

Hut 8 Reports Second Quarter 2020 Financial Results

Toronto, Ontario--(Newsfile Corp. - August 13, 2020) - [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, today announces its financial results for the second quarter ending June 30, 2020 ("Q2-2020"). Hut 8 reports all amounts in Canadian Dollars unless otherwise stated.

Q2-2020 Highlights

- Quarterly revenue of \$9.2 million from mining 795 bitcoin
- Mining profit margin of 6%
- Revaluation gain of bitcoin holdings of \$10.1 million for the quarter
- Positive net income of \$2.8 million and negative Adjusted EBITDA of \$86k
- Completed an oversubscribed prospectus offering of \$8.3 million in gross proceeds for the purchase of 275PH/s of the latest generation bitcoin mining equipment

Selected Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 9,229,659	\$ 28,280,388	\$ 21,969,560	\$ 40,382,402
Site operating costs	(8,643,289)	(10,386,799)	(21,249,175)	(23,019,594)
Mining profit	586,370	17,893,589	720,385	17,362,808
Mining profit margin	6%	63%	3%	43%
Depreciation	(6,958,311)	(8,178,269)	(13,967,426)	(16,356,538)
Gross profit	\$ (6,371,941)	\$ 9,715,320	\$ (13,247,041)	\$ 1,006,270
Gross profit margin	-69%	34%	-60%	2%
Expenses	(1,213,969)	(636,703)	(1,906,037)	(1,383,304)
Share-based compensation	(60,228)	(655,360)	647,635	(1,757,008)
Gain on use of digital assets	688,619	5,168,853	1,602,615	4,915,772
Revaluation of digital assets	9,417,727	17,254,595	8,136,108	18,297,354
Net operating income (loss)	2,460,208	30,846,705	(4,766,720)	21,079,084
Net finance expense	(692,675)	(1,205,471)	(1,341,567)	(2,389,236)
Foreign exchange gain (loss)	1,072,880	584,853	(1,281,320)	1,073,721
Gain on share issuance	-	-	-	951,059
Net income (loss)	\$ 2,840,413	\$ 30,226,087	\$ (7,389,607)	\$ 20,714,628
Adjusted EBITDA	\$ (85,515)	\$ 17,256,886	\$ (643,568)	\$ 15,979,504
Adjusted EBITDA margin	-1%	61%	-3%	40%
Net income (loss) per share - basic and diluted	\$ 0.03	\$ 0.39	\$ (0.08)	\$ 0.27

Table 1

To view an enhanced version of Table 1, please visit:

https://orders.newsfilecorp.com/files/2260/61640_66a5dbe7841b69d1_002full.jpg

Q2-2020 Overview

The second quarter of 2020 began in the fallout of the novel coronavirus pandemic and the shelter in

place orders that shook global capital markets and the bitcoin price, much of which is still being felt by countries across the globe. While the global capital markets gradually recovered from its historic drop on March 12, 2020, the cryptocurrency industry prepared for the bitcoin halving that occurred on May 11, 2020. The bitcoin halving reduced the bitcoin reward per block from 12.5 to 6.25 and occurs every four years making bitcoin continually more scarce.

We saw bitcoin recover as it increased from US\$6,439 on March 31, 2020 to US\$8,602 on the day of the halving, before continuing that momentum to reach US\$9,138 on June 30, 2020. The network difficulty decreased subsequent to the halving by 15%, but quickly returned back to levels prior to the halving. This posed a difficult challenge to many bitcoin miners as they saw the bitcoin block reward drop by 50% with similar network difficulty rates meaning that revenue dropped by nearly 50% for all bitcoin miners, including Hut 8.

Hut 8, however, has been anticipating the potential effect of the halving and has worked to keep a very lean and flexible operation to reduce costs when necessary. Site operating costs for Q2-2020 were \$8.6 million, a 17% reduction from Q2-2019 of \$10.4 million. With Hut 8 taking over the full management of the Medicine Hat site operations, the operating costs are expected to continue to be reduced.

Net finance expense was \$0.7 million, a 43% decrease from the same period of the prior year of \$1.2 million. Management negotiated a further reduction in the interest rate of its debt from 9.85% to 8% per annum as the bitcoin price stays above US\$6,500, bringing the expected future net finance expense per quarter to \$0.5 million.

Hut 8's strategy of mining and holding bitcoin continued to pay off as there was a \$9.4 million gain on the re-measurement of bitcoin holdings in Q2-2020. Additionally, by strategically selling bitcoin at peak prices, Hut 8 recorded a \$0.7 million gain on use of digital assets. Overall, for Q2-2020, Hut 8 recorded a net income of \$2.8 million and a negative Adjusted EBITDA of \$86k.

Near the end of the quarter, Hut 8 closed the first prospectus offering by a cryptocurrency mining company in Canada. The capital raise was oversubscribed with the gross proceeds of \$8.3 million. The full amount of the net proceeds was committed for a purchase to upgrade the existing mining equipment with the latest technology available in the market. This new equipment is expected to operate at 275 PH/s with a 12.6 MW of power output. This upgrade is a big step towards modernizing Hut 8's equipment and increasing the overall efficiency of its bitcoin mining fleet.

This release should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and corresponding MD&A for the three and six months ended June 30, 2020 filed on SEDAR and posted on the Company's website.

ABOUT HUT 8 MINING CORP.

Hut 8 is a bitcoin mining company with industrial scale operations in Canada. 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](#).

Hut 8 Corporate Contact:

Jimmy Vaiopoulos
Interim CEO
Tel: (647) 256-1992
Email: info@hut8mining.com

Non-GAAP Measures

This press release 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.

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

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

- "EBITDA" represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- "Adjusted EBITDA" represents EBITDA adjusted to exclude share-based compensation, fair value loss or gain on 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 commonly referenced in the bitcoin mining industry and is important to gain an understanding of the profitability in reference to the price of bitcoin.

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.



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