financing for gross proceeds of \$25,000,000 through the issuance of 5,000,000 common shares at a price of \$5.00 per share (the "Financing"). In connection with the Financing, the Company paid a commission to the underwriters of 6% of the proceeds and a 2% advisory fee. Total cash issue costs (including the commission and advisory fee) amounted to \$3,579,839.

Related to this Financing, \$11,569,735 of Bitcoin was received as consideration for common share subscriptions, with the balance paid in cash.

In connection with the Financing the agent received warrants equal to (i) 6.0% on 8,000,000 of the subscription receipts issued, being 480,000, 3% on 500,000 of the subscription receipts issued, being 30,000, and 3% on 2,500,000 common shares issued, being 150,000. These warrants can be exercised to acquire common shares at a price of \$5.00 for a period of two years until February 7, 2020. The warrants have been valued at \$1,367,901, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.75%
Dividend Yield	n/a
Volatility factor	75%
Expected life	2 years

- (v) The Company re-purchased 1,600,000 previously issued shares at a price of \$0.05 from certain founders of the Company.

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### 13. Warrants

The warrant activity for the three months ended March 31, 2018 and the period ended December 31, 2017 is as follows:

	Grant date	Number of warrants	Value
Balance November 15, 2017		-	\$ -
Broker warrants - expiry 12/20/2019	12/20/2017	714,000	736,848
Balance, December 31, 2017		714,000	736,848
Broker warrants - expiry 02/07/2020	2/7/2018	660,000	1,367,901
Balance, March 31, 2018		1,374,000	2,104,749

The warrants issued and outstanding as at March 31, 2018 are as follows:

Strike price	Number	Weighted average remaining contractual life (in years)	Expiry date
\$ 2.50	714,000	1.72	12/20/2019
\$ 5.00	660,000	1.86	2/7/2020
	1,374,000		

The weighted average expiry date is 1.80 years  
The weighted average exercise price is \$3.70

### 14. 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.

#### (a) Stock Options

The stock options granted can be exercised for up to a maximum of 10 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the market price of the common shares on the date of grant. The vesting provisions for those who have provided their services to the Corporation for at least one year are: 1/6 of the Options vest six months following the date of grant, and 1/6 of the Options vest every six months thereafter. For those who have provided their services to the Corporation for less than one year: 1/3 of the Options vest one year following the date of grant, and 1/6 of the Options vest every six months thereafter.

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### 14. Incentive plan (continued)

Below is a summary of transactions for the three months ended March 31, 2018:

	Grant date	Number of options	Exercise price
Balance December 31, 2017		-	-
Granted	3/5/2018	595,000	\$ 5.00
Options outstanding, March 31, 2018		595,000	\$ 5.00
Options exercisable, March 31, 2018		-	\$ 5.00

As at March 31, 2018 the Company had the following stock options outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life
595,000	\$ 5.00	3/5/2023	-	4.93

The weighted average expiry date of the options is 4.93 years. The weighted average exercise price of the options is \$5.00.

On March 5, 2018, the Company issued 595,000 options to directors of the Company. These options were valued at \$1,842,844 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 75%; Interest rate – 2.14%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$5.00.

### 17. 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 Director, will balance its overall capital structure through new share issues 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 period ended December 31, 2017.

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### 18. 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 and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(b) Interest Rate Risk:

The Company is not exposed to any significant interest rate risk.

(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. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. All of the Company's liabilities are due in the next year.

(d) Currency Risk:

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

(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.

## HUT 8 MINING CORP.

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### 18. Financial Instruments (continued)

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

March 31, 2018	Level 1	Level 2	Level 3	Total
<b>Fair value through profit and loss</b>				
Cash	\$ 23,664,330	\$ -	\$ -	\$ 23,664,330

  

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Fair value through profit and loss</b>				
Cash	\$ 23,248,485	\$ -	\$ -	\$ 23,248,485

(f) Digital assets and risk management

Digital assets are measured using level one fair values, determined by taking the rate from [www.coinmarketcap.com](http://www.coinmarketcap.com).

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

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

### 19. Commitment

On March 19, 2018, the Company entered into definitive agreements with the City of Medicine Hat ("CMH") for the supply of 42 MW of electric energy, with optionality to increase, and the lease of land upon which Hut 8 is constructing its mining facilities, next to CMH's new Unit 16 power plant.

Under the terms of an Electricity Supply Agreement ("ESA"), CMH will provide electric energy capacity of approximately 42 megawatts (with optionality to increase) to the new Hut 8 facilities, which in conjunction with the Company's existing 18.7 MW in operation in Drumheller, will allow Hut 8 to meet 60.7 MW of a fully funded 62.7MW power capacity by September 2018. The electricity supply agreement and the land lease have a concurrent term of 10 years. The delivery of electric energy under the electricity supply agreement will commence upon the commissioning of Hut 8's 40 BlockBox Data Centres, which are slated for delivery as to 40% and 60% in Q2 and Q3 2018 respectively.

## **HUT 8 MINING CORP.**

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### **19. Commitments (continued)**

In accordance with the ESA, the Company will pay \$2.1m, as a deposit for future electricity billings, to the CMH (paid on May 18<sup>th</sup> 2018) (plus approximately \$61,000 for each MW of Incremental Energy used. The Company will also deposit \$2,000,000, (paid on April 6, 2018) to secure performance of its obligation. The amount of the deposit to secure performance will be reduced by \$330,000 on June 30, 2024 and further reduced each year thereafter by the same amount on the anniversary of such date.

The minimum payments on the land lease are \$10,500 per month commencing May 1, 2018 through December 31, 2027.

### **20. Segment information**

The Company operates in one industry and geographic segment; the bitcoin mining industry with all current mining activities conducted in Canada.

### **21. Subsequent events**

On April 2, 2018, the Company granted to the new Chief Executive Officer RSUs with an explicit value of \$5,000,000. The RSUs vest in three equal tranches, with a tranche vesting on the first, second and third anniversaries of the date of grant. The RSUs were granted in accordance with and shall remain subject to the terms and conditions of the Company's LTIP.

See note 19 for deposits made post March 31, 2018.

Subsequent to March 31, 2018, 428,400 common shares were issued upon the exercise of 428,400 warrants for proceeds of \$1,071,000.