

Hut 8 Mining Reports Financial Results for the Third Quarter of 2019

Toronto, Ontario--(Newsfile Corp. - November 7, 2019) - [Hut 8 Mining Corp.](#) (TSX: HUT) (OTCQX: HUTMF) ("Hut 8" or "the Company"), one of the world's largest public cryptocurrency mining companies by operating capacity and market capitalization, announces its financial results for the three and nine months ended September 30, 2019. Hut 8 reports all amounts in Canadian Dollars unless otherwise stated.

Q3-2019 Highlights:

- Revenue of \$26.7 million; Mining Profit Margin of 58%, and Adjusted EBITDA of \$14.7 million.
- Mined 1,965 bitcoin at a Cost per Bitcoin of US\$4,363 inclusive of electricity costs, mining pool fees, and all other production costs.
- Strengthened balance sheet through the reduction of debt by \$3.6 million and reduced accounts payable by more than \$6 million from the prior quarter.
- Increased Retained Bitcoin inventory by 7.6% from the prior quarter to 3,496 bitcoin.
- Announced petahash capacity increases of 19.6%.
- Approval for trading on the Toronto Stock Exchange.

Selected Annual Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 26,749,874	\$ 17,654,901	\$ 67,132,276	\$ 36,444,220
Site operating costs	(11,353,029)	(8,727,399)	(34,372,623)	(13,736,529)
Mining Profit	15,396,845	8,927,502	32,759,653	22,707,691
Mining Profit Margin	58%	51%	49%	62%
Depreciation	(4,732,305)	(17,440,571)	(14,196,915)	(28,981,535)
Gross profit	10,664,540	(8,513,069)	18,562,738	(6,273,844)
Gross profit margin	40%	-48%	28%	-17%
Expenses	(1,377,406)	(2,618,779)	(4,517,718)	(6,659,520)
Gain on sale of digital assets	514,135	-	5,433,530	-
Revaluation of digital assets	(10,050,642)	(317,177)	8,243,089	(6,146,449)
Net operating loss	(249,373)	(11,449,025)	27,721,639	(19,079,813)
Gain on share issuance	-	-	951,059	-
Net finance expense	(1,122,930)	(245,976)	(3,512,166)	(213,661)
Foreign exchange gain (loss)	(370,374)	251,123	703,347	248,673
Listing and qualifying transaction	-	-	-	(1,151,401)
Net income (loss) and comprehensive income (loss)	\$ (1,742,677)	\$ (11,443,878)	\$ 25,863,879	\$ (20,196,202)
Adjusted EBITDA	\$ 14,689,575	\$ 7,422,455	\$ 30,669,079	\$ 17,276,053
Adjusted EBITDA Margin	55%	42%	46%	47%
Earnings (loss) per share				
basic	\$ (0.02)	\$ (0.14)	\$ 0.34	\$ (0.25)
diluted	\$ (0.02)	\$ (0.14)	\$ 0.33	\$ (0.25)

Hut 8 is pleased to report revenue of \$26.7 million and a Mining Profit Margin of 58%. The Company faced industry headwinds during the quarter as the bitcoin price dropped by 30% and the network difficulty rate increased by 61%, which both negatively affected Mining Profit Margins.

Utilizing its cash and bitcoin reserves, Hut 8 strengthened its balance sheet by repaying US\$2.0 million of its debt to Galaxy Digital Lending in September 2019 and US\$2.3 million of its debt to Bitfury for the nine months ended September 30, 2019, including US\$750k paid in Q3-2019. In addition, Hut 8 reduced its accounts payable outstanding by over \$6.0 million since June 30, 2019. This has led to the increase of Hut 8's working capital surplus to \$5.4 million as at September 30, 2019, which does not include non-current digital assets of \$28.6 million. This was a drastic improvement from the working capital deficit as at December 31, 2018 of \$18.3 million, which did not include non-current digital assets of \$15.4 million.

The fair value loss for Q3-2019 on the revaluation of digital assets of \$10.0 million represented the adjustment of value of the digital assets held in inventory to the market value on the reporting date as the price of bitcoin decreased from US\$10,817 at the end of Q2-2019 to US\$8,293 at the end of Q3-2019. Despite this, the Company recognized a revaluation gain on the fair value of digital assets of \$8.2 million, for the nine months ended September 30, 2019.

Adjusted EBITDA for the quarter was \$14.7 million and Adjusted EBITDA margin of 55% for the quarter. Net loss of \$1.7 million or a loss per share of \$0.02 per share was recorded for the quarter.

"Hut 8 achieved some significant accomplishments in Q3. We became the first cryptocurrency company to get approved to trade on the Toronto Stock Exchange, which began on October 8, 2019, shortly after the quarter end. In addition, we announced capacity increases of 19.6%, significantly reduced leverage and increased our bitcoin inventory balance." said Andrew Kiguel, Chief Executive Officer of Hut 8. "However, during Q3, the price of bitcoin decreased by 30% and mining difficulty increased by 61%. The impact was a revaluation of our bitcoin balance down by \$10.0 million and mining less bitcoin in this quarter versus the previous one." said Kiguel. "The overall impact of Q3 is more mining capacity and an improved balance sheet that still retains substantial exposure to bitcoin through our bitcoin inventory."

A conference call has been scheduled to discuss the Company's third quarter 2019 financial results, hosted by Andrew Kiguel, Chief Executive Officer, and Jimmy Vaiopoulos, Chief Financial Officer with further details below:

Date: **Thursday, November 07, 2019**
Time: **10:00 a.m. ET**
Dial-In: 1 (888) 465-5079, Canada
1 (888) 424-8151, USA
Passcode: 5861 331#

This earnings release should be read in conjunction with the Company's Management Discussion & Analysis, Financial Statements and Notes to the Financial Statements for Q3-2019, which has been posted under the Company's profile on SEDAR at www.sedar.com and are also available on the Company's website at www.hut8mining.com.

Since beginning its mining operations in December 2017, Hut 8 has mined over 12,305 bitcoins. Hut 8's current capital structure consists of 90,438,009 common shares outstanding, 2,882,222 warrants, and 890,000 options.

ABOUT HUT 8 MINING CORP.

Hut 8 is a bitcoin mining company with industrial scale operations in Canada. Hut 8 has an exclusive North American partnership with the Bitfury Group Limited, inclusive of Bitfury Holding BV, one of the world's leading full-service hardware and software blockchain technology companies. In total, Hut 8 owns and operates two sites in Alberta, Canada utilizing 94 BlockBox AC data centers with operating capacity of 109.4 MW and 963 PH/s, subsequent to closing the purchase of an additional nine Blockboxes AC data centers expected in November 2019.

Hut 8 creates value for investors through low production costs and appreciation of its bitcoin inventory. The company provides investors with direct exposure to bitcoin, without the technical complexity or constraints of purchasing the underlying cryptocurrency. Investors avoid the need to create online wallets, wire money offshore, and safely store their bitcoin.

The Company's common shares are listed under the symbol "HUT" on the TSX and as "HUTMF" on the OTCQX Exchange.

Key investment highlights and FAQ's: <https://www.hut8mining.com/investors>.

Keep up-to-date on Hut 8 events and developments and join our online communities at [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#).

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FORWARD-LOOKING STATEMENTS

Certain information in this press release constitutes forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology, such as "plans", "targets", "expects" or "does not expect", "is expected", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts, but instead represent management's expectations, estimates and projections regarding future events.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by Hut 8 as of the date of this press release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the "Risk Factors" section of the Filing Statement dated March 1, 2018 relating to the Qualifying Transaction of Oriana Resources Corporation and Hut 8, which is available at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect Hut 8; however, these factors should be considered carefully. There can be no assurance that

such estimates and assumptions will prove to be correct. The forward-looking statements contained in this press release are made as of the date of this press release, and Hut 8 expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

NON-GAAP MEASURES

This MD&A presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

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

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

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

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

"Retained Bitcoin" represents the bitcoin mined less the bitcoin used by the Company. This includes the bitcoin held by the Company at period end plus the mined but not received, which is recognized under digital assets receivable. This metric is important as it shows a comparable figure for the bitcoin earned and retained at each period end.



To view the source version of this press release, please visit <https://www.newsfilecorp.com/release/49514>