

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-41864

Hut 8 Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

92-2056803
(I.R.S. Employer Identification No.)

1101 Brickell Avenue, Suite 1500
Miami, Florida
(Address of principal executive offices)

33131
(Zip Code)

(305) 224-6427
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	HUT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 12, 2024, the registrant had 91,078,961 shares of its common stock outstanding.

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Introductory Note

On February 6, 2023, U.S. Data Mining Group, Inc., a Nevada corporation doing business as “US BITCOIN” (“USBTC”), Hut 8 Mining Corp., a corporation existing under the laws of British Columbia (“Legacy Hut”), and Hut 8 Corp., a newly-formed Delaware corporation, entered into a business combination agreement pursuant to which, among other things, Legacy Hut and its direct wholly-owned subsidiary, Hut 8 Holdings Inc., a corporation existing under the laws of British Columbia, amalgamated to continue as one British Columbia corporation (“Hut Amalco”) and both Hut Amalco and USBTC became wholly-owned subsidiaries of Hut 8 Corp. (the “Business Combination”). On November 30, 2023, the Business Combination was completed and Hut 8 Corp. began trading on the Nasdaq Stock Market LLC (“Nasdaq”) on December 4, 2023. Given that the Business Combination closed on November 30, 2023, the information included in this Quarterly Report on Form 10-Q (the “Quarterly Report”) principally describes Hut 8 Corp.’s business and operations following the closing of the Business Combination, but includes the historical financial statements of USBTC, the accounting acquirer, and related management’s discussion and analysis for the three and six months ended June 30, 2023, which describes the business, financial condition, results of operations, liquidity, and capital resources of USBTC prior to the Business Combination.

As used in this Quarterly Report, unless otherwise noted or the context otherwise requires:

- references to the “Company,” “Hut 8,” “we,” “us,” “our” and similar terms refer to Hut 8 Corp. and its consolidated subsidiaries including those existing prior to the consummation of the Business Combination;
- references to “USBTC” refer to U.S. Data Mining Group, Inc. and its consolidated subsidiaries prior to the consummation of the Business Combination; and
- references to “Legacy Hut” refer to Hut 8 Mining Corp. and its consolidated subsidiaries prior to the consummation of the Business Combination.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions, that, if proven incorrect or do not materialize, could cause our results to differ materially from those expressed or implied by these forward-looking statements. Forward-looking statements are generally identified by the words “intend,” “plan,” “may,” “should,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity,” and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

Forward-looking statements in this Quarterly Report may include, for example, statements about:

- expectations relating to our future financial performance;
- the ability to expand our business or enter into new lines of business and provide new offerings, services, and features and make enhancements to our business;
- the ability to compete with existing and new competitors in existing and new markets and offerings;
- the ability to acquire new businesses or pursue strategic transactions;
- the outcome of any material litigation to which the Company is a party;
- the ability of our cash flows generated from operating activities to meet our anticipated cash requirements in the short-term;
- our ability to access to the capital markets for any long-term funding not provided by operating cash flows and cash on hand;
- the expectations regarding the effects of existing and developing laws and regulations; and
- global and domestic economic conditions and their impact on demand for our markets and offerings.

The following factors or events, among others, could cause actual results to differ materially from those described in the forward-looking statements:

- our ability to establish and maintain strategic collaborations or other arrangements, and the terms of and timing such arrangements;
- changes in our financial or operating performance or more generally due to broader stock market movements and the performance of peer group companies;
- competitive pressures in the markets in which we operate;
- changes in laws or regulations; and
- changes in general economic conditions.

For additional information concerning factors that could cause actual conditions, events or results to materially differ from those described in the forward-looking statements, please refer to the section titled “Risk Factors” in Part I, Item 1A of our Transition Report on Form 10-K for the transition period from July 1, 2023 to December 31, 2023 (the “Annual Report”) and in Part II, Item 1A of this Quarterly Report.

We operate in a competitive and rapidly changing environment. The risks and uncertainties described and referred to above are not exhaustive and further information concerning us and our business, including factors that potentially could materially affect our business, financial condition, or operating results, may emerge from time to time. You should read this Quarterly Report and the documents that we reference in this Quarterly Report and have filed as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements with these cautionary statements and urge you not to place undue reliance on any forward-looking statements. The forward-looking statements in this Quarterly Report speak only as of the date of this Quarterly Report. Except as required by law, we do not assume any obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Hut 8 Corp. and Subsidiaries Condensed Consolidated Balance Sheets (in USD thousands, except share and per share data)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets		
Current assets		
Cash	\$ 175,476	\$ 30,504
Restricted cash	621	453
Accounts receivable, net	5,860	3,336
Deposits and prepaid expenses	10,901	18,457
Digital assets – held in custody	1,093	4,963
Equipment held for sale	—	3,907
Income taxes receivable	1,706	—
Total current assets	195,657	61,620
Non-current assets		
Digital assets – held in custody	313,724	282,997
Digital assets – pledged as collateral	255,687	100,550
Property and equipment, net	145,097	118,069
Operating lease right-of-use asset	13,045	14,534
Deposits and prepaid expenses	5,409	5,540
Investment in unconsolidated joint venture	78,618	82,656
Investments	8,614	—
Intangible assets, net	15,338	17,279
Goodwill	55,788	57,595
Total non-current assets	891,320	679,220
Total assets	\$ 1,086,977	\$ 740,840
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 41,266	\$ 43,757
Deferred revenue	554	2,700
Operating lease liability, current portion	1,510	1,226
Finance lease liability, current portion	4,872	748
Covered call options	3,625	—
Loans and notes payable	64,961	64,127
Total current liabilities	116,788	112,558
Non-current liabilities		
Operating lease liability, less current portion	12,295	13,736
Finance lease liability, less current portion	21,325	661
Loans and notes payable, less current portion	263,858	123,320
Deposit liability	1,734	2,317
Deferred tax liabilities	2,655	609
Total liabilities	418,655	253,201
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Common stock, \$0.01 par value; 1,000,000,000 shares authorized; 90,944,959 and 88,962,964 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	909	889
Additional paid-in capital	588,080	576,241
Retained earnings (accumulated deficit)	78,758	(100,252)
Accumulated other comprehensive (loss) income	(7,611)	10,761
Total Hut 8 Corp. stockholders' equity	660,136	487,639
Non-controlling interests	8,186	—
Total stockholders' equity	668,322	487,639
Total liabilities and stockholders' equity	\$ 1,086,977	\$ 740,840

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Hut 8 Corp. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited, in USD thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue:				
Digital Assets Mining	\$ 13,912	\$ 15,858	\$ 44,269	\$ 23,504
Managed Services	9,017	4,672	18,252	10,199
High Performance Computing – Colocation and Cloud	3,365	—	6,691	—
Other	8,921	—	17,744	2,474
Total revenue	35,215	20,530	86,956	36,177
Cost of revenue (exclusive of depreciation and amortization shown below):				
Cost of revenue - Digital Assets Mining	7,467	10,473	24,089	16,552
Cost of revenue - Managed Services	3,120	1,514	5,881	3,897
Cost of revenue - High Performance Computing – Colocation and Cloud	2,500	—	5,089	—
Cost of revenue - Other	7,549	—	13,724	45
Total cost of revenue	20,636	11,987	48,783	20,494
Operating expenses (income):				
Depreciation and amortization	11,531	4,064	23,003	6,968
General and administrative expenses	17,899	5,211	37,898	11,586
Losses (gains) on digital assets	71,842	—	(202,732)	—
(Gain) loss on sale of property and equipment	—	—	(190)	445
Realized gain on sale of digital assets	—	(1,004)	—	(2,376)
Impairment of digital assets	—	868	—	1,431
Legal settlement	—	(1,531)	—	(1,531)
Total operating expenses (income)	101,272	7,608	(142,021)	16,523
Operating (loss) income	(86,693)	935	180,194	(840)
Other income (expense):				
Foreign exchange gain (loss)	720	—	(1,679)	—
Interest expense	(6,012)	(5,657)	(12,293)	(13,232)
Gain on debt extinguishment	—	—	—	23,683
Unrealized gain on derivatives	17,219	—	17,219	—
Equity in earnings of unconsolidated joint venture	2,440	3,358	6,962	6,642
Total other income (expense)	14,367	(2,299)	10,209	17,093
(Loss) income from continuing operations before taxes	(72,326)	(1,364)	190,403	16,253
Income tax provision	1,874	(322)	(2,522)	(611)
Net (loss) income from continuing operations	\$ (70,452)	\$ (1,686)	\$ 187,881	\$ 15,642
Loss from discontinued operations (net of income taxes of Snil, Snil, Snil, Snil, respectively)	(1,738)	—	(9,364)	—
Net (loss) income	(72,190)	(1,686)	178,517	15,642
Less: Net loss attributable to non-controlling interests	324	—	493	—
Net (loss) income attributable to Hut 8 Corp.	\$ (71,866)	\$ (1,686)	\$ 179,010	\$ 15,642
Net income per share of common stock:				
Basic from continuing operations attributable to Hut 8 Corp.	\$ (0.78)	\$ (0.04)	\$ 2.10	\$ 0.37
Diluted from continuing operations attributable to Hut 8 Corp.	\$ (0.78)	\$ (0.04)	\$ 2.00	\$ 0.36
Weighted average number of shares of common stock outstanding:				
Basic	90,192,842	43,193,201	89,671,344	42,830,760
Diluted	90,192,842	43,193,201	94,152,139	42,868,871
Net (loss) income	\$ (72,190)	\$ (1,686)	\$ 178,517	\$ 15,642
Other comprehensive loss:				
Foreign currency translation adjustments	(7,362)	—	(18,436)	—
Total comprehensive (loss) income	(79,552)	(1,686)	160,081	15,642
Less: Comprehensive loss attributable to non-controlling interest	423	—	557	—
Comprehensive (loss) income attributable to Hut 8 Corp.	\$ (79,129)	\$ (1,686)	\$ 160,638	\$ 15,642

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Hut 8 Corp. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited, in USD thousands, except share data)

Six Months Ended June 30, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2022	41,469,204	\$ 415	\$ 131,338	\$ (122,140)	\$ —	\$ 9,613
Issuance of common stock – net of retroactive application of recapitalization	1,987,936	20	750	—	—	770
Cancellation of restricted stock awards – net of retroactive application of recapitalization	(968,388)	(10)	651	—	—	641
Stock-based compensation – net of retroactive application of recapitalization	704,449	7	386	—	—	393
Net income	—	—	—	17,328	—	17,328
Balance, March 31, 2023	43,193,201	\$ 432	\$ 133,125	\$ (104,812)	\$ —	\$ 28,745
Stock-based compensation	—	—	314	—	—	314
Net loss	—	—	—	(1,686)	—	(1,686)
Balance, June 30, 2023	43,193,201	\$ 432	\$ 133,439	\$ (106,498)	\$ —	\$ 27,373

Six Months Ended June 30, 2024

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Non-controlling Interests	Accumulated Other	Total Stockholders'
	Shares	Amount		Income (Loss)		Equity	
Balance, December 31, 2023	88,962,964	\$ 889	\$ 576,241	\$ (100,252)	\$ —	\$ 10,761	\$ 487,639
Issuance of common stock – stock option exercises	341,013	3	129	—	—	—	132
Issuance of common stock – restricted stock unit settlements	148,842	2	(2)	—	—	—	—
Issuance of common stock – restricted stock unit settlements, net of withholding taxes	4,046	—	(30)	—	—	—	(30)
Acquisition of subsidiary with noncontrolling ownership interests	—	—	—	—	8,743	—	8,743
Stock-based compensation	—	—	4,474	—	—	—	4,474
Foreign currency translation adjustments	—	—	—	—	35	(11,109)	(11,074)
Net income	—	—	—	250,876	—	—	250,876
Net loss attributable to non-controlling interest	—	—	—	—	(169)	—	(169)
Balance, March 31, 2024	89,456,865	\$ 894	\$ 580,812	\$ 150,624	\$ 8,609	\$ (348)	\$ 740,591
Issuance of common stock – stock option exercises	722,404	8	275	—	—	—	283
Issuance of common stock – restricted stock unit settlements	745,959	7	(7)	—	—	—	—
Issuance of common stock – restricted stock unit settlements, net of withholding taxes	1,881	—	(10)	—	—	—	(10)
Issuance of common stock – deferred stock unit settlements	17,850	—	—	—	—	—	—
Stock-based compensation	—	—	7,010	—	—	—	7,010
Foreign currency translation adjustments	—	—	—	—	(99)	(7,263)	(7,362)
Net loss	—	—	—	(71,866)	—	—	(71,866)
Net loss attributable to non-controlling interest	—	—	—	—	(324)	—	(324)
Balance, June 30, 2024	90,944,959	\$ 909	\$ 588,080	\$ 78,758	\$ 8,186	\$ (7,611)	\$ 668,322

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Reflects the retrospective application of the 0.6716 share consolidation pursuant to the Business Combination effective November 30, 2023.

Hut 8 Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited, in USD thousands)

	Six Months Ended	
	June 30, 2024	June 30, 2023
Operating activities		
Net income	\$ 178,517	\$ 15,642
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	23,003	6,968
Amortization of operating right-of-use assets	577	87
Non-cash lease expense	804	51
Stock-based compensation	11,484	1,348
Equity in earnings of unconsolidated joint venture	(6,962)	(6,642)
Distributions of earnings from unconsolidated joint venture	11,000	11,750
Digital Assets Mining revenue	(44,269)	(23,504)
Hosting revenue earned in digital assets	(3,231)	—
Losses (gains) on digital assets	(202,732)	—
Impairment of digital assets	—	1,431
Realized gain on sale of digital assets	—	(2,376)
Deferred tax assets and liabilities	2,046	290
Gain on debt extinguishment	—	(23,683)
Non-cash income	(2,236)	—
Foreign exchange loss	1,679	—
Amortization of debt discount	2,795	3,035
(Gain) Loss on sale of property and equipment	(190)	445
Unrealized gain on derivatives	(17,219)	—
Paid-in-kind interest expense	6,056	10,215
Loss on discontinued operations	9,364	—
Changes in assets and liabilities:	—	—
Accounts receivable, net	213	(526)
Deposits and prepaid expenses	(527)	2,893
Equipment held for sale	3,907	—
Income taxes receivable	(1,706)	—
Accounts payable and accrued expenses	(10,763)	1,983
Deferred revenue	(2,146)	(1,586)
Operating lease liabilities	(1,574)	(235)
Deposit liability	(583)	(125)
Net cash (used in) provided by operating activities	(42,693)	(2,539)
Investing activities		
Proceeds from sale of digital assets	53,138	24,162
Deposits on miners	—	(966)
Purchases of property and equipment	(17,029)	(938)
Proceeds from sale of property and equipment	4,209	79
Cash paid to acquire investment in Ionic	(6,378)	—
Cash acquired in Far North acquisition	1,052	—
Net cash provided by investing activities	34,992	22,337
Financing activities		
Proceeds from loans payable	14,849	—
Proceeds from notes payable	150,000	—
Proceeds from covered call options premium	20,844	—
Repayments of loans payable	(32,347)	(14,893)
Debt issuance costs paid	(500)	(1,233)
Principal payments on finance lease	(359)	—
Payment of withholding tax on vesting of restricted stock units	(40)	—
Proceeds from the issuance of common stock - stock option exercises	415	—
Net cash provided by (used in) financing activities	152,862	(16,126)
Effect of exchange rate changes on cash, and restricted cash	(21)	—
Net increase (decrease) in cash	145,140	3,672
Cash, beginning of period	30,957	6,707
Cash, and restricted cash, end of period	\$ 176,097	\$ 10,379

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

	Six Months Ended	
	June 30, 2024	June 30, 2023
Supplemental cash flow information:		
Cash paid for interest	\$ 3,743	\$ 5,542
Cash paid for income taxes	\$ 1,235	\$ —
Non-cash transactions		
Reclassification of deposits and prepaid expenses to property and equipment	\$ —	\$ 42,533
Loan payable assumed in investment in unconsolidated joint venture, at fair value	\$ —	\$ (45)
Intangible assets assumed in investment in unconsolidated joint venture, at fair value	\$ —	\$ 1,433
Debt proceeds not yet received included in deposits and prepaid expenses	\$ —	\$ 8,558
Mining revenue in accounts receivable, net	\$ 219	\$ 212
Property and equipment in accounts payable and accrued expenses	\$ 2,345	\$ 386
Common stock issued as part of debt restructuring	\$ —	\$ 770
Net loss attributable to non-controlling interests	\$ (493)	\$ —
Assets acquired net of liabilities assumed in Far North acquisition, net of cash	\$ 7,691	\$ —
Issuance of common stock - restricted stock unit settlements	\$ 9	\$ —
Cash injected into Far North from wholly-owned subsidiary	\$ 2,700	\$ —
Additions to intangible assets	\$ 170	\$ —

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Hut 8 Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization

Nature of operations and corporate information:

Hut 8 Corp. (together with its subsidiaries, the “Company” or “Hut 8”) is an energy infrastructure operator and Bitcoin miner with self-mining, hosting, managed services, and traditional data center operations across North America. The Company acquires, designs, builds, manages, and operates data centers that power compute-intensive workloads such as Bitcoin mining, high performance computing, and artificial intelligence. The Company is 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 the Bitcoin blockchain and receiving Bitcoin in return for successful services. As of June 30, 2024, the Company’s total energy capacity under management was 1,075 MW across eighteen sites: 762 MW across nine Bitcoin mining sites in North America, 310 MW across four natural gas power generation facilities in Canada, and 3 MW across five cloud and colocation data centers in Canada. Hut 8 was incorporated in Delaware in January 2023.

Note 2. Basis of presentation, summary of significant accounting policies and recent accounting pronouncements

Basis of presentation

The accompanying Unaudited Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial reporting. While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by US GAAP for complete financial statements. As such, the information included in this Quarterly Report should be read in conjunction with the Company’s Consolidated Financial statements for the year ended December 31, 2023, and related notes thereto, included in the Annual Report.

The results for the three and six-month periods ended June 30, 2024 are not necessarily indicative of the results for the year ended 2024.

The U.S Dollar is the functional and presentation currency of the Company.

Significant accounting policies followed by the Company in the preparation of the accompanying Unaudited Condensed Consolidated Financial Statements are summarized below.

Principles of consolidation

These Unaudited Condensed Consolidated Financial Statements of the Company include the accounts of the Company and its controlled subsidiaries. Consolidated subsidiaries’ results are included from the date the subsidiary was formed or acquired. Intercompany balances and transactions have been eliminated in consolidation.

Unconsolidated investments in which the Company does not have a controlling interest but does have significant influence are accounted for as equity method investments, with earnings recorded in other expense. These investments are included in long-term assets and the Company’s proportionate share of income or loss is included in other expense.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. The reclassifications did not have a material impact on the Company’s Unaudited Condensed Consolidated Financial Statements and related disclosures. The impact on any prior period disclosures was immaterial.

Hut 8 Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company's consolidated financial statements include estimates associated with revenue recognition, determining the useful lives and recoverability of long-lived assets, impairment analysis of finite-lived intangibles, goodwill and digital assets, stock-based compensation, and current and deferred income tax assets (including the associated valuation allowance) and liabilities.

Change in estimates

During the quarter ended March 31, 2024, management performed an operational efficiency review of its mining equipment following the Bitcoin network halving anticipated to occur in the second quarter of 2024. The outcome was a change in the expected useful life of the Company's MicroBT M31S and M31S+ and Canaan Avalon servers. The mining equipment was originally estimated to have a useful life of four years from the date the mining equipment was put into service. After the operational efficiency review, the mining equipment was estimated to have a useful life of five months as of January 1, 2024. The result is a change in estimate and is applied prospectively. Notwithstanding any future addition to the mining equipment of the same models, the effect of the change in useful life on actual and expected depreciation expense, effective the quarter ended March 31, 2024, is as follows:

<i>(in USD thousands)</i>	December 31, 2024	December 31, 2025	December 31, 2026
(Increase) decrease in depreciation expense	\$ (2,308)	\$ 2,028	\$ 280

Cash

Cash includes cash on hand and demand deposits placed with banks or other financial institutions, which are unrestricted with respect to withdrawal or use. The Company considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. As of June 30, 2024 and December 31, 2023, the Company had no cash equivalents. Periodically, the Company may maintain deposits in financial institutions in excess of government-insured limits. Management believes that the Company is not exposed to significant credit risk as the Company's deposits are held at financial institutions that management believes to be of high credit quality. To date, the Company has not experienced any losses on these deposits.

Restricted cash

Restricted cash as of June 30, 2024 principally represented those cash balances that support commercial letters of credit and are restricted from withdrawal.

Accounts receivable

Accounts receivable consists of amounts due from the Company's managed services, hosting, power, and high performance computing – colocation and cloud ("HPC") customers. The Company records accounts receivable at the invoiced amount less an allowance for any potentially uncollectable accounts under the current expected credit loss ("CECL") impairment model and presents the net amount of the financial instrument expected to be collected. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. Based on this model, the Company considers many factors, including the age of the balance, collection history, and current economic trends. Bad debts are written off after all collection efforts have ceased.

Hut 8 Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Allowances for credit losses are recorded as a direct reduction from an asset's amortized cost basis. Credit losses are recorded in *General and administrative expenses* in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Based on the Company's current and historical collection experience, management recorded allowances for doubtful accounts of \$0.1 million and \$0.1 million as of June 30, 2024 and December 31, 2023, respectively.

Fair value measurement

The Company's financial assets and liabilities are accounted for in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs when measuring fair value and classifies those inputs into three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Observable, market-based inputs, other than quoted prices included in Level 1, for the assets or liabilities either directly or indirectly.

Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

Assets and liabilities measured at fair value on a recurring basis

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of June 30, 2024:

	Total carrying value at June 30, 2024	Fair value measured at June 30, 2024		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>(in USD thousands)</i>				
Digital assets, net	\$ 570,504	\$ 570,504	\$ —	\$ —
Covered call options	3,625	—	3,625	—
Separated embedded derivative from convertible note	—	—	—	—

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In determining the fair value of its digital assets, the Company uses quoted prices as determined by the Company's principal market. As such, the Company's digital assets were determined to be Level 1 assets. See *Digital assets* below for a description of the Company's digital asset accounting policy. In estimating the fair value of its covered call options, the Company uses the Black-Scholes pricing model, which includes several inputs and assumptions including the market price of the underlying asset (Bitcoin), the underlying asset's historical volatility, the risk-free interest rate, and the expected term of the options. The expected term of the options is the contractual term of the options given the options can only be exercised on the expiry date. The Company determined that the covered call options are Level 2 liabilities given all inputs are observable, but the options themselves are not traded in an active market. The Company estimates the fair value of its separated embedded derivative from convertible note using the partial differential equation model ("PDE Model"), which includes several inputs and assumptions including the Company's common stock price at the time of valuation, the implied volatility of the Company's common stock matching the moneyness of the conversion option, the risk-free interest rate curve, and the credit spread. For quantitative disclosure on the inputs used to fair value the Company's separated embedded derivative from convertible note, see Note 10. *Derivatives*. See the *Derivatives* below for a description of the Company's derivative instrument accounting policy. The Company determined that the separated embedded derivative from convertible note is a Level 3 liability given an unobservable input is included in its valuation.

Assets and liabilities measured at fair value on a non-recurring basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company also measures certain assets and liabilities at fair value on a nonrecurring basis. The Company's non-financial assets, including goodwill, intangible assets, operating lease right-of-use assets, and property and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized. The Company did not have any impairment from its continuing operations related to its non-financial assets and liabilities measured on a non-recurring basis during the three and six months ended June 30, 2024. The Company recognized approximately nil and \$6.1 million of impairment losses from its discontinued operations related to its non-financial assets and liabilities measured on a non-recurring basis during the three and six months ended June 30, 2024, respectively. There were no impairment losses during the three and six months ended June 30, 2023. See the Impairment of long-lived assets and goodwill accounting policy, as well as Note 4. *Discontinued operations* for further discussion.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to the short-term nature of these instruments. The carrying value of loans and notes payable and other long-term liabilities approximate fair value as the related interest rates approximate rates currently available to the Company except for the Company's convertible note. See *Derivatives* and *Convertible instruments* below for a description of the Company's derivative instrument accounting policy and convertible instrument accounting policy, respectively, and Note 9. *Loans payable and notes payable* for disclosure on the Company's convertible note.

Digital assets

As a result of the adoption of ASU 2023-08, *Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08")*, digital assets are measured at fair value as of each reporting period. The fair value of digital assets is measured using the period-end closing price from the Company's principal market, which is Coinbase Prime, in accordance with ASC 820. Since the digital assets are traded on a 24-hour period, the Company utilizes the price as of midnight UTC time, which aligns with the Company's digital assets mining revenue recognition cut-off. Changes in fair value are recognized in *Losses (gains) on digital asset*, in *Operating income (loss)* on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). When the Company sells digital assets, such gains and losses from such transactions are measured as the difference between the cash proceeds and the carrying basis of the digital assets as determined on a First In-First Out ("FIFO") basis and are also recorded within the same line item *Losses (gains) on digital assets*.

Digital assets received by the Company through its revenue activities are accounted for in connection with the Company's *Revenue recognition* policy disclosed below.

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The Company's treasury strategy is to cover its operating costs through the sale of digital assets earned from its revenue activities. A portion of the Company's digital assets are included in *Current assets* in the Unaudited Condensed Consolidated Balance Sheets due to the Company's ability to sell them in a highly liquid marketplace and the fact that the Company reasonably expects to liquidate these digital assets to support operations or for treasury management within the next 12 months.

The Company's remaining digital assets held are included in non-current assets as this portion of digital assets is not reasonably expected to be sold in the next 12 months as it is outside of the 12-month expected utilization for operational and capital needs of the Company.

Investment in equity investees

The Company accounts for its investment in equity investees in accordance with ASC Topic 323, *Investments – Equity Method and Joint Ventures* ("ASC 323"). The Company accounts for its investment in the joint venture TZRC LLC ("TZRC"), under ASC 323 because it has the ability to exercise significant influence, but not control, over the investee. See Note 8. *Investment in unconsolidated joint venture* for additional information on the equity method investment entity. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of an investee of between 20 percent and 50 percent, or an ownership interest greater than three to five percent in certain partnerships, unincorporated joint ventures and limited liability companies, although other factors are considered in determining whether the equity method of accounting is appropriate. Under this method, an investment in the unconsolidated investee is generally initially measured and recorded at cost.

The Company recorded its investment in TZRC based upon the fair value of the consideration transferred which was determined to be its cost. The Company's investment is subsequently adjusted to recognize its share of net income or losses as they occur. The Company also adjusts its investment upon receipt of a distribution from an equity investee, which is accounted for as a distribution-in-kind measured as of the time of receipt. The Company's share of the investees' earnings or losses is recorded, net of taxes, within *Equity in earnings (losses) of unconsolidated joint venture* on the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Additionally, the Company's interest in the net assets of its equity method investee is reflected on its Unaudited Condensed Consolidated Balance Sheets. If, upon the Company's acquisition of the investment, there is any difference between the cost of the investment and the amount of the underlying equity in the net assets of the investee, the difference is required to be accounted for as if the investee were a consolidated subsidiary. If the difference is assigned to depreciable or amortizable assets or liabilities, then the difference should be amortized or accreted in connection with the equity earnings based on the Company's proportionate share of the investee's net income or loss. If the Company is unable to relate the difference to specific accounts of the investee, the difference should be considered goodwill.

The Company considers whether the fair value of its equity method investment has declined below its carrying value whenever adverse events or changes in circumstances indicate that recorded value may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, success of the mining operations and the overall health of the investee's industry), then the Company would record a write-down to the estimated fair value. No impairment of the Company's investment in TZRC was recorded for the three and six months ended June 30, 2024 and June 30, 2023.

Long-term investments

For equity investments, the Company initially records equity investments at cost then adjusts the carrying value of such equity investments through earnings when there is an observable transaction involving the same or a similar investment with the same issuer or upon an impairment.

On January 31, 2024, the Company entered into a contribution agreement (the "Contribution Agreement") with Ionic Digital Inc. ("Ionic"), the company founded to effectuate the restructuring of certain mining assets of Celsius Network LLC ("Celsius") in connection with Celsius' bankruptcy auction. Pursuant to the Contribution Agreement, on January 31, 2024, the Company acquired 374,261 shares of Ionic's Class A common stock in exchange for a cash payment of \$6.4 million.

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Property and equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Cost includes expenditures that are directly attributable to the acquisition of the asset, including those attributable to bringing the asset to its intended working condition. Construction in progress is not depreciated until the work is completed and the assets are placed in service.

Based on the Company's and the industry's limited history to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions reflected in such forecasts, including digital assets price and network difficulty, as well as management assumptions, which are inherently uncertain. Based on currently available data, management has determined that the straight-line method of depreciation best reflects the current expected useful life of mining equipment and related infrastructure. Management reviews estimates at each reporting date and will revise such estimates as and when data becomes available. Management reviews the appropriateness of its assumptions related to residual value at each reporting date. The estimated useful lives of the Company's property and equipment are as follows:

	Useful life (Years)
Mining infrastructure	5 - 10
Miners and mining equipment	2 - 4
Data center infrastructure	8
Computer and network equipment	3
Right-of-use assets - Finance lease	Shorter of lease term or useful life of asset
Leasehold improvements	Shorter of lease term or useful life of asset
Land improvements	15
Power plant assets	10

Upon the sale or retirement of property and equipment, the cost and accumulated depreciation and amortization are removed from the Company's balance sheet and statement of operations and comprehensive income (loss) in the relevant reporting period.

Mining equipment held for sale

The Company classifies long-lived assets to be sold as held for sale in the period in which all of the following criteria are met: (1) management, having the authority to approve the action, commits to a plan to sell the asset; (2) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (4) the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the asset beyond one year; (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures long-lived assets that are classified as held for sale at the lower of their carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale of long-lived assets until the date of sale. The Company assesses the fair value of a long-lived asset less any costs to sell in each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the asset, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. The Company has recognized nil gain on sales of its mining equipment held for sale for the three months ended June 30, 2024 and June 30, 2023, respectively. For the six months ended June 30, 2024 and June 30, 2023, the Company has recognized nil gain on sales of its mining equipment held for sale. For the three months ended June 30, 2024 and June 30, 2023, the Company has not recognized any impairment of its mining equipment held for sale. For the six months ended June 30, 2024 and June 30, 2023, the Company has not recognized any impairment of its mining equipment held for sale.

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On December 18, 2023, the Company signed an interim agreement to build out and install mining operations in connection with the Celsius bankruptcy proceedings at a site in Cedarvale, Texas, in which the Company also made certain of its unused mining infrastructure available for sale. As of December 31, 2023 the Company determined that each of the above criteria to classify long-lived assets to be sold as held for sale were met, and reclassified the carrying value of these assets of \$3.9 million to *Equipment held for sale*. In February 2024, the Company sold \$2.0 million of these assets. The Company sold the remaining assets in April 2024. As of June 30, 2024, the *Equipment held for sale* on the Company's Unaudited Condensed Consolidated Balance Sheets was nil.

Impairment of long-lived assets and goodwill

The Company reviews long-lived assets and goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of such assets (or asset groups) may not be fully recoverable. The asset (or asset group) to be held and used that is subject to impairment review represents the lowest level of identifiable cash flows that is largely independent of other groups of assets and liabilities. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered unrecoverable, the impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Factors the Company considers that could trigger an impairment include, but are not limited to, the following: significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business, significant underperformance relative to expected historical or projected development milestones, significant negative regulatory or economic trends, and significant technological changes that could render the asset (or asset group) obsolete. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as necessary. When recognized, impairment losses related to long-lived assets to be held and used in operations are recorded in cost and expenses in the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). For the three months ended June 30, 2024 and June 30, 2023, there were no impairment losses from continuing operations recognized pertaining to the Company's asset groups. For the six months ended June 30, 2024 and June 30, 2023, there were no impairment losses from continuing operations. For the discontinued operations, there were no impairment losses pertaining to the Company's asset groups for the three months ended June 30, 2024. There were no discontinued operations for the three months ended June 30, 2023. For the six months ended June 30, 2024, \$6.1 million of impairment losses from discontinued operations were recognized pertaining to the Company's asset groups. There were no discontinued operations for the six months ended June 30, 2023.

Finite-lived intangible assets

Intangible assets are comprised of customer relationships and a favorable contract acquired by the Company through acquisitions or business combinations, and rights to a property management agreement ("PMA") under which it would be compensated for services of running TZRC's operations. Intangible assets are amortized on a straight-line basis over the expected useful life, which is their contractual term or estimated useful life. The Company performs assessments to determine whether finite-lived classification is still appropriate at least annually. The carrying value of finite-lived assets and their remaining useful lives are also reviewed at least annually to determine if circumstances exist which may indicate a potential impairment or revision to the amortization period. A finite-lived intangible asset is considered to be impaired if its carrying value exceeds the estimated future undiscounted cash flows to be derived from it. The Company exercises judgment in selecting the assumptions used in the estimated future undiscounted cash flows analysis. Impairment is measured by the amount that the carrying value exceeds fair value. The use of different estimates or assumptions could result in significantly different fair values for our reporting units and intangible assets.

The Company evaluates the useful lives of the intangible assets to determine if they are finite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, and other economic factors. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful lives of the Company's finite-lived intangible assets are as follows:

	Useful life (Years)
Customer Relationships	6
Favorable Contract	4
Property Management Agreement	10

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Goodwill

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds the fair value, goodwill of the reporting unit is considered impaired and that excess is recognized as a goodwill impairment loss.

Leases

The Company accounts for its leases under ASC Topic 842, *Leases* (“ASC 842”). Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the Unaudited Condensed Consolidated Balance Sheets as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company’s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term.

Upon adoption of ASC 842, for purposes of calculating the right-of-use asset and lease liability, the Company elected to combine lease and related non-lease components as permitted under ASC 842. The Company also elected the short-term lease exception for leases having an initial term of 12 months or less. Consequently, such leases are not recorded in the Unaudited Condensed Consolidated Balance Sheets. The Company recognizes rent expense from its operating leases on a straight-line basis over the lease term.

Derivatives

The Company accounts for the derivative contracts it enters into and the separated embedded derivative from convertible note as follows:

Covered call options

From time to time, the Company will sell options on its digital assets, specifically Bitcoin, that it owns (the “covered call options”). The Company sold covered call options during the quarter ended June 30, 2024 to generate cash flows on a portion of its digital assets. These options do not qualify as accounting hedges under FASB ASC Topic 815, *Derivatives and Hedging* (“ASC 815”). Accordingly, the Company carries the covered call options at fair value and any unrealized gains (losses) are recognized in profit or loss. Any realized gains (losses) are recognized in profit or loss once the covered call options either expire or are exercised by the holder.

Separated embedded derivative from convertible note

The Company evaluates and accounts for derivatives embedded in its convertible instruments in accordance with ASC 815. Accordingly, the Company has assessed if embedded derivatives should be separated from its host contract and accounted for as a derivative instrument based on whether all three ASC 815 criteria are met: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative would be a derivative instrument. ASC 815 also provides an exception to this rule when the host instrument is deemed to be a conventional convertible debt instrument as defined in the FASB ASC topic. The Company identified embedded derivatives in a convertible instrument it issued, including conversion options, other redemption features, and contingently exercisable options. The Company determined that the Contingent Repurchase Right (as defined below) is an embedded derivative that should be separated from its host contract and accounted for as a derivative instrument as per ASC 815. The conversion option is indexed to the Company’s common stock and meets the criteria for classification in stockholders’ equity, and therefore derivative accounting does not apply. The other embedded derivatives do not meet all three previously mentioned ASC 815 criteria, and therefore should not be separated from their host contract. The Company accounts for its separated embedded derivative as a derivative instrument that is carried at fair value and recognizes any unrealized gains (losses) in profit or loss. Any realized gains (losses) are recognized in profit or loss if and once the right under the separated embedded derivative is exercised or it expires.

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Convertible instruments

As noted above in the Company's *Derivatives* accounting policy, various embedded derivatives were identified in a convertible instrument and were evaluated and accounted for in accordance with ASC 815. If an embedded derivative is separated from its host contract, the debt host contract is discounted by the initial fair value of the separated embedded derivative and is offset by issuance costs associated with the host contract. The Company accounts for its host contract, whose embedded derivative becomes separated, subsequently at amortized cost, and the discount and issuance costs are amortized to interest expense over the expected term of the host contract using the effective interest method.

Revenue recognition

The Company recognizes revenue under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of this standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the Company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Noncash consideration
- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time, or over time, as appropriate.

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Digital Assets Mining

The majority of the Company's revenue is derived from the service of performing hash computations (i.e., hash rate) for mining pools. The Company has entered into arrangements, as amended from time to time, with mining pool operators to perform hash computations for the mining pools. Providing hash computation services for mining pools is an output of the Company's ordinary activities. The Company has the right to decide the point in time and duration for which it will provide hash computation services to the mining pools. As a result, the Company's enforceable right to compensation only begins when, and continues as long as, the Company provides hash computation services to the mining pools. The contracts are terminable at any time by either party without substantive compensation to the other party for such termination. Therefore, the Company has determined that the duration of the contract is less than 24 hours and that the contract continuously renews throughout the day. Upon termination, the mining pool operator (i.e., the customer) is required to pay the Company any amount due related to previously satisfied performance obligations. The Company has determined that the mining pool operator's (i.e., the customer's) renewal right is not a material right as the terms, conditions, and compensation amounts are at then market rates. There is no significant financing component in these transactions.

In exchange for providing hash computation services, which represents the Company's only performance obligation, the Company is entitled to noncash consideration in the form of digital assets, calculated under payout models determined by the mining pool operators. The payout model used by the mining pools in which the Company participated is the Full Pay Per Share ("FPPS") model, which contains three components, (1) a fractional share of the fixed digital assets award from the mining pool operator (referred to as a "block reward"), (2) transaction fees generated from (paid by) blockchain users to execute transactions and distributed (paid out) to individual miners by the mining pool operator, and (3) mining pool operating fees retained by the mining pool operator for operating the mining pool. The Company's total compensation is calculated using the following formula: the sum of the Company's share of (a) block rewards and (b) transaction fees, less (c) mining pool operating fees. The following is a detailed description of each of the components of the FPPS model under which the Company receives payment from the mining pools in which it participates:

- (1) Block rewards represent the Company's share of the total amount of block subsidies that are expected to be generated on the Bitcoin network as a whole during the 24-hour period beginning at midnight UTC daily (the "measurement period"). The block reward earned by the Company is calculated by dividing (a) the total amount of hash rate the Company provides to the mining pool operator, by (b) the total Bitcoin network's implied hash rate (as determined by the Bitcoin network difficulty), multiplied by (c) the total amount of block subsidies that are expected to be generated on the Bitcoin network as a whole during the measurement period. The Company is entitled to its relative share of consideration even if a block is not successfully added to the blockchain by the mining pool in the measurement period.
- (2) Transaction fees refer to the total fees paid by users of the network to execute transactions. The Company is entitled to a pro-rata share of the total amount of transaction fees that are actually generated on the bitcoin network as a whole during the measurement period. The transaction fees paid out by the mining pool operator to the Company is calculated by dividing (a) the total amount of transaction fees that are actually generated on the bitcoin network as a whole, by (b) the total amount of block subsidies that are actually generated on the bitcoin network as a whole, multiplied by (c) the Company's block rewards earned as calculated in (1) above. The Company is entitled to its relative share of consideration even if a block is not successfully added to the blockchain by the mining pool in the measurement period.
- (3) Mining pool operating fees are charged by the mining pool operator for operating the mining pool as set forth on a rate schedule to the mining pool contract. The mining pool operating fees reduce the total amount of compensation the Company receives and are only incurred to the extent that the Company has generated mining revenue during the measurement period.

For each contract, the Company measures noncash consideration at the Bitcoin spot price at the beginning of the day (midnight UTC time) on the date of contract inception, as determined by the Company's principal market, which is Coinbase Prime. The Company recognizes this noncash consideration on the same day that control of the contracted service transfers to the mining pool operator, which is the same day as the contract inception.

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Managed Services

Under PMAs, the Company provides project management services for the customer's data centers, which may include end-to-end design, construction, and/or operating services as required by the customer. PMAs contain a single performance obligation comprised of a series of distinct monthly service periods. The contracts have an initial term ranging from four to ten years; certain contracts include renewal options. In exchange for the provision of the services, the Company is entitled to variable consideration primarily in the form of a fixed monthly management fee based on capacity of the customer's data centers, plus the reimbursement of certain operating costs, which vary each month. The Company acts as the principal when incurring costs, which are reimbursed by our customers. For some PMAs, the Company may also be entitled to a share of additional hosting services business the Company helps generate for the customer. The variable fees are attributable to the monthly service periods in the contract. Consideration to which the Company is entitled is in the form of cash, and for one of the Company's contracts the Company also receives noncash consideration in the form of equity of the customer. This noncash consideration is measured at fair value at contract inception. The Company recognizes revenue to the extent that a significant reversal of such revenue will not occur. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance.

High Performance Computing – Colocation and Cloud

The HPC business earns revenue by providing colocation, cloud, 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 ASC 606 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 HPC 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.
- Invoices are typically issued at the beginning of each month for MRR services and at the end of each month for usage revenue.

Other

Hosting:

The Company has also entered into hosting contracts where it operates mining equipment on behalf of third parties within its facilities. The Company's hosting contracts are service contracts that contain a single performance obligation. The service the Company provides includes the provision of mining equipment and energized space and typically also includes monitoring, active troubleshooting, and various maintenance levels for the mining equipment.

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Consideration to which the Company is entitled under its hosting services agreements can be cash and, in some cases, noncash (Bitcoin) in contracts where the Company receives a percentage of the customer's daily Bitcoin mined. These contracts are terminable at any time by either party without substantive compensation to the other party for such termination. Therefore, the Company has determined that the duration of these contracts is less than 24 hours and that the contract continuously renews throughout the day. Upon termination, the customer is required to pay the Company any amount due related to previously satisfied performance obligations. The Company has determined that the customer's renewal right is not a material right as the terms, conditions, and compensation amounts are at then market rates.

In contracts in which the Company receives noncash consideration, the Company measures noncash consideration at the Bitcoin spot price at the beginning of the day on the date of contract inception, as determined by the Company's principal market, which is Coinbase Prime. The Company recognizes this noncash consideration on the same day that control of the contracted service transfers to the customer, which is the same day as the contract inception.

Customer contracts can include advance payment terms in the form of monthly cash prepayments and/or upfront cash payments at contract inception. Advance payments are recorded as deferred revenue and recognized over time (generally, the month of hosting service to which they relate) as the customer simultaneously receives and consumes the benefits of the Company's performance. There is no significant financing component in these transactions due to the short-term nature of the payments.

The Company's hosting contracts can contain service level agreement clauses, which guarantee a certain percentage of time the power will be available to its customer. In the rare case that the Company may incur penalties under these clauses, the Company recognizes the payment as variable consideration and a reduction of the transaction price and, therefore, of revenue, when not in exchange for a good or service from the customer.

Equipment sales and repairs:

Mining equipment sales contracts are for a fixed price and do not include a significant financing component. All consideration to which the Company is entitled is in the form of cash. The Company recognizes mining equipment revenue at a point in time based on management's evaluation of when the control of the products has been passed to customers. The transfer of control to the customer occurs when products have been picked up by or shipped to the customer based on the terms of the contract. Each product is considered distinct from all other promised products in the contract because the Company does not provide a service of significant integration between each product promised, each product promised does not modify or customize any other product promised under the contract, and the promised products are not highly interrelated or interdependent. Some contracts may also include upfront deposits or require the customer to pay the full sale price up front. Any advance payments are recorded as deferred revenue and recognized as revenue upon transfer of control of the products to the customer.

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 standalone selling price to be the list price at which the Company sells connectivity, colocation and cloud services.

Hut 8 Corp. and Subsidiaries
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Power:

The Company provides capacity and energy to the electrical grid through the natural gas power plants in Ontario, Canada owned by the Company's consolidated subsidiary, Far North Power Corp. ("Far North"), and its respective subsidiaries. The power generation facilities that are connected to the Independent Electricity System Operator ("IESO"), which operates Ontario's power grid, primarily generate revenue from capacity sales. Revenue generated from electricity sales is variable and depends on several factors including, but not limited to, the supply and demand for electricity, generation capacity in the market, and the prevailing price of natural gas.

Cost of revenues (exclusive of depreciation and amortization)

The Company's cost of revenue consists primarily of direct costs of generating revenue, including electric power costs, hosting costs, repairs and maintenance, occupancy, materials and supply costs, and labor.

Stock-based compensation

The Company recognizes compensation expense for all share-based payment awards made to employees, directors, consultants, and service providers if any, including incentive stock options, non-qualified stock options, stock awards, and stock units based upon the estimated grant-date fair value of the awards.

The fair value of share-based payment awards is amortized over the requisite service period, which is defined as the period during which an employee is required to provide service in exchange for an award. The Company generally uses a graded attribution method for all grants. Awards with both performance and service conditions are expensed over the service period for each separately vesting tranche. Forfeitures are recorded as incurred.

For more complex performance awards, including awards with market-based performance conditions, the Company employs a Monte Carlo simulation valuation method to calculate the fair value of the awards based on the most likely outcome. Under the Monte Carlo simulation, a number of variables and assumptions are used including, but not limited to the expected stock price volatility over the term of the award, the risk-free rate, and dividend yield. In accordance with accounting guidance for awards with market conditions, stock-based compensation is recognized over the derived service period, regardless of whether the award achieves the market condition and will only be adjusted to the extent the service condition is not met. Performance-based stock-based compensation begins to be recognized when the achievement of each performance condition is deemed probable, as the outcome of each event has inherent risks and uncertainties, and a positive outcome may not be known until the event is achieved. Stock-based compensation cost is adjusted in future periods for subsequent changes in the expected outcome of the performance-related conditions.

Restricted stock units issued under the Company's 2023 Omnibus Incentive Plan generally vest equally over a three-year period from grant date. Deferred stock units issued under the Company's 2023 Omnibus Incentive Plan have been issued in vested state. Stock options issued under the Company's 2023 Omnibus Incentive Plan pursuant to the Business Combination were issued in vested state. Performance stock units issued under the Company's 2023 Omnibus Incentive Plan generally have both market-based and service-based vest conditions as per each respective performance stock unit agreement.

Restricted stock units assumed from the Business Combination generally vest equally over a three-year period from the grant date. Deferred stock units from the Business Combination were fully vested upon the assumption date. Both restricted stock units and deferred stock units assumed from the Business Combination are governed under the Hut 8 Mining Corp. Omnibus Long Term Incentive Plan; further details are in Note 12. *Stock-based compensation*.

Stock options issued under the Hut 8 Corp. Rollover Option Plan are granted with an exercise price equal to no less than the market price of the Company's stock at the date of grant and expire up to ten years from the date of grant. These options generally vest over a two-year, four-year, or six-year period. Certain option awards may vest only upon achievement of specific performance conditions.

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Income taxes

The Company complies with the accounting and reporting requirements of ASC Topic 740, *Income Taxes* (“ASC 740”), which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit.

Additionally, ASC 740 provides guidance on the recognition of interest and penalties related to income taxes. There were no interest or penalties related to income taxes that have been accrued or recognized as of June 30, 2024, and December 31, 2023. The Company would classify interest and penalties related to uncertain tax positions as income tax expense, if applicable.

Net income (loss) per share attributable to common stockholders

The Company previously calculated basic and diluted net income per share attributable to common stockholders in conformity with the two-class method required for companies with participating securities. The Company’s previously outstanding shares of convertible preferred stock were considered participating securities as the holders were entitled to receive aggregated accrued and not paid dividends if/when declared by the board of directors at a dividend rate payable in preference and priority to the holders of common stock; however, as described in Note. 12 *Stockholders’ equity*, a recapitalization of equity structure occurred in connection with the Business Combination where all series of previously outstanding USBTC preferred stock prior to the Business Combination have been retrospectively recast at an exchange ratio of any series of USBTC preferred stock exchanged for 0.6716 shares of the Company’s common stock, rounded down, if applicable, on a holder level based on their aggregate holdings of all USBTC shares. As such, the previously outstanding shares of convertible preferred stock are no longer considered after the retrospective recast of equity.

Under the two-class method, basic net income (loss) per share attributable to common stockholders was calculated by dividing the net income (loss) less any net income allocated to participating securities by the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share attributable to common stockholders was computed by giving effect to all potentially dilutive shares of common stock outstanding for the period. For purposes of this calculation, stock options, restricted stock awards, restricted stock units, deferred stock units, performance stock units, and common stock purchase warrants were considered potentially dilutive shares of common stock computed using the treasury-stock method. Potential shares of common stock issuable upon conversion of the Company’s convertible note are computed using the if-converted method. Under the if-converted method, net income (loss) attributable to common stockholders is adjusted by the effect, net of tax, of potentially dilutive shares computed under this method. In computing potentially dilutive shares of common stock, each class of shares are applied to basic net income (loss) per share attributable to common stockholders on a most to least dilutive basis until a particular class no longer produces further dilution, if applicable.

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As of periods beginning on or after July 1, 2023, the Company no longer had participating securities other than common stock. As such, the Company no longer was required to calculate earnings per share (“EPS”) under the two-class method. Basic net income (loss) per share of common stock from continuing operations attributable to the Company and basic net income (loss) per share of common stock from discontinued operations attributable to the Company are computed by dividing net income (loss) from continuing operations attributable to the Company and net income (loss) from discontinued operations attributable to the Company, respectively, by the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share of common stock from continuing operations attributable to the Company is computed by giving effect to all potentially dilutive shares of common stock, including stock options, restricted stock units, deferred stock units, performance stock units, and common stock purchase warrants to the extent dilutive under the treasury-stock method, and potential shares of common stock issuable upon conversion of the Company’s convertible note under the if-converted method. Under the if-converted method, net income (loss) from continuing operations attributable to the Company is adjusted by the effect, net of tax, of potentially dilutive shares computed under this method. In computing potentially dilutive shares of common stock, each class of shares are applied to basic net income (loss) per share of common stock from continuing operations attributable to the Company on a most to least dilutive basis until a particular class no longer produces further dilution, if applicable. Diluted net income (loss) per share of common stock from discontinued operations attributable to the Company is computed by using the same denominator in calculating diluted net income (loss) per share of common stock from continuing operations attributable to the Company previously noted.

Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available and regularly reviewed by the Chief Operating Decision Maker (“CODM”), which may be an individual or decision-making group. The CODM reviews financial information for the purpose of making operating decisions, allocating resources, and evaluating financial performance of the reportable operating segments of the business, based on discrete financial information. The Company’s Chief Executive Officer is currently designated as the CODM. At June 30, 2023, the Company operated as one reportable segment, as two of its then three lines of business were recently launched, and the CODM did not receive discrete financial information or evaluate the business lines separately. Subsequent to the completion of the Business Combination on November 30, 2023, the Company had additional lines of business, and the CODM began receiving discrete financial information for four reportable segments for purposes of making operating decisions, allocating resources, and evaluating financial performance. The Company’s four reporting segments are Digital Assets Mining, Managed Services, High Performance Computing – Colocation and Cloud, and Other. The CODM uses revenue and cost of revenue of the Company’s four operating segments to assess their performance.

Foreign currency

The U.S Dollar is the functional and presentation currency of the Company. The Company consolidates two entities that have a non-U.S. Dollar functional currency. Each of the Company’s subsidiaries determines its own functional currency and items of each subsidiary included in the Unaudited Condensed Consolidated Financial Statements are measured using that functional currency. Assets and liabilities of foreign operations having a functional currency other than the U.S. Dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Foreign currency translation adjustments are reflected within accumulated other comprehensive loss (“AOCI”) in stockholders’ equity. Gains and losses from foreign currency transactions are included in net earnings for the period. Foreign currency-denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date, and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in earnings. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured at the acquisition date at the fair value of the consideration transferred.

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Goodwill arising on acquisition is initially measured at cost, being the difference between the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree and the net recognized amount (generally fair value) of the identifiable assets and liabilities assumed at the acquisition date. If the net of the amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs, other than those that are associated with the issue of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

Share capital

Shares of common stock are classified as an equity instrument. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction of equity, net of the related tax effect.

Non-controlling interest

Non-controlling interests represent the portion of net assets in consolidated entities that are not owned by the Company and are reported as a component of equity on the Company's Unaudited Condensed Consolidated Balance Sheets. As of June 30, 2024, non-controlling interest on the Company's Unaudited Condensed Consolidated Balance Sheet consists of the 19.99% ownership by a non-affiliated party in Far North. For more details, refer to Note 3. *Far North Acquisition*.

Recent accounting pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its condensed consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's condensed consolidated financial statements properly reflect the change.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories and additional reconciling items that meet quantitative thresholds and expands disclosures for income taxes paid by requiring disaggregation by certain jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024; early adoption is permitted. The Company is currently evaluating the impact of adopting the standard.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 is intended to enhance reportable segment disclosures by requiring disclosures of significant segment expenses regularly provided to the CODM, the title and position of the CODM and explanation of how the reported measures of segment profit and loss are used by the CODM in assessing segment performance and allocation of resources. ASU 2023-07 is effective for the Company for annual periods beginning after December 31, 2023; early adoption is permitted. The Company does not expect the updated guidance to have a material impact on its disclosures.

On August 23, 2023, the FASB issued ASU No. 2023-05, *Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement* ("ASU 2023-05"). ASU 2023-05 addresses the accounting for contributions made to a joint venture and requires contributions received by the joint venture to be measured at fair value upon formation. ASU 2023-05 is designed to provide useful information to investors and reduce diversity in practice. The new standard is effective for the Company for its fiscal year beginning January 1, 2025; early adoption is permitted. The Company is currently evaluating the impact of adopting the standard.

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Note 3. Far North acquisition

On February 15, 2024, a subsidiary of the Company completed a stalking horse bid to acquire four natural gas power plants in Ontario, Canada in partnership with Macquarie Equipment Finance Ltd. (“Macquarie”), a subsidiary of Macquarie Group Limited, a global financial services group.

The Company recorded the transaction as a business combination and the assets and liabilities of the power plants were recorded using the fair values on the Company’s consolidated balance sheet on the closing date. The estimates of the fair value of assets acquired and liabilities assumed are preliminary and are expected to be finalized before the year ending December 31, 2024.

The Company’s newly created entity, Far North, of which the Company has 80.01% indirect ownership and the remaining 19.99% of which is owned by Macquarie, purchased assets, liabilities, and the business operations of four natural gas power plants located in Iroquois Falls, Ontario; North Bay, Ontario; Kapuskasing, Ontario, and Kingston, Ontario.

The purchase price of the transaction is represented below:

<i>(in USD thousands)</i>	Fair value
Cash paid by the Company held in deposit	\$ 7,739
Loan assumed by the Company	24,611
Credit for the equipment invested in the acquisition	8,238
Opening cash invested - Non-controlling interest	2,709
Opening cash invested - Hut 8	2,709
	<u>\$ 46,006</u>

The Company paid \$7.7 million in August 2023, which was recorded in the *Deposits and prepaid expenses* on the Company’s Unaudited Condensed Consolidated Balance Sheet. The Company received a credit of \$8.2 million in Far North for investing mining infrastructure and equipment at the North Bay, Ontario facility.

The following table details the preliminary purchase price allocation of the transaction consideration to the valuations of the identifiable tangible and intangible assets acquired and liabilities assumed as of February 15, 2024.

<i>(in USD thousands)</i>	
Cash	\$ 3,321
Accounts receivable, net of allowance of \$0	2,883
Property and equipment, net	49,776
Accounts payable and accrued expenses	(1,231)
Non-controlling interest	(8,743)
	<u>\$ 46,006</u>

As part of the transaction, the Company restructured the loan of \$24.6 million with Macquarie as a sale lease back agreement of the power plant assets located in Iroquois Falls, Ontario. The sale lease back agreement constituted a debt modification rather than a debt extinguishment and has been reflected accordingly on the Company’s Unaudited Condensed Consolidated Balance Sheet as an equipment finance lease.

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Supplemental disclosures of cash flow information related to investing and financing activities regarding the business combination are as follows for the six months ended June 30, 2024:

(in USD thousands)

Fair value of tangible assets acquired	\$ 55,980
Liabilities assumed	(9,974)
Purchase price consideration	<u>\$ 46,006</u>

The pro-forma results of Far North are not material for disclosure.

Note 4. Discontinued operations

On March 4, 2024, the Company announced the closure of its Drumheller, Alberta mining site after analysis of the Company's operations. The table below outlines the results of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(in USD thousands)				
Revenue:				
Digital Assets Mining	\$ 2	\$ —	\$ 981	\$ —
Cost of revenue (exclusive of depreciation and amortization shown below):				
Digital Assets Mining	1,546	—	3,895	—
Operating expenses:				
Depreciation and amortization	—	—	169	—
General and administrative expenses	194	—	216	—
Impairment of long-lived assets	—	—	6,065	—
Total operating expenses	<u>194</u>	<u>—</u>	<u>6,450</u>	<u>—</u>
Net loss	<u>\$ (1,738)</u>	<u>\$ —</u>	<u>\$ (9,364)</u>	<u>\$ —</u>

	Six Months Ended	
	June 30, 2024	June 30, 2023
(in USD thousands)		
Cash flows from Discontinued Operations		
Operating cashflows used in discontinued operations	\$ (3,243)	\$ —

	June 30, 2024	December 31, 2023
(in USD thousands)		
Assets and Liabilities of Discontinued Operations		
Assets	\$ —	\$ 7,240
Liabilities	2,693	—

The Company recorded impairment related to the mining equipment and mining infrastructure after the decision to cease operations at the Drumheller site in Alberta, Canada site. Refer to Note. 7 *Property and equipment, net*.

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Note 5. Segment information

The following table presents revenue and cost of revenue for the Company's reportable segments, reconciled to the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(in USD thousands)</i>				
Reportable segment revenue:				
Digital Assets Mining	\$ 13,912	\$ 15,858	\$ 44,269	\$ 23,504
Managed Services	9,017	4,672	18,252	10,199
High Performance Computing – Colocation and Cloud	3,365	—	6,691	—
Other	13,474	—	22,692	2,474
Eliminations	(4,553)	—	(4,948)	—
Total segment and consolidated revenue	<u>\$ 35,215</u>	<u>\$ 20,530</u>	<u>\$ 86,956</u>	<u>\$ 36,177</u>
Reportable segment cost of revenue (exclusive of depreciation and amortization shown below):				
Digital Assets Mining	7,467	10,473	24,089	16,552
Managed Services	3,120	1,514	5,881	3,897
High Performance Computing – Colocation and Cloud	2,500	—	5,089	—
Other	12,102	—	18,672	45
Eliminations	(4,553)	—	(4,948)	—
Total segment and consolidated cost of revenue	<u>\$ 20,636</u>	<u>\$ 11,987</u>	<u>\$ 48,783</u>	<u>\$ 20,494</u>
Reconciling items:				
Depreciation and amortization	(11,531)	(4,064)	(23,003)	(6,968)
General and administrative expenses	(17,899)	(5,211)	(37,898)	(11,586)
(Losses) gains on digital assets	(71,842)	—	202,732	—
Gain (loss) on sale of property and equipment	—	—	190	(445)
Realized gain on sale of digital assets	—	1,004	—	2,376
Impairment of digital assets	—	(868)	—	(1,431)
Legal settlement	—	1,531	—	1,531
Foreign exchange loss	720	—	(1,679)	—
Interest expense	(6,012)	(5,657)	(12,293)	(13,232)
Gain on debt extinguishment	—	—	—	23,683
Unrealized gain on derivatives	17,219	—	17,219	—
Equity in earnings of unconsolidated joint venture	2,440	3,358	6,962	6,642
Income tax provision	1,874	(322)	(2,522)	(611)
Net (loss) income from continuing operations	<u>\$ (70,452)</u>	<u>\$ (1,686)</u>	<u>\$ 187,881</u>	<u>\$ 15,642</u>
Loss from discontinued operations (net of income taxes of \$nil, \$nil, \$nil, \$nil, respectively)	<u>(1,738)</u>	<u>—</u>	<u>(9,364)</u>	<u>—</u>
Net (loss) income	<u>(72,190)</u>	<u>(1,686)</u>	<u>178,517</u>	<u>15,642</u>
Less: Net loss attributable to non-controlling interest	324	—	493	—
Net (loss) income attributable to Hut 8 Corp.	<u>\$ (71,866)</u>	<u>\$ (1,686)</u>	<u>\$ 179,010</u>	<u>\$ 15,642</u>

The following table presents summarized information for long-lived assets and goodwill by reportable segments:

	June 30, 2024	December 31, 2023
<i>(in USD thousands)</i>		
Digital Assets Mining	\$ 155,585	\$ 166,340
Managed Services	5,009	5,221
High Performance Computing – Colocation and Cloud	27,103	31,282
Other	41,571	4,634
Total Long-Lived Assets and Goodwill	<u>\$ 229,268</u>	<u>\$ 207,477</u>

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Notes to Unaudited Condensed Consolidated Financial Statements

Note 6. Digital assets

The following table presents the changes in the carrying amount of digital assets as of June 30, 2024:

<i>(in USD thousands)</i>	Amount
Balance as of June 30, 2023	\$ 851
Cumulative effect upon adoption of ASU 2023-08	38
Bitcoin assumed through the Business Combination	344,283
Other digital assets assumed through the Business Combination	241
Revenue recognized from Bitcoin mined	41,477
Hosting revenue received in Bitcoin	2,027
Mining revenue earned in prior period received in current period	212
Carrying value of Bitcoin sold	(41,548)
Change in fair value of Bitcoin	32,493
Change in fair value of other digital assets	133
Foreign currency translation adjustments	8,595
Mining revenue not received	(292)
Balance as of December 31, 2023	\$ 388,510
Revenue recognized from Bitcoin mined	31,336
Hosting revenue received in Bitcoin	1,814
Mining revenue earned in prior period received in current period	292
Carrying value of Bitcoin sold	(37,929)
Change in fair value of Bitcoin	274,540
Carrying value of other digital assets sold	(407)
Change in fair value of other digital assets	34
Foreign currency translation adjustments	(9,295)
Balance as of March 31, 2024	\$ 648,895
Revenue recognized from Bitcoin mined	13,914
Hosting revenue received in Bitcoin	1,417
Carrying value of Bitcoin sold	(15,209)
Change in fair value of Bitcoin	(71,842)
Foreign currency translation adjustments	(6,671)
Balance as of June 30, 2024	\$ 570,504
Number of Bitcoin held as of June 30, 2024	9,102
Cost basis of Bitcoin held as of June 30, 2024	\$ 348,213
Realized gains on the sale of Bitcoin for the three months ended June 30, 2024	\$ 7,458

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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 or in connection with covered call options sold. The details of the digital assets are as follows:

(in USD thousands)	Amount		Number of digital assets	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Current				
Bitcoin held in custody	\$ 1,093	\$ 4,583	16	109
Other digital assets held in custody	—	380	—	55,008
Total current digital assets - held in custody	1,093	4,963	16	55,117
Non-current				
Bitcoin held in custody	313,724	282,997	5,006	6,704
Total non-current digital assets - held in custody	\$ 313,724	\$ 282,997	5,006	6,704
Non-current				
Bitcoin pledged as collateral	255,687	100,550	4,080	2,382
Total non-current digital assets - pledged as collateral	255,687	100,550	4,080	2,382
Total digital assets	<u>\$ 570,504</u>	<u>\$ 388,510</u>	<u>9,102</u>	<u>64,203</u>

Note 7. Property and equipment, net

The components of property and equipment were as follows:

(in USD thousands)	June 30, 2024	December 31, 2023
Mining infrastructure	\$ 39,992	\$ 26,110
Miners and mining equipment	77,804	89,521
Data center infrastructure	8,975	8,772
Computer and network equipment	8,123	8,254
Right-of-use assets - Finance lease	26,496	1,377
Leasehold improvements	715	742
Land and land improvements	79	50
Power plant assets	15,194	—
Construction in progress	4,068	12,471
Property and equipment, gross	181,446	147,297
Less: Accumulated depreciation	(36,349)	(29,228)
Property and equipment, net	<u>\$ 145,097</u>	<u>\$ 118,069</u>

Depreciation and amortization expense related to property and equipment was \$10.5 million and \$4.1 million for the three months ended June 30, 2024 and June 30, 2023, respectively.

Depreciation and amortization expense related to property and equipment was \$21.4 million and \$9.9 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

Salt Creek substation purchase

On December 29, 2023, a subsidiary of the Company purchased a substation in Culberson County, Texas, as well as the 1.9 acres of land on which the substation sits, for a total of \$7.1 million in cash consideration, which was paid in full during the quarter ended March 31, 2024. In February 2024, the Company's subsidiary began construction on a new digital asset mining site on this land, giving the optionality for the Company to expand its self-mining fleet.

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Impairment of long-lived assets

On March 6, 2024, the Company announced the closure of its Drumheller site in Alberta, Canada. The Company further assessed the profitability of the site which indicated that an impairment triggering event had occurred. Accordingly, with the closure of the Drumheller site, the long-lived assets of the site were fully written down. This resulted in a write down of \$6.1 million which is reflected in the *Loss from discontinued operations* in the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The Company did not have an impairment on its long-lived assets for the three and six months ended June 30, 2023.

There is considerable management judgment necessary to determine the estimated future cash flows and fair values of the Company's long-lived assets, and, accordingly, actual results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy (see discussion of fair value measurements in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements*).

Note 8. Investments in unconsolidated joint venture

On November 25, 2022, a subsidiary of the Company entered into an Asset Purchase Agreement (the "Agreement") with Compute North Member, LLC to purchase its 50 percent membership interest in TZRC, an early stage operator of vertically integrated digital assets mining and power facilities (the "Acquired Interests"). The transaction closed on December 6, 2022. As of June 30, 2023, the Company determined that the fair value of the net assets acquired differed from the carrying value of the estimated fair value of the underlying net assets acquired in an amount of approximately \$22.4 million. This difference is attributable to depreciable and amortizable assets and liabilities and in accordance with ASC 323, will be accreted within *Equity in earnings of unconsolidated joint venture* in the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). For the three months ended June 30, 2024, and 2023, the amount of accretion was \$1.7 million and \$2.1 million, respectively. For the six months ended June 30, 2024 and 2023, the amount of accretion was \$3.5 million and \$4.1 million, respectively.

The consideration paid by the Company's subsidiary for the acquisition of the Acquired Interests consisted of cash of \$10.0 million and the assumption of a senior secured promissory note (the "TZRC Secured Promissory Note") with a fair value estimate as of the transaction date of approximately \$95.1 million. The Company's subsidiary also assumed a PMA (intangible asset) with a fair value estimate as of the transaction date of approximately \$5.9 million. The \$10.0 million in cash was sourced from funds the Company's subsidiary had previously received under the terms of a subscription agreement from a third party. The subscription agreement was subsequently superseded by and the funds released under a promissory note from the same third party. See Note 9. *Loans and notes payable* for a discussion of the assumed promissory note from the TZRC transaction and the promissory note from a third party ("TPN").

TZRC is an operating joint venture where both members jointly control the essential areas of the entity's business. The purpose of TZRC is to develop, construct, install, own, finance, rent and operate one or more modular data centers located on or near renewable power sources for purposes of digital assets mining. The entity both self-mines and provides hosting services, both of which began in August 2022. Pursuant to the Agreement, the Company assumed the role of property manager under a PMA to provide day-to-day management and oversight services of TZRC's data center facilities. The service contract has a term of 10 years and automatically renews for successive one-year terms unless either party provides written notice of non-renewal. As property manager, the Company is entitled to approximately \$1.5 million per year, subject to downward adjustment based on capacity utilization of TZRC's data centers. In addition, the PMA allows pass through costs on behalf of the Company, such as payroll and other incidental costs. Pass through costs for the three months ended June 30, 2024 were approximately \$0.6 million. For the six months ended June 30, 2024 pass through costs were approximately \$1.0 million.

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The Company accounts for its indirect 50% interest in TZRC using the equity method of accounting. For the three months ended June 30, 2024, the Company recorded its ownership percentage of income of TZRC within *Equity in earnings of unconsolidated joint venture* in the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for \$0.7 million. For the six months ended June 30, 2024, the Company recorded its ownership percentage of income of TZRC within *Equity in earnings of unconsolidated joint venture* in the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for \$3.5 million. The carrying value of the Company's investment in TZRC was \$78.6 million as of June 30, 2024 and is included in the Company's Unaudited Condensed Consolidated Balance Sheets.

A summarized consolidated income statement for TZRC during the three and six months ended June 30, 2024 and June 2023 follows:

Condensed Consolidated Income Statements				
	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(in USD thousands)</i>				
Revenues, net	\$ 33,046	\$ 34,273	\$ 74,240	\$ 65,468
Gross profit	17,726	18,410	39,321	36,779
Net income	1,394	2,607	6,952	5,154
Net income attributable to investee	697	1,304	3,476	2,578

A summarized consolidated balance sheet for TZRC as of June 30, 2024 and December 31, 2023 follows:

Condensed Consolidated Balance Sheets			
	June 30, 2024	December 31, 2023	
<i>(in USD thousands)</i>			
Cash	\$ 35,232	\$ 39,505	
Total current assets	59,137	55,097	
Property and equipment, net	128,930	159,865	
Total other assets	34,515	34,490	
Current liabilities	27,651	36,970	
Noncurrent liabilities	15,009	17,512	
Members equity	179,921	194,970	

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Notes to Unaudited Condensed Consolidated Financial Statements

Note 9. Loans and notes payable

Details of the Company's loans and notes payables are as follows:

<i>(in USD thousands)</i>				
Issuance Date	Maturity Date	Interest Rate	June 30, 2024	December 31, 2023
<i>TZRC Secured Promissory Note</i>				
December 6, 2022	April 8, 2027	15.25 %	\$ 76,947	\$ 81,870
<i>Third Party Note</i>				
December 6, 2022	December 5, 2027	18.00 %	—	11,490
<i>Anchorage Loan</i>				
February 3, 2023	February 2, 2028	9.00 % ⁽¹⁾	37,345	44,363
<i>Coinbase Credit Facility</i>				
June 26, 2023	June 16, 2025	11.50 % ⁽²⁾	64,961	49,724
<i>Coatue Note (convertible note)</i>				
June 28, 2024	June 28, 2029	8.00 %	149,566	—
Total			\$ 328,819	\$ 187,447
Less: current portion			64,961	64,127
Long-term portion			\$ 263,858	\$ 123,320

(1) The interest rate as at December 31, 2023 for the Anchorage Loan was 14.00%.

(2) The interest rate as at December 31, 2023 for the Coinbase credit facility was 10.50%.

During the three months ended June 30, 2024 and June 30, 2023, total principal payments of the Company's debt were \$2.9 million and \$10.4 million, respectively. During the three months ended June 30, 2024 and June 30, 2023, the Company recorded amortization of debt issuance costs of \$1.3 million and \$1.8 million, respectively. During the three months ended June 30, 2024 and June 30, 2023, interest expense was \$6.0 million and \$5.7 million, respectively.

During the six months ended June 30, 2024 and June 30, 2023, total principal payments of the Company's debt were \$32.3 million and \$14.9 million, respectively. During the six months ended June 30, 2024 and June 30, 2023, the Company recorded amortization of debt issuance costs of \$2.8 million and \$3.0 million, respectively. During the six months ended June 30, 2024 and June 30, 2023, interest expense was \$12.3 million and \$13.2 million, respectively.

The Company accounts for all of its loans and notes payable in accordance with ASC 470-20, *Debt with Conversion and Other Options* ("ASC 470"), ASC 815, and ASC 480, *Distinguishing Liabilities from Equity* ("ASC 840"). The Company evaluated all of its loans and notes payable to determine if there were any embedded components that qualified as derivatives to be separately accounted for.

TZRC Secured Promissory Note

As previously discussed, a subsidiary of the Company assumed a secured promissory note with an estimated fair value amount as of the date of investment of approximately \$95.1 million as part of the consideration paid to acquire an equity membership interest in TZRC. The estimated fair value represents a discount of approximately \$1.7 million from the carryover basis of the promissory note. The discount is being amortized over the term of the promissory note into interest expense.

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The stated interest on the TZRC Secured Promissory Note accrues at a rate per annum equal to the lesser of (a) a varying rate per annum equal to the sum of (i) the prime rate as published in The Wall Street Journal, plus (ii) 12.0% per annum, (b) 15.25% per annum and (c) the maximum rate of non-usurious interest permitted by law. The Company has the option to defer the interest until maturity of the note under a paid-in-kind (“PIK”) payment option. The Company elected to apply the PIK payment option. Accordingly, the interest increases the principal amount of the secured promissory note. PIK interest is payable upon maturity of the note in April 2027, unless or until any portion or all of the promissory note is prepaid under the prepayment option, see discussion below. The Company is also subject to post-default interest of an additional 2% upon occurrence of an event of default. The higher interest rate applies from the date of non-payment until such amount is paid in full. As of June 30, 2024, the interest rate on the secured promissory note was 15.25%.

The Company’s subsidiary has the option to prepay the secured promissory note in whole or in part without premium or penalty. There are no required minimum monthly payments. When distributions are made from TZRC to the Company’s subsidiary, the Company uses 100% of those funds to immediately pay down the TZRC Secured Promissory Note. Any prepayment would be accompanied by all accrued and unpaid interest on the principal amount prepaid. The TZRC Secured Promissory Note is secured by a first priority security interest in the Company’s membership interest in TZRC. The Company is not a guarantor of the TZRC Secured Promissory Note, and there is no recourse to the Company.

As of June 30, 2024, approximately \$78.0 million in principal and PIK interest, exclusive of a \$1.1 million discount, was outstanding under the TZRC Secured Promissory Note, with payment of principal and PIK interest due upon the first to occur of (a) the date that is five years from origination on April 8, 2022, (b) the date of any event of dissolution of TZRC, and (c) the date of the closing of certain events specified in TZRC’s governing documents.

Third Party Note

On December 6, 2022, the Company, entered into a \$10.0 million note with a third party (the “TPN”). The TPN replaced an October 7, 2022, letter agreement between the Company and a third party, wherein the third party agreed, per a subscription agreement, to purchase shares of the Company approximating \$10.0 million if certain conditions were met. Funds received under the subscription agreement had been recorded as subscription received in advance (current liability) at September 30, 2022. Under the terms of the letter agreement, the third party allowed the Company to retain the \$10.0 million in funds and upon conversion to the TPN, to be used as consideration to fund the acquisition of TZRC. See Note 8. *Investment in unconsolidated joint venture*.

The TPN had a maturity date of December 5, 2027 and provided for an interest rate of 6.0% per annum. Interest on the TPN was PIK interest and was added to and capitalized on, the outstanding principal. The TPN was secured by certain assets of the Company and did not have financial covenants. On May 16, 2023, the Company amended its TPN. Under the amended TPN, the interest rate was increased to 18.0% per annum, and full repayment of the note was required within 45 days following the consummation of the Business Combination Agreement.

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In January 2024, the outstanding balance of the TPN, including all PIK interest, was paid in full.

Anchorage Loan

In February 2023, the Company's subsidiary restructured its outstanding Equipment Loan and Security Agreements (the "Anchorage Loan"). The restructuring was accounted for under *ASC 470-50 Modifications and Extinguishments*. The stated interest rate is 9.0% and is subject to adjustment after each year the loan is outstanding, if the Company's subsidiary does not elect to prepay the Anchorage Loan. Interest rate changes are fixed not variable. The Anchorage Loan allows the Company's subsidiary to pay the interest as PIK interest by capitalizing unpaid and accrued interest into the principal amount subject to certain conditions. Interest is earned on the first of each annual date, and accrues on the principal balance and PIK interest from prior periods. In connection with the restructuring, the Company's subsidiary paid approximately \$0.7 million in closing fees, issued 1,987,936 shares of common stock of USBTC with an approximate value of \$0.8 million (which shares were converted into Company common stock upon the closing of the Business Combination), and paid a termination fee of approximately \$0.4 million. Monthly payments commenced on March 15, 2023 and represent 100% of net monthly cash flow from the immediately preceding calendar month activity related to certain Company miners which are being hosted at a third-party facility. The net monthly cash flow payment is allocated as follows: first, to pay all unpaid fees, costs and expenses; second, to the payment of accrued and unpaid interest on the Anchorage Loan; and third, to the principal amount of the Anchorage Loan. If net monthly cash flows for a given month are zero or negative, then no monthly payment is due for such month.

The Anchorage Loan is secured by approximately 21,000 miners at the Company's Niagara Falls, New York and Orla, Texas facilities and all property, equipment, machinery, and all other assets located in the Company's Niagara Falls, New York facility. On April 25, 2023, the Anchorage Loan was amended so that interest accrues on the principal balance only and does not include prior period PIK interest. As of June 30, 2024, the Company has \$40.0 million outstanding with Anchorage, exclusive of deferred financing costs of \$2.6 million.

Coinbase credit facility

A subsidiary of the Company acquired in the Business Combination is party to a credit facility with Coinbase Credit, Inc. ("Coinbase"). The original credit facility was established on June 26, 2023 (the "Original Credit Facility") and was amended and restated on January 12, 2024 and June 17, 2024. The Original Credit Facility provided for an interest of 5.0% plus the greater of (i) the US Federal Funds Target Rate – Upper Bound and (ii) 3.25%. The Original Credit Facility provided for up to \$50.0 million in loans pursuant to drawdowns made available in three tranches: \$15.0 million available from loan inception to 15 business days thereafter, \$20.0 million available starting 30 calendar days after loan inception to 15 business days thereafter, and \$15.0 million available the day after the closing of the Business Combination and 15 business days thereafter. On or prior to a drawdown, the Company's subsidiary was required to pledge, as collateral, Bitcoin with custodian Coinbase Custody Trust Company, LLC., to be held in a segregated custody account under the Company subsidiary's ownership, such that the loan-to-value ("LTV") 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's subsidiary may be required to post additional Bitcoin as collateral.

On January 12, 2024, the Coinbase credit facility was amended (the "First Amended and Restated Credit Agreement") allowing for a drawdown of a fourth tranche of \$15.0 million, which the Company drew on January 12, 2024. Under the terms of the First Amended and Restated Credit Agreement, amounts that are borrowed bear interest at a rate equal to (a) the greater of (i) the US Federal Funds Target Rate – Upper Bound on the date of the applicable borrowing and (ii) 3.25%, plus (b) 5.0%. The First Amended and Restated Credit Agreement additionally established a right for Coinbase to deliver a partial prepayment notice to the Company's subsidiary if the price of Bitcoin on Coinbase's digital currency exchange platform (the "Prevailing Market Value") is less than the higher of (x) \$25,000 and (y) 60% of the Prevailing Market Value on the effective date of the First Amended and Restated Credit Agreement, requiring the Borrower to prepay \$15.0 million in principal as well as any accrued and unpaid interest. The Company guaranteed certain of its subsidiary's obligations under the First Amended and Restated Credit Agreement.

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Notes to Unaudited Condensed Consolidated Financial Statements

On June 17, 2024, the Company entered into an amended and restated credit agreement (the “Second Amended and Restated Credit Agreement”) with Coinbase. The Second Amended and Restated Credit Agreement extends the final maturity date to June 16, 2025, modifies the LTV thresholds for a margin call, margin release or breach of the Second Amended and Restated Credit Agreement, and modifies the interest rate at a rate equal to (a) the greater of (x) the federal funds rate on the date of the applicable borrowing and (y) 3.25%, plus (b) 6.0%. Under the terms of the Second Amended and Restated Credit Agreement, there is no guaranty by the Company of its subsidiary’s obligations. The Second Amended and Restated Credit Agreement also removes the right for Coinbase to deliver a partial repayment notice to Company if the price of Bitcoin on Coinbase’s digital currency exchange platform (the “Prevailing Market Value”) is less than the higher of (x) \$25,000 and (y) 60% of the Prevailing Market Value on the effective date of the First Amended and Restated Credit Agreement.

As of June 30, 2024, the Company has \$65.0 million outstanding with Coinbase under the Second Amended and Restated Credit Agreement, exclusive of deferred financing costs of \$0.1 million.

Coatue Note (convertible note)

On June 21, 2024, the Company entered into a Convertible Note Purchase Agreement (the “Purchase Agreement”) with Coatue Tactical Solutions Lending Holdings AIV 3 LP (the “Coatue Fund”), and a subsidiary of the Company (the “Guarantor”) providing for the purchase and sale of a convertible note (the “convertible note”) in the principal amount of \$150.0 million (such amount, together with any PIK interest accrued from time to time, the “Accreted Principal Amount”). The convertible note is a senior unsecured obligation of the Company and guaranteed by the Guarantor pursuant to a Guaranty Agreement (the “Guaranty,” and together with the transactions contemplated by the Purchase Agreement and the convertible note, the “Transaction”). On June 28, 2024, the Company issued the convertible note to the Coatue Fund.

The convertible note bears interest at a rate of 8.00% per year, payable quarterly in arrears on each March 31, June 30, September 30 and December 31, commencing September 30, 2024. Interest may be paid in-kind or in cash, at the Company’s option. The convertible note will have an initial term of five years and may be extended, at the Company’s option, for up to three one-year terms. At maturity, the Company will pay the Coatue Fund the Accreted Principal Amount, together with any accrued and unpaid interest thereon.

During the term of the convertible note, the convertible note will be convertible from time to time, in whole or in part, into shares of the Company’s common stock at the option of the Coatue Fund. The initial conversion price of the convertible note is \$16.395 per share of common stock, subject to certain anti-dilution adjustments.

The Coatue Fund will have the right to require the Company to repurchase all, but not less than all, of the convertible note upon a change of control or a delisting on a U.S. stock exchange. If the implied valuation of such event is at least \$11.50 per share of the Company’s common stock, the mandatory redemption price will be 150% of the original principal amount of the convertible note (“Contingent Repurchase Right”), and if the implied valuation of such event is less than \$11.50 per share of the Company’s common stock, the redemption price will be equal to the Accreted Principal Amount, together with any accrued and unpaid interest as of the redemption date.

Beginning on the two year anniversary of the convertible note’s issuance and continuing until its maturity, the Company has the right, from time to time, to redeem all or any portion of the convertible note for a redemption price equal to 100% of the Accreted Principal Amount, together with any accrued and unpaid interest as of the redemption date if (i) the closing price of the the Company’s common stock equals or exceeds 150% of the then-applicable conversion price for a specified period of time and (ii) there is an effective registration statement covering the resale of any shares of the Company’s common stock issued upon conversion of the convertible note or, in the alternative, the shares of the Company’s common stock issuable pursuant to the convertible note to the extent the Coatue Fund converts at the time would be freely tradable by the Coatue Fund pursuant to Rule 144 under the U.S. Securities Act of 1933, as amended (including without any restriction on volume), subject to a daily redemption limitation such that the number of shares of the Company’s common stock into which the Accreted Principal Amount to be redeemed would be converted does not exceed, after giving effect to such conversion, 100% of the average daily trading volume of the Company’s common stock calculated over a specified period of time.

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Notes to Unaudited Condensed Consolidated Financial Statements

The Purchase Agreement includes certain representations, warranties and covenants, including limitations on the ability of the Company and the Guarantor to incur indebtedness, make certain restricted payments and investments, and enter into affiliate transactions, subject to certain exceptions enumerated in the Purchase Agreement. The Company may consummate a transaction restricted by the foregoing covenants without the Coatue Fund's consent, so long as it substantially concurrently and as a condition thereto repurchases the convertible note in full from the Coatue Fund for an amount in cash equal to the greater of (i) 120% of the original principal amount of the convertible note and (ii) the Accreted Principal Amount, plus accrued and unpaid interest to the date of such repurchase. The Purchase Agreement also sets forth certain standard events of default upon which the convertible note may be declared immediately due and payable.

As mentioned in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Convertible Instrument and Derivatives*, the Company has identified embedded derivatives and separated an embedded derivative, the Contingent Repurchase Right, from the convertible note. The remaining debt host contract is discounted by the initial fair value of the separated embedded derivative from convertible note of nil and is offset by issuance costs. The debt host contract of the convertible note is subsequently measured at amortized cost, and the debt discount and issuance costs are amortized to interest expense over the expected term of the host contract using the effective interest method. The convertible note had an effective interest rate of 8.18% and its interest expense was \$0.1 million for the six months ended June 30, 2024. The convertible note had an outstanding principal amount of \$150.1 million inclusive of PIK interest accrued, unamortized debt discount and issuance costs of \$0.5 million, net carrying amount of \$149.6 million, and fair value of \$210.1 million. The fair value of the convertible note is estimated using the same method and inputs as the separated embedded derivative from convertible note as disclosed in Note 10. *Derivatives*. The Company determined that the convertible note is a Level 3 liability given an unobservable input is included in its valuation. The separated embedded derivative from convertible note was initially recorded at nil. See Note 10. *Derivatives* for a discussion of the separated embedded derivative from convertible note.

Galaxy Credit Facility

On June 17, 2024, the Company terminated its uncommitted \$50.0 million open term revolving credit facility with Galaxy Digital.

Note 10. Derivatives

The following table presents the Company's Unaudited Condensed Consolidated Balance Sheets classification of derivatives carried at fair value:

(in USD thousands)		June 30, 2024		December 31, 2023	
Derivative	Balance Sheet Line	Asset	Liability	Asset	Liability
Derivatives not designated as hedging instruments:					
Covered call options	Covered call options	\$ —	\$ 3,625	\$ —	\$ —
Total derivatives		\$ —	\$ 3,625	\$ —	\$ —

The following table presents the effect of derivatives on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss):

(in USD thousands)		Three Months Ended		Six Months Ended	
Derivative	Statement of Operations Line	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Derivatives not designated as hedging instruments:					
Covered call options	Unrealized gain on derivatives	\$ 17,219	\$ —	\$ 17,219	\$ —
Total derivatives		\$ 17,219	\$ —	\$ 17,219	\$ —

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Notes to Unaudited Condensed Consolidated Financial Statements

Covered call options

During the six months ended June 30, 2024, the Company sold covered call options on Bitcoin for proceeds of \$20.8 million and recorded an unrealized gain of \$17.2 million. As noted in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Derivatives*, the Company has sold covered call options on Bitcoin to generate cash flow on a portion of its digital assets. The Company has pledged Bitcoin as collateral with one of its digital asset custodians, in a quantity equal to the notional amount, for the covered call options sold. The covered call options are only exercisable upon the date of expiry, are automatically exercised if the underlying reference price is greater than the strike price of the call option, and are net cash settled on the business day immediately following expiry. The reference price is the Bitcoin Reference Rate published by the CME Group and Crypto Facilities Ltd., or any successor, between 4:00pm and 4:30pm London time for a given date. The covered call options are carried at fair value and are Level 2 liabilities as noted in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Fair value measurement*. There was no covered call options activity during the six months ended June 30, 2023 or outstanding as of December 31, 2023.

Separated embedded derivative from convertible note

During the six months ended June 30, 2024, as noted in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Convertible instruments* and Note 9. *Loans and notes payable*, the Company issued a convertible note with embedded derivatives and separated the Contingent Repurchase Right embedded derivative. The separated embedded derivative from convertible note was separated from its debt host contract and was accounted for as a derivative liability carried at fair value in accordance with ASC 815. As noted in Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Fair value measurement*, the separated embedded derivative from convertible note is a Level 3 liability. The initial fair value of the separated embedded derivative from the convertible note was nil and the fair value as of June 30, 2024 was nil. There was no separated embedded derivative from convertible note activity during the six months ended June 30, 2023 or outstanding as of December 31, 2023.

As of June 30, 2024, the Company estimated the fair value of the separated embedded derivative from convertible note using the PDE Model with the following inputs:

	June 30, 2024
Dividend yield	— %
Implied volatility	100.49 %
Risk-free interest rate	4.09 %
Credit spread	15.29 %

Note 11. Leases

The Company's operating leases are for its subsidiaries' office and mining facilities. The Company's subsidiaries also have finance leases, which are primarily related to equipment used at its data centers and the newly acquired Far North power plant located in Iroquois Falls, Ontario.

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Notes to Unaudited Condensed Consolidated Financial Statements

The following table shows the right-of-use assets and lease liabilities as of June 30, 2024, and December 31, 2023:

<i>(in USD thousands)</i>	June 30, 2024	December 31, 2023
Right-of-use assets:		
Operating leases	\$ 13,045	\$ 14,534
Finance leases	26,084	1,294
Total right-of-use assets	\$ 39,129	\$ 15,828
Lease liabilities:		
Operating leases	\$ 13,805	\$ 14,962
Finance leases	26,197	1,409
Total lease liabilities	\$ 40,002	\$ 16,371

A subsidiary of the Company entered into a sale lease back transaction with Macquarie as part of the Far North transaction. The finance lease related to the power plant in Iroquois Falls, Ontario, is secured by the assets that exist at the power plant.

The Company's lease costs are comprised of the following:

<i>(in USD thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Operating leases				
Operating lease cost	\$ 586	\$ 50	\$ 1,253	\$ 102
Variable lease cost	255	18	517	36
Operating lease expense	841	68	1,770	138
Short-term lease expense	69	128	95	193
Total operating lease expense	910	196	1,865	331
Finance leases				
Amortization of financed assets	187	—	374	—
Interest on lease obligations	20	—	42	—
Total finance lease expense	207	—	416	—
Total lease expense	\$ 1,117	\$ 196	\$ 2,281	\$ 331

Hut 8 Corp. and Subsidiaries
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The following table presents supplemental lease information:

<i>(in USD thousands)</i>	Six Months Ended	
	June 30, 2024	June 30, 2023
Operating cash outflows - operating leases	\$ 1,400	\$ 235
Operating cash outflows - finance leases	\$ 42	\$ —
Financing cash outflows - finance leases	\$ 359	\$ —
Right-of-use assets obtained in exchange for operating lease liabilities	\$ —	\$ —
Right-of-use assets obtained in exchange for finance lease liabilities	\$ 24,672	\$ —
	Six Months Ended	
	June 30, 2024	June 30, 2023
Weighted-average remaining lease term - operating leases	10.8	3.1
Weighted-average remaining lease term - finance leases	4.3	—
Weighted-average discount rate ⁽¹⁾ – operating leases	11.2 %	7.0 %
Weighted average discount rate - finance leases	9.9 %	— %

(1) The Company's operating leases do not provide an implicit rate, therefore the Company uses the incremental borrowing rate at the lease commencement date in determining the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis for similar assets over the term of the lease.

The following table presents the Company's future minimum operating lease payments as of June 30, 2024:

<i>(in USD thousands)</i>	Operating Leases
Remainder of 2024	\$ 1,427
2025	2,909
2026	2,711
2027	2,450
2028	2,059
Thereafter	13,649
Total undiscounted lease payments	25,205
Less present value discount	(11,400)
Present value of operating lease liabilities	\$ 13,805

The following table presents the Company's future minimum finance lease payments as of June 30, 2024:

<i>(in USD thousands)</i>	Finance Leases
Remainder of 2024	\$ 3,871
2025	7,607
2026	6,942
2027	6,942
2028	6,364
Thereafter	—
Total undiscounted lease payments	31,726
Less present value discount	(5,529)
Present value of finance lease liabilities	\$ 26,197

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Note 12. Stockholders' equity

Authorized Shares

The Company's certificate of incorporation, as amended, authorized 1,000,000,000 shares of common stock having a par value of \$0.01 per share and 25,000,000 shares of preferred stock having a par value of \$0.01 per share.

The Business Combination constituted a business combination and was accounted for using the acquisition method of accounting. In addition, a recapitalization of equity structure occurred where the equity structure of the Company reflects the equity structure of the legal parent as a result of the Business Combination, in this case the combined company named "Hut 8 Corp.", otherwise referred to as the Company. These Unaudited Condensed Consolidated Financial Statements contain recast stockholders' equity balances resulting from the retroactive application of recapitalization accounting in accordance with US GAAP, except where otherwise noted. Pursuant to the terms of the Business Combination Agreement on November 30, 2023, stockholders of USBTC received 0.6716 of a share of the Company's common stock for each share of USBTC capital stock. Legacy Hut shareholders received 0.2000 of a share of the Company's common stock for each Legacy Hut common share. All previously outstanding USBTC common stock, all series of previously outstanding USBTC preferred stock, previously outstanding USBTC stock options, and previously outstanding USBTC restricted stock awards are presented in the recast Unaudited Condensed Consolidated Statements of Stockholders' Equity, if applicable, and in the accompanying notes on an as-converted basis, converted at the ratio of 0.6716 for each USBTC share. Fractional shares, if any, were rounded down to the nearest whole share at a stockholder level. Fractional options, if any, were rounded down to the nearest whole option at an award level.

The retrospective application of recapitalization on previously outstanding USBTC common stock prior to the Business Combination is as follows, rounded down, if applicable, on a holder level based on their aggregate holdings of all USBTC shares:

Period	Description	Shares of USBTC common stock prior to the Business Combination	USBTC common stock to Hut 8 Corp. common stock exchange ratio	Recapitalization of common stock
Three months ended March 31, 2023	Issuance of common stock	2,960,000	0.6716	1,987,936
Three months ended March 31, 2023	Cancellation of restricted stock awards	(1,441,913)	0.6716	(968,388)
Three months ended March 31, 2023	Stock-based compensation	1,048,912	0.6716	704,449

Common stock

As a part of the Business Combination, 44,346,008 shares of common stock were issued to Legacy Hut shareholders.

The reverse recapitalization of equity structure on previously outstanding USBTC common stock prior to the Business Combination is as mentioned above in this note.

As mentioned in Note 9. *Loans and notes payable*, USBTC issued 1,987,936 shares of USBTC common stock to Anchorage as part of its debt restructuring.

Preferred stock

The reverse recapitalization of equity structure on all series of previously outstanding USBTC preferred stock prior to the Business Combination is as mentioned above in this note.

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Common stock warrants

In connection with the Business Combination, common share warrants to purchase Legacy Hut common shares outstanding immediately before the Business Combination have been assumed by the Company pursuant to the Business Combination. The common stock purchase warrants post-Business Combination are entitled to receive upon exercise, in lieu of Legacy Hut common shares, shares of common stock of the Company at an exchange ratio of 0.2000, rounded down to the nearest whole share at a warrant agreement level if applicable, and at an exercise price of the original exercise price divided by the exchange ratio of 0.2000, rounded up to the nearest whole cent if applicable. The common stock purchase warrants include a net share settlement clause at the discretion of the warrant holder, which may result in a variable number of shares being issued for a fixed price due to the use of a certain volume-weighted average price of shares. The Company accounts for its common stock purchase warrants as equity instruments based on the specific terms of the common stock purchase warrant agreements, and has recorded them in additional paid-in capital in equity based on their fair value on the date of assumption. Common stock purchase warrants are valued at inception, upon events such as an exercise, and at subsequent reporting periods if applicable. The classification of the common stock purchase warrants, including whether such instruments should be recorded as liabilities, is re-assessed at the end of each reporting period. The fair value of each common stock purchase warrant is estimated on the date of issuance or assumption using the Black-Scholes pricing model.

The common stock purchase warrants assumed in the Business Combination expire on September 17, 2026.

Transactions involving the Company's equity-classified common stock purchase warrants are summarized as follows:

<i>(in USD thousands, except share and per share amounts)</i>	Number of shares	Weighted average exercise price (per share)	Weighted average remaining contractual life (in years)
Outstanding as of December 31, 2023	1,895	\$ 53.45	2.8
Outstanding as of June 30, 2024	1,895	\$ 53.45	2.2

The changes in accumulated other comprehensive income, net of tax, is as follows:

<i>(in USD thousands)</i>	December 31, 2023	Net Change	June 30, 2024
Foreign currency translation adjustment gain (loss)	\$ 10,761	\$ (18,372)	\$ (7,611)
Total	\$ 10,761	\$ (18,372)	\$ (7,611)

Note 13. Stock-based compensation

The Company adopted the Rollover Option Plan in connection with the Business Combination, which is a plan that governs replacement stock options that replaced previously outstanding USBTC stock options prior to the Business Combination. The Rollover Option Plan is identical to USBTC's 2021 Equity Incentive Plan (the "2021 Plan") except for conforming to changes to take into account the Business Combination, namely the exchange ratio of USBTC stock options exchanged for 0.6716 stock options of the Company. Fractional stock options, if any, were rounded down to the nearest whole stock option at an award level. The exercise price of any USBTC stock option exchanged was equal to the exercise price of the replaced USBTC stock option immediately before the Business Combination divided by 0.6716, rounded up to the nearest whole cent, if applicable. On November 30, 2023, in connection with the Business Combination, USBTC stock options outstanding immediately before the Business Combination were exchanged as noted ("USBTC Replacement Options"). In addition, 4,490,400 shares of common stock are authorized and registered to be issued under the Rollover Option Plan, and no further awards are available for grant under the Rollover Option Plan.

On March 16, 2021, USBTC established the 2021 Plan. The 2021 Plan allowed USBTC to award stock options, stock appreciation rights, restricted awards and performance awards to employees, consultants, and directors of USBTC and its affiliates. Cancelled and forfeited awards were returned to the 2021 Plan for future awards.

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In connection with the Business Combination, equity awards outstanding under Legacy Hut's, the accounting acquiree, Omnibus Long-Term Incentive Plan established on February 15, 2018, as amended, (the "2018 Plan") were amended to settle in shares of the Company's common stock, for restricted share units and deferred share units, or were cancelled and reissued under the Company's 2023 Omnibus Incentive Plan (the "2023 Plan"), for stock options, all at an exchange ratio of 0.2000 effective November 30, 2023. The exercise price of stock options under the 2018 Plan immediately before the Business Combination was divided by the exchange ratio of 0.2000 rounded up to the nearest whole cent, if applicable, to obtain the exercise price of the reissued stock options. Fractional awards, if any, were rounded down to the nearest whole award unit at an award level. The replaced stock options are governed by the Company's 2023 Plan and the amended restricted stock units and deferred stock units are governed by the 2018 Plan with all replaced or amended awards having the same terms and conditions except otherwise noted. The 2018 Plan allowed Legacy Hut to award stock options and restricted share units to employees, consultants, service providers, and directors of Legacy Hut and its affiliates, and deferred share units to employees and directors of Legacy Hut. 1,553,254 shares of common stock have been authorized and registered to be issued under the 2018 Plan.

Effective November 27, 2023, the Company established the 2023 Plan. Under the 2023 Plan, stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock units, deferred stock units, other stock-based awards, and stock bonuses can be granted to employees, consultants, and directors of the Company and its affiliates. Cancelled and forfeited awards are returned to the 2023 Plan for future awards. 6,065,682 shares of common stock have been authorized and registered to be issued under the 2023 Plan. As of June 30, 2024, only restricted stock units, deferred stock units, performance stock units, and stock options as replacements of Legacy Hut stock options have been granted under the 2023 Plan.

The Company's stock-based compensation expense recognized during the six months ended June 30, 2024 and June 30, 2023 and the three months ended June 30, 2024 and June 30, 2023 is included in general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(in USD thousands)</i>				
Restricted stock awards	\$ —	\$ —	\$ —	\$ 687
Stock options	676	314	1,625	661
Restricted stock units	4,171	—	7,569	—
Deferred stock units	—	—	—	—
Performance stock units	2,163	—	2,290	—
Total stock-based compensation	\$ 7,010	\$ 314	\$ 11,484	\$ 1,348

Time-based restricted stock awards

On October 10, 2021, USBTC awarded 395,908 time-based restricted stock awards, with an estimated fair value of \$3.38 per share. USBTC estimated the fair value as of September 30, 2021, utilizing the market approach and other fair value measurement techniques such as the backsolve method, which derives the equity value for USBTC from a transaction involving USBTC's own securities, in this case, USBTC's Series B preferred stock offering on September 30, 2021. 263,939 of these awards were cancelled in February 2023 as noted below.

On January 5, 2023, USBTC awarded 704,449 time-based restricted stock awards with an estimated fair value of \$0.39 per share. USBTC estimated the fair value of \$0.39 as of December 31, 2022 utilizing a market approach and the Guideline Public Company Method to derive an estimated equity value from publicly traded companies deemed comparable to USBTC. Once the equity value was determined, USBTC used the option pricing method to allocate fair value to USBTC's individual securities outstanding at the time.

In February 2023, USBTC cancelled 704,449 restricted stock awards which it had awarded on January 5, 2023 and also cancelled 263,939 restricted stock awards from other previously issued restricted stock grants, and accordingly recognized compensation expense at that time in the amount of the remaining unrecognized compensation expense for all of these awards of \$0.6 million.

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The assumptions used in the option pricing method and the backsolve method as of December 31, 2022 and September 30, 2021 were as follows:

	December 31, 2022	September 30, 2021
Dividend yield	— %	— %
Expected price volatility	120 %	100 %
Risk-free interest rate	4.41 %	0.28 %
Expected term	2.0 years	2.0 years

There was no time-based restricted stock award activity during the six months ended June 30, 2024. A summary of USBTC's unvested time-based restricted stock awards for the six months ended June 30, 2023 is as follows:

<i>(in USD thousands, except share and per share amounts)</i>	Number of shares	Weighted average grant-date fair value	Aggregate intrinsic value
Unvested as of December 31, 2022	263,939	\$ 3.38	\$ 102
Granted	704,449	0.39	
Vested	—	—	—
Cancelled	(968,388)	1.20	
Unvested as of June 30, 2023	—	\$ —	\$ —

There was no remaining unrecognized compensation expense related to time-based restricted stock awards as of June 30, 2023.

Stock options

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. Prior to the Business Combination, USBTC had been a private company and lacked publicly observable company-specific historical and implied volatility information. Therefore, expected stock volatility was estimated based on the historical volatility of a publicly traded set of peer companies. Also, due to the lack of historical exercise history, the expected term of USBTC's stock options was determined using the "simplified" method for awards, which uses a mid-point between the vesting period and contractual term for each grant and for each vesting-tranche for awards with graded vesting. The risk-free interest rate was determined by referencing the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. An expected dividend yield of 0% was based on not having paid cash dividends historically and not expecting to pay cash dividends in the foreseeable future.

The majority of USBTC's stock options vest based on service provided by the grantee to USBTC over time; however, certain stock options were also subject to a performance-based vesting condition whereby vesting would be accelerated upon the completion of an initial public offering or merger event (the "IPO Options").

On November 30, 2023, due to the consummation of the Business Combination, USBTC accelerated a total of 763,609 unvested performance-based stocks options, which was comprised of the IPO Options and the January 2023 and February 2023 modified performance-based stock options described below.

Immediately prior to the closing of the Business Combination, 6,686,123 USBTC stock options were converted into 4,490,375 USBTC Replacement Options, based on an exchange ratio of 0.6716, rounded down to the nearest whole stock option at an award level. The exercise price of the USBTC Replacement Options is equal to the exercise price of the replaced USBTC stock option immediately before the Business Combination divided by 0.6716, rounded up to the nearest whole cent if applicable. USBTC treated the exchange as a Type I modification (probable-to-probable).

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As previously described in this note, in connection with the consummation of the Business Combination, Legacy Hut stock options under the 2018 Plan were cancelled and reissued under the Company's 2023 Plan at a 0.2000 ratio, rounded down if applicable at a grant level. The exercise price of stock options under the 2018 Plan immediately before the Business Combination were divided by the exchange ratio of 0.2000 rounded up to the nearest whole cent, if applicable, to obtain the exercise price of the replacement stock options. 115,000 Legacy Hut stock options were cancelled under the 2018 Plan and 23,000 replacement stock options were issued under the 2023 Plan with a weighted-average exercise price of \$18.41 per share. The weighted-average fair value of these replacement stock options of \$7.02 per share was estimated as described in this note with the exception of expected stock volatility where the assumption of the replacement stock options converged with the acquiree awards' (Legacy Hut stock options) as of the Business Combination consummation; all other assumptions also converged with the acquiree awards' as of the Business Combination consummation. These 23,000 replacement stock options were fully vested on the Business Combination date. As such, there is no further unrecognized compensation expense related to these replacement stock options.

In January 2023, USBTC repriced 2,122,760 outstanding stock options to an exercise price of \$0.39 per share. The incremental expense of vested stock options of approximately \$0.03 million was recognized upon the modification date and the incremental expense of unvested stock options of \$0.1 million will be recognized over the remaining vesting period of the awards.

In January 2023, USBTC entered into change in control agreements with two senior executives that amended the vesting requirement of certain of their service-based stock options. Under the terms of the amended agreements, an acceleration provision was added for all unvested service-based stock options whereby immediate vesting would occur upon the consummation of the Business Combination. USBTC determined the performance condition was probable of being achieved both prior to and subsequent to the modification and accounted for these changes as a Type I modification (probable-to-probable). As the modification only resulted in the acceleration of service-based vesting and did not involve any other changes, there was no incremental fair value to recognize as additional compensation expense as of the modification date and accordingly no incremental compensation expense required to be recognized.

In February 2023, USBTC entered into a change in control agreement with a senior executive, which modified the performance condition in 27,367 of their stock option awards. Under the modified terms, the stock options did not vest upon achievement of certain internal non-financial metrics and instead vested upon the completion of an initial public offering or merger event. USBTC determined the performance condition was not probable of being achieved both prior to and subsequent to the modification (a Type IV modification). Under US GAAP, stock compensation expense for equity awards that are conditional upon a liquidity event such as an initial public offering or merger event is not recognizable prior to the achievement of the liquidity event. As such, USBTC did not recognize any stock compensation expense for these stock options until the occurrence of an initial public offering or merger event.

No stock options were granted by the Company during the six months ended June 30, 2024. The following assumptions were used in determining the fair value of USBTC's stock options during the six months ended June 30, 2023:

	<u>Six Months Ended</u> <u>June 30,</u> <u>2023</u>
Dividend yield	— %
Expected price volatility	100 %
Risk-free interest rate	3.82% – 3.90 %
Expected term (in years)	5.5 – 8.0

As of June 30, 2024 there were 1,991,786 unvested service-based options.

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A summary of stock options is below for the six months ended June 30, 2024 and the six months ended June 30, 2023:

	Number of shares	Weighted average exercise price (per share)	Aggregate intrinsic value	Weighted average remaining contractual life (in years)
<i>(in USD thousands, except share and per share amounts)</i>				
Outstanding as of December 31, 2023	4,513,375	\$ 0.48	\$ 58,150	8.8
Granted	—	—	—	—
Exercised	(1,063,417)	0.39	8,957	—
Forfeited or canceled	(59,044)	0.39	—	—
Outstanding as of June 30, 2024	3,390,914	\$ 0.51	\$ 49,172	8.2
Vested and exercisable as of June 30, 2024	1,399,128	\$ 0.69	\$ 20,091	8.0

	Number of shares	Weighted average exercise price (per share)	Aggregate intrinsic value	Weighted average remaining contractual life (in years)
<i>(in USD thousands, except share and per share amounts)</i>				
Outstanding as of December 31, 2022	2,122,742	\$ 2.89	\$ —	9.0
Granted	2,469,134	0.39	—	—
Exercised	—	—	—	—
Forfeited or canceled	(56,606)	0.39	—	—
Outstanding as of June 30, 2023	4,535,270	\$ 0.39	\$ —	9.0
Vested and exercisable as of June 30, 2023	568,673	\$ 0.39	\$ —	8.2

The Company had approximately \$1.9 million of total unrecognized compensation expense related to stock options granted under the Rollover Option Plan as of June 30, 2024, which is expected to be recognized over a weighted-average remaining vesting period of approximately 0.8 years.

The weighted average grant-date fair value of stock options was \$0.31 per share during the six months ended June 30, 2023.

Restricted stock units

Restricted stock units granted under the 2023 Plan, and those governed under the 2018 Plan that are settleable in shares of common stock of the Company, entitle recipients to receive a number of shares of the Company's common stock over a vesting period, as per each respective restricted stock unit agreement. At the Company's discretion, restricted stock units may be settled in shares of common stock or cash in lieu of settling in shares or a combination of shares of common stock and cash, and the Company currently does not intend to settle any restricted stock units in cash or in a combination of shares of common stock and cash.

Stock-based compensation expense related to share-settled restricted stock units is based on the fair value of the Company's common stock on the date of grant for restricted stock units under the 2023 Plan. For restricted stock units under the 2018 Plan, the stock-based compensation expense is based on the fair value of the Company's common stock on the date of the Business Combination's consummation. The Company recognizes stock-based compensation expense associated with such share-settled restricted stock unit awards on a graded basis over the awards' service-based vesting tranches. Share-settled restricted stock unit awards granted up to June 30, 2024 vest in equal annual installments over a three-year period or for non-employee directors, fully vest by a certain date (unless accelerated in connection with a change in control event under specified conditions as set forth in the applicable restricted stock unit agreement or otherwise in accordance with provisions of the award's governing plan or applicable agreement).

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In February 2023, the Company accelerated the vesting of 66,666 restricted stock units held by its Chief Financial Officer to dates earlier than the original vest dates. As the modification only resulted in the acceleration of service-based vesting and did not involve any other changes, there was no incremental fair value to recognize as additional compensation expense as of the modification date and accordingly no incremental compensation expense required to be recognized.

The following table presents a summary of the activity of the service-based restricted stock units:

<i>(in USD thousands, except share and per share amounts)</i>	Number of units	Weighted average grant-date fair value	Aggregate intrinsic value
Unvested as of December 31, 2023	1,554,347	\$ 10.36	\$ 20,735
Granted	660,991	8.35	
Vested	(905,221)	9.60	8,205
Forfeited	(59,428)	12.05	
Unvested as of June 30, 2024	1,250,689	\$ 9.77	\$ 18,748

The Company had approximately \$7.1 million of total unrecognized compensation expense related to restricted stock units granted under the 2023 Plan and 2018 Plan that are settleable in shares of common stock of the Company as of June 30, 2024, which is expected to be recognized over a weighted-average remaining vesting period of approximately 1.4 years. The Company had no restricted stock unit activity during the six months ended June 30, 2023.

Deferred stock units

Deferred stock units granted under the 2023 Plan, and those governed under the 2018 Plan that are settleable in shares of common stock of the Company, entitled recipients to receive a number of shares of the Company's common stock over a vesting period if applicable, as per each respective deferred stock unit agreement. At the Company's discretion, deferred stock units may be settled in shares of common stock or cash in lieu of settling in shares or a combination of shares of common stock and cash, and the Company currently does not intend to settle any deferred stock units in cash or in a combination of shares of common stock and cash.

Stock-based compensation expense related to share-settled deferred stock units is based on the fair value of the Company's common stock on the date of grant for deferred stock units under the 2023 Plan. For deferred stock units under the 2018 Plan, the stock-based compensation expense is based on the fair value of the Company's common stock on the date of the Business Combination's consummation. The Company recognizes stock-based compensation expense associated with such share-settled deferred stock unit awards on a graded basis over the awards' vesting tranches. Share-settled deferred stock unit awards granted to date are granted in vested state and can only be settled for shares of common stock of the Company upon the participant's departure from the Company.

The following table presents a summary of the activity of the deferred stock units:

<i>(in USD thousands, except share and per share amounts)</i>	Number of units	Weighted average grant-date fair value	Aggregate intrinsic value
Vested and outstanding as of December 31, 2023	91,804	\$ 9.73	\$ 1,225
Redeemed	(17,850)	9.78	224
Vested and outstanding as of June 30, 2024	73,954	\$ 9.73	\$ 1,109

There was no remaining unrecognized compensation expense related to deferred stock units as of June 30, 2024. The Company had no deferred stock unit activity during the six months ended June 30, 2023.

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Performance stock units

Performance stock units granted under the 2023 Plan entitle recipients to receive a number of shares of the Company's common stock based on market and service conditions as per each respective performance stock unit agreement. At the Company's discretion, performance stock units may be settled in shares of common stock or cash in lieu of settling in shares or a combination of shares of common stock and cash. The Company currently does not intend to settle any performance stock units in cash or in a combination of shares of common stock and cash. During the six months ended June 30, 2024, the Company awarded 1,552,432 market-based performance stock units to certain employees, including to its Chief Executive Officer, Chief Strategy Officer, and Chief Legal Officer.

The performance stock units granted as of June 30, 2024 have market-based and service-based vest conditions. These performance stock units vest approximately three years from grant date and if the Company's stock price, on a basis of the highest volume-weighted average stock price of the Company over a 20 consecutive trading day period during a certain measurement period within the vest period, exceeds the Company's 20 consecutive trading day volume-weighted average stock price as of a certain date by at least 50% or at least 100% ("VWAP Goal"), then the percentage of performance stock units eligible to vest is 100% or 200% of the number of performance stock units granted, respectively. Any performance stock units that become eligible to vest as per their respective agreements will vest as of the end of the measurement period. These performance stock units do not have interpolation conditions on the percentage of units that are eligible to vest.

The VWAP Goal is considered a "market condition" under FASB ASC Topic 718, *Compensation—Stock Compensation*, and as such, the Company used a Monte Carlo simulation model to determine the grant-date fair value of performance stock units with a market condition. The Monte Carlo simulation takes into account the probability that the market condition will be achieved based on predicted stock price paths compared to a publicly traded set of peer companies in addition to the below assumptions:

	Six Months Ended June 30, 2024
Dividend yield	— %
Expected price volatility	115 %
Risk-free interest rate	4.38% – 4.84 %
Expected term (in years)	2.9 – 3.0

The Company recognizes stock-based compensation expense associated with performance stock unit awards on a graded basis over the awards' derived service period. Stock-based compensation expense associated with performance stock units is not adjusted in future periods for the success or failure to achieve the specified market conditions. The weighted-average derived service period of performance stock units granted during the six months ended June 30, 2024 was 3.0 years.

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The following table presents a summary of the activity of the performance stock units:

<i>(in USD thousands, except share and per share amounts)</i>	Number of units	Weighted average grant-date fair value	Aggregate intrinsic value
Unvested as of December 31, 2023	—	\$ —	\$ —
Granted	1,552,432	17.24	
Unvested as of June 30, 2024	1,552,432	\$ 17.24	\$ 46,542

As of June 30, 2024, unrecognized stock-based compensation expense related to the Company's performance stock units was \$24.1 million, which is expected to be recognized over a remaining weighted-average period of approximately 2.7 years.

Subsequent awards

In August 2024, the Company awarded 61,062 service-based restricted stock units under its 2023 Plan to certain employees with a weighted average grant-date fair value of \$12.42 per unit. These restricted stock units vest in equal annual installments over a three-year period.

In August 2024, the Company awarded 111,884 service-based restricted stock units under its 2023 Plan to its non-employee directors with a weighted average grant-date fair value of \$11.39 per unit. These restricted stock units vest on the date of the 2025 annual general meeting of the stockholders of the Company.

In August 2024, the Company accelerated the vesting of 380,658 stock options held by three non-employee directors and 425,604 stock options held by its Chief Executive Officer to immediately vest. As the modifications only resulted in the acceleration of service-based vesting and did not involve any other changes, there was no incremental fair value to recognize as additional compensation expense as at the modification date and accordingly no incremental compensation expense required to be recognized.

Note 14. Net income (loss) per share of common stock

Basic and diluted net income (loss) per share attributable to common stockholders is computed in accordance to *Note 2. Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Net income (loss) per share of common stock*. In addition, as mentioned in Note 12. *Stockholders' equity*, a recapitalization of equity structure occurred in a historical period and these unaudited condensed consolidated financial statements contain recast stockholders' equity balances resulting from the retroactive application of recapitalization accounting in accordance with US GAAP. As such, the net income (loss) per share of common stock computations below for the historical period reflects the retroactive application of recapitalization.

The following table presents potentially dilutive securities that were not included in the computation of diluted net income (loss) per share of common stock as their inclusion would have been anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Unvested restricted stock awards ⁽¹⁾	—	—	—	239,195
Stock options	3,390,914	4,535,270	23,000	4,535,270
Restricted stock units	1,250,689	—	144,200	—
Deferred stock units	73,954	—	—	—
Performance stock units	1,552,432	—	1,552,432	—
Warrants	1,895	—	1,895	—
Convertible note and separated embedded derivative from convertible note	9,155,230	—	—	—
Total	15,425,114	4,535,270	1,721,527	4,774,465

⁽¹⁾ Total common shares outstanding are inclusive of unvested restricted stock awards. The computation of basic net income (loss) per share excludes unvested restricted stock awards.

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The following is a reconciliation of the numerator and denominator of the basic and diluted net income (loss) per share of common stock computations for the periods presented:

<i>(in USD thousands, except share and per share amounts)</i>	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Numerator:				
Net (loss) income attributable to Hut 8 Corp.	\$ (71,866)	\$ (1,686)	\$ 179,010	\$ 15,642
Less: loss from discontinued operations (net of income taxes of \$nil, \$nil, \$nil, respectively)	1,738	—	9,364	—
Net (loss) income from continuing operations attributable to Hut 8 Corp. – basic	<u>\$ (70,128)</u>	<u>\$ (1,686)</u>	<u>\$ 188,374</u>	<u>\$ 15,642</u>
Effect of dilutive shares on net income (loss):				
Effect of convertible note and separated embedded derivative from convertible note, net of tax	—	—	45	—
Net (loss) income from continuing operations attributable to Hut 8 Corp. – diluted	<u>\$ (70,128)</u>	<u>\$ (1,686)</u>	<u>\$ 188,419</u>	<u>\$ 15,642</u>
Loss from discontinued operations (net of income taxes of \$nil, \$nil, \$nil, respectively) attributable to Hut 8 Corp.	<u>\$ (1,738)</u>	<u>\$ —</u>	<u>\$ (9,364)</u>	<u>\$ —</u>
Denominator:				
Weighted average shares of common stock outstanding – basic	90,192,842	43,193,201	89,671,344	42,830,760
Dilutive impact of outstanding equity awards	—	—	4,329,951	38,111
Dilutive impact of convertible note	—	—	150,844	—
Weighted average shares of common stock outstanding – diluted	<u>90,192,842</u>	<u>43,193,201</u>	<u>94,152,139</u>	<u>42,868,871</u>
Net (loss) income per share of common stock:				
Basic from continuing operations attributable to Hut 8 Corp. ⁽¹⁾	<u>\$ (0.78)</u>	<u>\$ (0.04)</u>	<u>\$ 2.10</u>	<u>\$ 0.37</u>
Basic from discontinued operations attributable to Hut 8 Corp. ⁽²⁾	<u>\$ (0.02)</u>	<u>\$ —</u>	<u>\$ (0.10)</u>	<u>\$ —</u>
Diluted from continuing operations attributable to Hut 8 Corp. ⁽³⁾	<u>\$ (0.78)</u>	<u>\$ (0.04)</u>	<u>\$ 2.00</u>	<u>\$ 0.36</u>
Diluted from discontinued operations attributable to Hut 8 Corp. ⁽⁴⁾	<u>\$ (0.02)</u>	<u>\$ —</u>	<u>\$ (0.10)</u>	<u>\$ —</u>

⁽¹⁾ Calculated as net income from continuing operations attributable to Hut 8 Corp. – basic, divided by weighted average shares of common stock outstanding – basic

⁽²⁾ Calculated as loss from discontinued operations attributable to Hut 8 Corp. divided by weighted average shares of common stock outstanding – basic

⁽³⁾ Calculated as net income from continuing operations attributable to Hut 8 Corp. – diluted, divided by weighted average shares of common stock outstanding – diluted

⁽⁴⁾ Calculated as loss from discontinued operations attributable to Hut 8 Corp. divided by weighted average shares of common stock outstanding – diluted

Note 15. Concentrations

The Company has only mined Bitcoin as of June 30, 2024 and December 31, 2023. Therefore, 100% of the Company's mining revenue is related to one digital asset. The Company had two mining pool operators as of June 30, 2024 and December 31, 2023.

Note 16. Related party transactions

Parties are considered related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. This includes equity method investment entities. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all known related party transactions.

The Company provides services to TZRC, an equity method investment entity (refer to Note 8. *Investment in unconsolidated joint venture* for additional information on the equity method investment entity), in exchange for fees under a PMA.

Hut 8 Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Note 17. Commitments and Contingencies

Commitments

Purchase agreements

In October 2023, the Company's board of directors determined to expand the Company's business by entering the AI infrastructure market, including the authorization of an initial purchase order of AI equipment for an aggregate purchase price of approximately \$40.0 million. The purchase order is subject to customary terms and conditions, including a limited cancellation option by the Company's subsidiary party thereto prior to the commencement of the AI equipment production.

Legal and regulatory matters

The Company and its subsidiaries are subject at times to various claims, lawsuits and governmental proceedings relating to the Company's business and transactions arising in the ordinary course of business. The Company cannot predict the final outcome of such proceedings. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Some of these claims, lawsuits and proceedings seek damages, including, consequential, exemplary or punitive damages, in amounts that could, if awarded, be significant. Certain of the claims, lawsuits and proceedings arising in ordinary course of business are covered by the Company's insurance program. The Company maintains property and various types of liability insurance in an effort to protect the Company from such claims. In terms of any matters where there is no insurance coverage available to the Company, or where coverage is available and the Company maintains a retention or deductible associated with such insurance, the Company may establish an accrual for such loss, retention or deductible based on current available information. In accordance with accounting guidance, if it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements, and the amount of loss is reasonably estimable, then an accrual for the cost to resolve or settle these claims is recorded by the Company in the accompanying Unaudited Condensed Consolidated Balance Sheets. If it is reasonably possible that an asset may be impaired as of the date of the financial statement, then the Company discloses the range of possible loss. Expenses related to the defense of such claims are recorded by the Company as incurred and included in the accompanying Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Management, with the assistance of outside counsel, may from time to time adjust such accruals according to new developments in the matter, court rulings, or changes in the strategy affecting the Company's defense of such matters. On the basis of current information, the Company does not believe there is a reasonable possibility that any material loss will result from any claims, lawsuits and proceedings to which the Company is subject to either individually, or in the aggregate.

Litigation with North Bay facility power provider and leasehold provider

On January 25, 2023, Legacy Hut filed a statement of claim in the Ontario Superior Court of Justice against Validus Power Corp. and Bay Power Corp. as defendants. Legacy Hut's statement of claim included that defendants failed to meet obligations under a power purchase agreement between the parties. On February 21, 2023, the Company announced that it received a statement of defense and counterclaim. Completion of the Far North Transaction on February 15, 2024, whereby the assets of Validus Power Corp. were acquired by the Company, has resulted in the full and final resolution of all litigation claims and counterclaims made between Legacy Hut and Validus Power Corp.

Lancium, LLC Lawsuit

On May 11, 2023, Lancium, LLC ("Lancium") filed a lawsuit claiming that USTBC infringed upon a number of its patents and sought unspecified compensatory damages, treble damages and attorney's fees and costs. On January 16, 2024, the lawsuit was dismissed without prejudice.

Hut 8 Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Securities Litigation

In February and March 2024, two purported securities class actions were filed in the U.S. District Court for the Southern District of New York against the Company and certain of its current and former officers. The two class actions were consolidated and lead plaintiff was appointed on April 19, 2024. The lead plaintiff filed a consolidated amended complaint on June 14, 2024. The consolidated amended complaint alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. The Company disputes the claims in the consolidated shareholder class action and intends to vigorously defend against them.

Since the filing of the securities class actions, shareholder derivative suits were filed against the Company, its directors and certain of its current and former officers in the U.S. District Courts for the Southern District of New York, the District of Delaware, and the Southern District of Florida alleging derivative claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, and violations of the Exchange Act, including Section 10(b). All derivative actions filed in the Southern District of New York have been, or are in the process of being, transferred to the District of Delaware. The parties to *Thompson v. Leverton, et. al.*, and *Torres v. Tai, et. al.*, currently pending in the District of Delaware, have filed a stipulation staying those proceedings pending the outcome of the motion to dismiss in the consolidated securities class action in the Southern District of New York. The stipulation is pending entry by the District of Delaware. Plaintiffs in other Delaware proceedings, *Joseph v. Leverton, et. al.*, and *Ubhi v. Leverton, et. al.*, have been ordered to show cause as to why their case should not be dismissed for failure to state a claim.

The parties have also filed a stipulation consolidating and staying proceedings in the Southern District of Florida pending the outcome of the motion to dismiss in the securities class action in the Southern District of New York. The stipulation was entered by the Southern District of Florida, and the court also administratively closed the consolidated proceeding pending the outcome of the securities class action in the Southern District of New York.

The Company disputes the claims in these derivative cases and intends to vigorously defend against them.

Based on the preliminary nature of these proceedings, the outcome of these matters remains uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time.

Note 18. Subsequent events

The Company has completed an evaluation of all subsequent events after the balance sheet date up to the date that the Unaudited Condensed Consolidated Financial Statements were available to be issued. Except as described above and below, the Company has concluded no other subsequent events have occurred that requires disclosure.

Termination Fee

The Company received a termination fee payment from a hosting customer on August 7, 2024. The payment received was \$9.6 million, consisting of a termination fee of \$13.6 million net of \$4.0 million of hosting fees payable by the Company to the customer and recorded in the accounts payable and accrued expenses as of June 30, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report and with our audited consolidated financial statements included in our Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual business, financial condition, and results of operations could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report and in our Annual Report, particularly under "Item 1A. Risk Factors." See also "Cautionary Statement Regarding Forward-Looking Statements." Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Business Overview

Hut 8 is an energy infrastructure operator and Bitcoin miner with self-mining, hosting, managed services, and traditional data center operations across North America. We acquire, design, build, manage, and operate data centers that power compute-intensive workloads such as Bitcoin mining, high performance computing, and AI.

We see incredible opportunities at the intersection of energy and infrastructure. As demand for energy increases over the coming years, we believe that building a scaled portfolio of energy infrastructure assets will create a sustainable competitive advantage for our business. Our vertically integrated model, including our ability to rapidly build new capacity and redeploy existing assets to new use cases, positions us to capture future demand as advancements in technology and the increasing demand for compute capacity necessitate significant growth in underlying energy infrastructure. We also leverage our operating scale, purpose-built technology, and sophisticated approach to energy management to drive efficiency across our business lines.

As of June 30, 2024, our total energy capacity under management was 1,075 MW across eighteen sites: 762 MW across nine Bitcoin mining sites in North America, 310 MW across four natural gas power generation facilities in Canada, and 3 MW across five cloud and colocation data centers in Canada.

Merger of USBTC and Hut 8

On February 6, 2023, USBTC, Legacy Hut, and Hut 8 entered into a business combination agreement pursuant to which, among other things, Legacy Hut and its direct wholly-owned subsidiary amalgamated to continue as Hut Amalco and both Hut Amalco and USBTC became wholly-owned subsidiaries of Hut 8 Corp.

On November 30, 2023, the Business Combination was completed and Hut 8 Corp. began trading on the Nasdaq on December 4, 2023.

Given that the Business Combination closed after the end of the quarterly period ended June 30, 2023, the information included in this Quarterly Report principally describes Hut 8's business and operations following the closing of the Business Combination, but includes the historical financial statements of USBTC, the accounting acquirer, and related management's discussion and analysis, which describes the business, financial condition, results of operations, liquidity and capital resources of USBTC prior to the Business Combination.

Business Segments

We have four reportable business segments: Digital Assets Mining, Managed Services, High Performance Computing — Colocation and Cloud, and Other.

Digital Assets Mining

Currently, the majority of our revenue is derived from Digital Assets Mining (also referred to as self-mining), which principally consists of mining Bitcoin. Our self-mining business spanned four sites during the three months ended June 30, 2024:

- three sites with facilities we own and operate: (1) Niagara Falls, New York (“Alpha”), (2) Medicine Hat, Alberta (“Medicine Hat”), and (3) Orla, Texas (“Salt Creek”); and
- one site with a facility in McCamey, Texas (King Mountain) that we own 50% of through a joint venture (the “King Mountain JV”).

Until April 30, 2024, we also had self-mining operations at two sites located in Kearney, Nebraska (“Kearney”) and Granbury, Texas (“Granbury”).

We receive digital asset mining rewards via third party mining pool operators, Foundry Digital LLC and Luxor Technology Corporation. Mining pools allow us to combine our computing power with other miners, increasing the chances of solving a block and getting paid by the network. The pools distribute our pro-rata share of Bitcoin rewards based on the computing power we contribute. On April 19, 2024, the Bitcoin reward for solving a block was halved from 6.25 Bitcoin to 3.125 Bitcoin.

As the adoption of Bitcoin continues to grow and the market valuation of Bitcoin rises, we anticipate a surge in demand for Bitcoin, prompting the entry of new miners into the market. This influx of participants results in the increase of the Bitcoin network’s hash rate. Consequently, existing miners must scale their own hash rate to maintain a competitive edge in solving blocks and acquiring rewards. While we anticipate this trend to persist, we aim to grow our hash rate as we continue to scale our portfolio of underlying energy infrastructure.

As of June 30, 2024, including our net share of the King Mountain JV, we owned approximately 49,400 miners totaling approximately 4.8 EH/s with an average fleet efficiency of 31.7 J/TH.

Managed Services

Our Managed Services business provides institutional partners with an end-to-end partnership model for energy infrastructure development, including:

- *Project inception*: Site design, procurement, and construction management;
- *Project operationalization*: Software automation, process design, personnel hiring, and team training;
- *Revenue management*: Utilities contracts, hosting operations, and customer management;
- *Project optimization*: Energy portfolio optimization and strategic initiatives; and/or
- *Compliance and reporting*: Finance, accounting, and safety.

Under this model, partners can enter into infrastructure projects with confidence: renewable energy companies can utilize our modular data centers as a flexible load, investors can deploy capital into energy infrastructure without the need for specialized expertise in site design, construction, and operations and site owners can monetize their assets with minimal operational requirements on their end. Meanwhile, the scalable and capital-light nature of this business allows us to generate cash flow without significant upfront capital investment while driving attractive project-level economics for our partners. Cash flows are generated through a fee structure that is typically fixed based on power capacity under management, with reimbursement of passthrough costs. In addition to the fixed fee, further cash flows may be driven from incentive bonuses and certain energy management services.

As of June 30, 2024, we managed 582 MW of energy capacity under this program across six sites in the United States, which included 280 MW owned by the King Mountain JV and 302 MW owned by Ionic.

High Performance Computing - Colocation and Cloud

Our HPC business spans five locations in Canada (Mississauga, Ontario; Vaughan, Ontario; Kelowna, British Columbia; and two locations in Vancouver, British Columbia) with more than 36,000 square feet of geo-diverse data center space powered by predominantly emission-free energy sources. The fee structure for our HPC business is based on two models: allocation and consumption. Under the allocation model, customers pay a fixed recurring monthly fee based on a set amount of resources assigned. The consumption model for both colocation and cloud businesses is generally a function of additional consumption of compute, storage, network, or power usage above and beyond the contractual commitment. The high-density colocation services available in some of our locations position us well to support the increasing demand for power densities driven by AI and GPU requirements, along with traditional CPU performance increases. In addition to colocation services, our cloud services are a core product offering: we support public and private cloud, managed backup, business continuity and disaster as a recovery service, and high performance high-capacity storage solutions. Our infrastructure is designed to support a variety of compute, storage, and network workloads across traditional enterprise, B2B, machine learning, visual effects, and AI. The data centers are geo-diverse and carrier neutral with network diversity and redundancy from multiple telecommunications providers.

Other

Hosting

We also enter into hosting contracts to operate mining equipment on behalf of third parties within our facilities. Hosting services include the provision of mining equipment and energized space and the monitoring, troubleshooting, repair, and maintenance of customer mining equipment. Hosting services revenue is generated through fees that may be fixed or based on a profit-sharing arrangement, typically with reimbursement for passthrough costs.

As of June 30, 2024, we hosted approximately 8,500 miners (about 0.8 EH/s) at our wholly owned Alpha site, which has a total capacity of 50 MW.

Equipment sales and repairs

We may enter into equipment sale contracts when we believe there is an opportunity to generate profit from selling machines and other mining equipment. For example, reports have been released which indicate that players in the mining equipment business adjust the prices of miners according to Bitcoin mining revenues, which means there may be times where we believe miners are overvalued in relation to their projected cash flows. We may also repair miners for third parties in exchange for a fee, as we have a fully equipped, MicroBT-certified repair center space at our Medicine Hat site.

Power

We provide capacity and energy to the grid through the natural gas power plants in Ontario, Canada through the majority-owned Far North entities. The power generation facilities that are connected to the IESO, which operates Ontario's power grid, primarily generate revenue from capacity sales. Revenue generated from electricity sales is variable and depends on several factors including but not limited to the supply and demand for electricity, generation capacity in the market, and the prevailing price of natural gas.

Joint Ventures

King Mountain JV

The King Mountain JV is a 50/50 joint venture with one of the world's largest renewable energy producers. The King Mountain JV has 280 MW of self-mining and hosting operations collocated behind-the-meter at a wind farm in McCamey, Texas. A subsidiary of Hut 8 acquired a 50% membership interest in December 2022 through a competitive auction process in connection with the Chapter 11 bankruptcy filing of Compute North. As part of the acquisition, the Hut 8 subsidiary also assumed the TZRC Secured Promissory Note.

As of June 30, 2024, the King Mountain JV owned approximately 18,000 miners for self-mining (about 1.8 EH/s) and hosted approximately 68,200 miners (about 7.6 EH/s) for Marathon Digital at its wholly owned King Mountain site, which has a total capacity of 280 MW.

We account for the King Mountain JV using the equity method of accounting, resulting in reporting the King Mountain JV as an unconsolidated joint venture. Additionally, our 50% portion of monthly distributions from the King Mountain JV are swept to pay down the TZRC Secured Promissory Note. See Note 8. *Investments in unconsolidated joint venture* and Note 9. *Loans and notes payable* to the Unaudited Condensed Consolidated Statements found elsewhere in this Quarterly Report for additional information on the King Mountain JV and TZRC Secured Promissory Note.

Below is the condensed consolidated income statement for the King Mountain JV for the three and six month periods ended June 30, 2024 and 2023.

Condensed Consolidated Income Statement

(in USD thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues, net	\$ 33,046	\$ 34,273	\$ 74,240	\$ 65,468
Gross profit	17,726	18,410	39,321	36,779
Net income	1,394	2,607	6,952	5,154
Net income attributable to investee	697	1,304	3,476	2,578

Our board of directors and management team also evaluate Adjusted EBITDA for the King Mountain JV, which is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) before interest income, income tax, depreciation and amortization. We use Adjusted EBITDA to assess the King Mountain JV's financial performance because it allows us to compare the operating performance on a consistent basis across periods by removing the effects of the King Mountain JV's capital structure.

Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. This non-GAAP financial measure should not be considered as an alternative to the most directly comparable GAAP financial measure. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in the future, and any such modification may be material. Adjusted EBITDA has important limitations as an analytical tool and you should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

(in USD thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income	\$ 1,394	\$ 2,607	\$ 6,952	\$ 5,154
Depreciation and amortization	15,674	15,253	31,107	30,489
Interest income	(440)	—	(915)	—
Adjusted EBITDA	\$ 16,628	\$ 17,860	\$ 37,144	\$ 35,643

Far North JV

The Far North JV is an approximately 80/20 joint venture in partnership with Macquarie. We acquired an approximately 80% membership interest in the Far North JV in February 2024 through a stalking horse bid for the acquisition of certain assets of Validus Power Corp. and certain of its subsidiaries. The Far North JV holds certain mining and electrical equipment formerly owned by a subsidiary of Hut 8, in addition to four natural gas power plants totaling 310 MW in Ontario, Canada, including:

- one 110 MW facility in Kingston;
- one 120 MW facility in Iroquois Falls;
- one 40 MW facility in Kapuskasing; and
- one 40 MW facility and Bitcoin mine in North Bay.

We account for the Far North JV using the acquisition method of accounting, resulting in consolidation of the Far North entities with a non-controlling interest. As of June 30, 2024, the consolidated balance sheet included the following balances from Far North:

<i>(in USD thousands)</i>	June 30, 2024
Assets:	
Cash and cash equivalents	\$ 396
Accounts receivable, net	2,428
Deposits and prepaid expenses	1,446
Property and equipment, net	39,145
Total assets	\$ 43,415
Liabilities:	
Accounts payable and accrued expenses	2,100
Finance lease liability	25,189
Total liabilities	\$ 27,289
Non-controlling interests	\$ 8,186

Recent Developments

West Texas Site

On July 9, 2024, we entered into a power purchase agreement and other definitive agreements for a site in West Texas with exclusive access to 205 MW of immediately available power capacity and land. The site is adjacent to a wind farm and connected to the ERCOT grid and is well-positioned to support a variety of high-density compute applications, including Bitcoin mining and AI.

Convertible Note Purchase Agreement

On June 21, 2024, we entered into a Purchase Agreement with a Coatue Fund, and the Guarantor, providing for the purchase and sale of a convertible note in the principal amount of \$150.0 million. The convertible note is a senior unsecured obligation of and guaranteed by the Guarantor pursuant to the Guaranty. We intend to use the proceeds from the sale to fund growth capital expenditures and for general corporate purposes. See Note 9. *Loans and notes payable* to the Unaudited Condensed Consolidated Statements found elsewhere in this Quarterly Report for additional information on the Transaction.

Arrangement with Ionic Digital

On June 19, 2024, we amended our four-year agreement with Ionic to provide end-to-end managed services across all of Ionic's Bitcoin mining operations as well as future upside opportunities related to building and managing new sites. Under the amended agreement, we expect to earn an aggregate of \$15.0 million per year in management fees in addition to reimbursement for direct passthrough operating expenses, compared to \$20.4 million per year under the original agreement.

Coinbase Credit Facility

On June 17, 2024, our subsidiary entered into the Second Amended and Restated Credit Agreement with Coinbase. The Second Amended and Restated Credit Agreement extends the final maturity date to June 16, 2025, modifies the LTV thresholds for a margin call, margin release or breach of the Second Amended and Restated Credit, and modifies the interest rate at a rate equal to (a) the greater of (x) the federal funds rate on the date of the applicable borrowing and (y) 3.25%, plus (b) 6.0%. See Note 9. *Loans and notes payable* to the Unaudited Condensed Consolidated Statements found elsewhere in this Quarterly Report for additional information on the Second Amended and Restated Credit Agreement.

Derivatives Trades

We entered into an ISDA Agreement with NYDIG and executed four covered call options trades for 2,125 Bitcoin during April 2024, for proceeds of \$20.8 million. The Bitcoin were transacted from the existing Bitcoin holdings and are being pledged as collateral with NYDIG Custody.

Key Factors Affecting Our Performance

Price of Bitcoin

We primarily mine Bitcoin, which has historically experienced significant price volatility. We record revenue upon receipt of Bitcoin at its spot price at the beginning of the day (midnight UTC time), and we have also elected to adopt ASU 2023-08, effective July 1, 2023, under which Bitcoin is revalued every reporting period at fair value with changes in fair value recognized in net income, so any fluctuations in the price of Bitcoin may impact our results of operations.

During the three months ended June 30, 2024 and 2023, the price of Bitcoin ranged from \$58,100 to \$71,700 and \$25,100 to \$30,700, respectively. During the six months ended June 30, 2024 and 2023, the price of Bitcoin ranged from \$39,600 to \$73,100 and \$16,600 to \$30,700, respectively.

Bitcoin network difficulty and hash rate

Bitcoin network difficulty, which varies directly with Bitcoin network hash rate, directly affects the results of our operations. We define Bitcoin network difficulty, multiplied by two to the thirty-second power ($\text{difficulty} * 2^{32}$), as the measure of how many SHA-256d hashes, on average, are required to record a new block on the Bitcoin blockchain. The Bitcoin protocol is designed such that one block is generated, on average, every 10 minutes, no matter how much hash rate is on the network. To keep the time interval between blocks fixed at 10 minutes, the Bitcoin network adjusts its “network difficulty” every 2,016 blocks (or roughly every two weeks) such that the average number of SHA-256d hashes needed to find a new block is normalized at 10 minutes based on the time interval between blocks for the last 2,016 blocks.

For example, as Bitcoin network hash rate increases, the time interval between new blocks decreases. The Bitcoin network will then adjust its difficulty upward to require more hashes, on average, to record a new block. Network difficulty is an integer.

Average network difficulty and average network hash rate were 84.8T and 606.9 EH/s, respectively, for the three months ended June 30, 2024, compared to 49.5T and 354.3 EH/s, respectively, for the three months ended June 30, 2023. Average network difficulty and average network hashrate were 81.1T and 580.4 EH/s, respectively, for the six months ended June 30, 2024, compared to 44.8T and 320.9 EH/s, respectively, for the six months ended June 30, 2023.

Block reward and halving

During the three and six months ended June 30, 2023, the Bitcoin reward for solving a block was 6.25 Bitcoin. Since April 19, 2024, the Bitcoin reward for solving a block has decreased to 3.125 Bitcoin. The Bitcoin network is programmed such that the Bitcoin block reward is halved every 210,000 blocks mined, or approximately every four years (the “Halving”). This reduction in reward spreads out the release of Bitcoin over a long period of time as an ever smaller number of coins are mined with each Halving. The maximum supply of Bitcoin is 21,000,000 Bitcoin, which is projected to be fully mined around the year 2140.

Bitcoin Halving events impact the amount of Bitcoin we mine which, in turn, may have a potential impact on our results of operations. The next Halving is expected to occur in March 2028.

Key Performance Indicators

In addition to our financial results and non-GAAP financial measures, we use certain key performance indicators to evaluate our business, identify trends, and make strategic decisions.

The following table presents our key performance indicators for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cost to mine a Bitcoin (excluding hosted facilities) ⁽¹⁾	\$ 26,232	\$ 11,321	\$ 22,962	\$ 10,059
Cost to mine a Bitcoin ⁽²⁾	\$ 26,232	\$ 14,907	\$ 25,053	\$ 13,846
Weighted average revenue per Bitcoin mined ⁽³⁾	\$ 65,656	\$ 27,927	\$ 55,662	\$ 25,928
Bitcoin mined ⁽⁴⁾	279	740	995	1,263
Energy cost per MWh	\$ 31.71	\$ 37.34	\$ 35.40	\$ 35.99
Hosting cost per MWh	\$ —	\$ 60.11	\$ 68.72	\$ 61.34
Energy capacity under management (mining) ⁽⁵⁾	762 MW	730 MW	762 MW	730 MW
Total energy capacity under management ⁽⁶⁾	1,075 MW	730 MW	1,075 MW	730 MW

- (1) Cost to mine a Bitcoin (excluding hosted facilities) is equivalent to the all-in electricity cost, net of credits from participation in ancillary demand response programs, to mine a Bitcoin at owned facilities and includes our net share of the King Mountain JV.
- (2) Cost to mine a Bitcoin is calculated as the sum of total all-in electricity expense, net of credits from participation in ancillary demand response programs, and hosting expense divided by Bitcoin mined during the respective periods and includes our net share of the King Mountain JV.
- (3) Weighted average revenue per Bitcoin mined is calculated as the sum of total self-mining revenue divided by Bitcoin mined during the respective periods and includes our net share of the King Mountain JV; it excludes our discontinued operations at Drumheller, Alberta.
- (4) Bitcoin mined includes our net share of the King Mountain JV and excludes our discontinued operations at Drumheller, Alberta. Bitcoin mined excluding our net share of the King Mountain JV was 212 and 568 for the three months ended June 30, 2024 and 2023, respectively, and 803 and 894 for the six months ended June 30, 2024 and 2023, respectively.
- (5) Energy capacity under management (mining) includes 180 MW of self-mining sites comprised of Alpha, Medicine Hat, and Salt Creek, as well as 280 MW of capacity under management at our King Mountain JV. The remaining 302 MW is from our Managed Services agreement with Ionic.
- (6) Total energy capacity under management includes 762 MW of energy capacity under management (mining), 310 MW of capacity from our four natural gas power generation facilities, and 3 MW of capacity from our five cloud and colocation data centers.

Cost to mine a Bitcoin

Our profitability in self-mining is heavily dependent upon our cost to mine a Bitcoin, calculated as the sum of total all-in electricity expense, net of credits from participation in ancillary demand response programs, and hosting costs divided by Bitcoin mined during the respective periods and includes our net share of the King Mountain JV. Our management reviews the cost to mine a Bitcoin excluding hosted facilities and inclusive of hosted facilities.

Our cost to mine a Bitcoin (excluding hosted facilities) for the three months ended June 30, 2024 was \$26,232 compared to \$11,321 for the three months ended June 30, 2023. The increase was primarily due to the Halving event in April 2024 which decreased the Bitcoin reward from 6.25 Bitcoin per block to 3.125 Bitcoin per block, in addition to an increase in average network difficulty during the period (84.8T for the three months ended June 30, 2024 compared to 49.5T for the three months ended June 30, 2023). This was partially offset by a decrease in our energy cost per MWh (see below for further discussion on energy cost per MWh).

Our cost to mine a Bitcoin (excluding hosted facilities) for the six months ended June 30, 2024 was \$22,962 compared to \$10,059 for the six months ended June 30, 2023. The increase was also primarily due to the Halving event in April 2024 and an increase in average network difficulty during the period (81.1T for the six months ended June 30, 2024 compared to 44.8T for the six months ended June 30, 2023), partially offset by a decrease in our energy cost per MWh (see below for further discussion on energy cost per MWh).

Inclusive of hosted facilities, our cost to mine a Bitcoin for the three months ended June 30, 2024 was \$26,232 compared to \$14,907 for the three months ended June 30, 2023. As of April 30, 2024, we were no longer self-mining at hosted facilities, and we did not incur hosting costs during the three months ended June 30, 2024, so our cost to mine a Bitcoin for the three months ended June 30, 2024 consisted solely of energy costs.

Inclusive of hosted facilities, our cost to mine a Bitcoin for the six months ended June 30, 2024 was \$25,053 compared to \$13,846 for the six months ended June 30, 2023. The increase was driven by the Halving event in April 2024, an increase in average network difficulty during the period (81.1T for the six months ended June 30, 2024 compared to 44.8T for the six months ended June 30, 2023) and an increase in our hosting cost per MWh due to a higher variable hosting rate that is tied to hashprice. This was partially offset by a decrease in our energy cost per MWh (see below for further discussion on energy cost per MWh) and a decrease in energy consumption at hosted facilities after exiting the Kearney and Granbury sites.

Energy and hosting cost per MWh

In addition to the cost to mine a Bitcoin, our management reviews the energy cost per MWh at facilities we own and hosting cost per MWh at hosted facilities. Energy cost per MWh is calculated by dividing our total energy expense by the total MWh utilized at owned facilities during the respective periods and includes our net share of the King Mountain JV. Hosting cost per MWh is calculated by dividing our total hosting expense by the total MWh utilized at hosted facilities during the respective periods.

Energy cost per MWh for the three months ended June 30, 2024 was \$31.71 compared to \$37.34 for the three months ended June 30, 2023, and the decrease was primarily driven by lower energy costs at our newly built Salt Creek site in addition to credits received for participating in ancillary demand response programs and efficient economic curtailment of miners using our proprietary software. The current quarter reflects three months of combined company self-mining activity at our Alpha, Medicine Hat, Salt Creek, and King Mountain sites while the prior quarter reflects three months of USBTC's self-mining activity at our Alpha and King Mountain sites.

Energy cost per MWh for the six months ended June 30, 2024 was \$35.40 compared to \$35.99 for the six months ended June 30, 2023, and the decrease was also primarily driven by lower energy costs at our newly built Salt Creek site in addition to credits received for participating in ancillary demand response programs. The current period reflects six months of combined company self-mining activity at our Alpha, Medicine Hat, Salt Creek, and King Mountain sites while the prior period reflects six months of USBTC's self-mining activity at our Alpha and King Mountain sites.

Hosting cost per MWh for the three months ended June 30, 2024 was nil compared to \$60.11 for the three months ended June 30, 2023. The decrease was due to us no longer self-mining at the Kearney and Granbury sites as of April 30, 2024, and we did not incur any hosting costs during the current quarter.

Hosting cost per MWh for the six months ended June 30, 2024 was \$68.72 compared to \$61.34 for the six months ended June 30, 2023. The increase was due to a higher variable hosting rate (tied to hashprice) at the Kearney and Granbury sites during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Bitcoin mined

Bitcoin mined represents the number of Bitcoin we mined during the respective periods and includes our net share of the King Mountain JV. Our management looks at this metric as it directly impacts our Digital Assets Mining segment and King Mountain JV for the respective periods.

Bitcoin mined for the three months ended June 30, 2024 and 2023 was 279 and 740, respectively. The decrease in Bitcoin mined was primarily due to the Halving, an increase in network difficulty (84.8T for the three months ended June 30, 2024 compared to 49.5T for the three months ended June 30, 2023), the relocation of miners from the Kearney and Granbury sites to Alpha and Salt Creek, and planned downtime at the Salt Creek site to fortify the upstream electrical infrastructure supporting the facility.

Bitcoin mined for the six months ended June 30, 2024 and 2023 was 995 and 1,263, respectively. The decrease in Bitcoin mined was also driven by the Halving, an increase in network difficulty (81.1T for the six months ended June 30, 2024 compared to 44.8T for the six months ended June 30, 2023), the relocation of miners from the Kearney and Granbury sites to Alpha and Salt Creek, and planned downtime at the Salt Creek site to fortify the upstream electrical infrastructure supporting the facility.

Energy capacity under management

Energy capacity under management (mining) includes the energy capacity of our self-mining and hosting infrastructure, as well as the energy capacity of the sites that we manage for our clients under the Managed Services line of business. Total energy capacity under management includes energy capacity under management (mining) plus energy capacity from our natural gas power generation facilities and traditional data centers.

Energy capacity under management (mining) as of June 30, 2024 was 762 MW compared to 730 MW as of June 30, 2023. The increase was due to: (i) the addition of Medicine Hat, a 67 MW self-mining facility that we own as a result of the Business Combination, (ii) the addition of five digital assets mining facilities owned by Ionic, totaling 302 MW, through a Management Services Agreement with Ionic, and (iii) the addition of Salt Creek, a 63 MW facility that we own.

Total energy capacity under management increased from 730 MW as of June 30, 2023 to 1,075 MW as of June 30, 2024. The increase was due to addition of 310 MW of natural gas power generation facilities as a result of the Far North transaction and 3 MW of traditional data centers as a result of the Business Combination. These increases were partially offset by the transition of our previously managed Kearney and Granbury sites totaling 400 MW.

Key Components of our Results of Operations

We have organized our operations into four reportable segments: Digital Assets Mining, Managed Services, HPC, and Other. These segments reflect the way we evaluate our business performance and manage our operations.

Revenue

We derive revenue from our four business segments: Digital Assets Mining, Managed Services, HPC, and Other. For additional information on how we recognize revenue in each of these segments, please see “—Critical Accounting Policies and Estimates.”

Digital Assets Mining

We mine Bitcoin, so the majority of our Digital Assets Mining revenue is derived from the service of providing hash rate to mining pools in exchange for our share of the block reward and transaction fees, less any mining pool fees charged by the mining pool operator. We record revenue upon receipt of Bitcoin at its spot price at the beginning of the day (midnight UTC time), as determined by our principal market, which is Coinbase Prime. Bitcoin’s spot price may fluctuate on a daily basis, which impacts the amount of revenue recorded.

Managed Services

Managed Services revenue is derived from fixed monthly management fees based on power capacity of the customer’s data center, plus the reimbursement of certain operating costs, which vary each month. We may also be entitled to a share of additional hosting services revenue we help generate for the customer, and further cash flows may be driven from other incentive bonuses and certain energy management services.

High Performance Computing – Colocation and Cloud

Our HPC business earns revenue by providing colocation, cloud, and connectivity services to clients in exchange for a fee. The fee structure is based on two models: allocation and consumption. Under the allocation model, customers pay a fixed recurring monthly fee based on a set amount of resources assigned. The consumption model is generally a function of additional consumption of compute, storage, network or power usage above and beyond the contractual commitment.

Other

Other revenue may include: (i) hosting service fees that may be fixed or based on a profit-sharing arrangement, typically with reimbursement of passthrough costs, (ii) equipment sales, (iii) equipment repair revenue from repairing machines owned by third parties, and (iv) power revenues.

Cost of revenue

Digital Assets Mining

Included in cost of revenue for Digital Assets Mining are power costs inclusive of curtailment credits, hosting expense, facility labor costs, occupancy costs, and repair and maintenance expenses including facility infrastructure and miners.

Managed Services

Cost of revenue for Managed Services primarily consists of passthrough costs for expenses paid by us that are reimbursed by our customers on top of our managed services fee. These typically include facility labor costs, allocated corporate labor costs, and all repair and maintenance expenses including facility infrastructure and miners.

High Performance Computing – Colocation and Cloud

Included in cost of revenue for HPC are energy costs, network management costs, third party license fees, labor costs, repair and maintenance of HPC equipment, and facility costs.

Other

Other cost of revenue may include passthrough costs for hosted customers, cost of equipment sold, cost of equipment repair for third parties, and cost of power revenues.

Depreciation and amortization

Our depreciation expense consists mainly of depreciation for mining equipment and assets related to our HPC operations. As miners are received and put into service, amounts reflected as deposits are transferred to property and equipment and depreciation commences. Depreciation expense also includes an immaterial amount of depreciation for other property and equipment not directly associated with our mining or HPC activities. We capitalize the cost of our miners and record depreciation expense on a straight-line basis over the estimated useful life of the machines, which is generally four years. See Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements – Property and equipment* in our Unaudited Condensed Consolidated Statements included elsewhere in this Quarterly Report for additional information on estimated useful lives.

General and administrative expenses

General and administrative expenses (“G&A”) include, but are not limited to, payroll, stock-based compensation, legal fees, professional fees, non-refundable sales taxes, contracted services, security services, investor relations and shareholder costs, and insurance premiums.

Gains on digital assets and realized gains on sale of digital assets

We adopted ASU 2023-08, effective July 1, 2023, under which Bitcoin is revalued every reporting period at fair value with changes in fair value recognized in net income. We regularly exchange our newly mined Bitcoin for fiat currency to fund operating expenses.

Other income (expense)

Other income (expense) includes foreign exchange gain (loss), interest expense, unrealized gain on derivatives including call options, and equity in earnings of unconsolidated joint venture. Equity in earnings of unconsolidated joint venture is primarily attributed to our 50% share of the King Mountain JV’s net income or loss. See “—*Joint Ventures—King Mountain JV*” for additional information on the King Mountain JV.

Income tax benefit (provision)

Our provision for income taxes consists of U.S. deferred federal taxes. A valuation allowance is recorded against substantially all of our net deferred tax assets, which are composed primarily of federal and state net operating loss carryforwards, stock-based compensation, non-goodwill intangibles, investments in joint ventures, and lease liabilities; in addition, we have deferred tax liabilities resulting from our derivative and right-to-use assets. Our ability to offset our deferred tax liabilities with our deferred tax assets is limited due to restrictions on the ability to offset taxable income by more than eighty percent with U.S. federal net operating losses. As a result, we have recorded a deferred tax liability for the expected amount of future taxable income that is not covered by net operating losses. We evaluate our ability to recognize our deferred tax assets annually by considering all positive and negative evidence available as prescribed by the FASB under its general principles of ASC 740, *Income Taxes*.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we rely on Adjusted EBITDA to evaluate our business, measure our performance, and make strategic decisions. Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) before interest expense, income tax provision, depreciation and amortization, further adjusted by the removal of gains on the extinguishment of debt (if applicable), unrealized gains (losses) on derivatives, depreciation and amortization embedded in the equity in earnings (losses) from an unconsolidated joint venture, foreign exchange gains or losses, gain or loss on the sale of property and equipment (if applicable), non-recurring transactions, loss from discontinued operations, net income (loss) attributable to noncontrolling interest, and stock-based compensation expense in the period presented. You are encouraged to evaluate each of these adjustments and the reasons our Board and management team consider them appropriate for supplemental analysis.

Our Board and management team use Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense and income), asset base (such as depreciation and amortization), and other items (such as non-recurring transactions mentioned above) that impact the comparability of financial results from period to period.

Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in the future, and any such modification may be material. Adjusted EBITDA has important limitations as an analytical tool and you should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

For a reconciliation to our most directly comparable financial measure, calculated and presented in accordance with GAAP, please see “—Results of Operations” below.

Results of Operations

Three Months Ended June 30, 2024 and 2023

(in USD thousands)	Three Months Ended		Increase (Decrease)
	June 30, 2024	June 30, 2023	
Revenue:			
Digital Assets Mining	\$ 13,912	\$ 15,858	\$ (1,946)
Managed Services	9,017	4,672	4,345
High Performance Computing – Colocation and Cloud	3,365	—	3,365
Other	8,921	—	8,921
Total revenue	35,215	20,530	14,685
Cost of revenue (exclusive of depreciation and amortization shown below):			
Cost of revenue - Digital Assets Mining	7,467	10,473	(3,006)
Cost of revenue - Managed Services	3,120	1,514	1,606
Cost of revenue - High Performance Computing – Colocation and Cloud	2,500	—	2,500
Cost of revenue - Other	7,549	—	7,549
Total cost of revenue	20,636	11,987	8,649
Operating expenses:			
Depreciation and amortization	11,531	4,064	7,467
General and administrative expenses	17,899	5,211	12,688
Losses (gains) on digital assets	71,842	—	71,842
Realized gain on sale of digital assets	—	(1,004)	1,004
Impairment of digital assets	—	868	(868)
Legal settlement	—	(1,531)	1,531
Total operating expenses (income)	101,272	7,608	93,664
Operating (loss) income	(86,693)	935	(87,628)
Other (expense) income:			
Foreign exchange gain (loss)	720	—	720
Interest expense	(6,012)	(5,657)	(355)
Unrealized gain on derivatives	17,219	—	17,219
Equity in earnings of unconsolidated joint venture	2,440	3,358	(918)
Total other income (expense)	14,367	(2,299)	16,666
Loss from continuing operations before taxes	(72,326)	(1,364)	(70,962)
Income tax provision	1,874	(322)	2,196
Net loss from continuing operations	\$ (70,452)	\$ (1,686)	\$ (68,766)
Loss from discontinued operations (net of income taxes of \$nil, \$nil, respectively)	(1,738)	—	(1,738)
Net loss	(72,190)	(1,686)	(70,504)
Less: Net loss attributable to non-controlling interests	324	—	324
Net loss attributable to Hut 8 Corp.	\$ (71,866)	\$ (1,686)	\$ (70,180)
Net loss	\$ (72,190)	\$ (1,686)	\$ (70,504)
Other comprehensive loss:			
Foreign currency translation adjustments	(7,362)	—	(7,362)
Total comprehensive loss	(79,552)	(1,686)	(77,866)
Less: Comprehensive loss attributable to non-controlling interest	423	—	423
Comprehensive loss attributable to Hut 8 Corp.	\$ (79,129)	\$ (1,686)	\$ (77,443)

Adjusted EBITDA reconciliation:

(in USD thousands)	Three Months Ended		Increase (Decrease)
	June 30, 2024	June 30, 2023	
Net loss	\$ (72,190)	\$ (1,686)	\$ (70,504)
Interest expense	6,012	5,657	355
Income tax provision	(1,874)	322	(2,196)
Depreciation and amortization	11,531	4,064	7,467
Unrealized gain on derivatives	(17,219)	—	(17,219)
Share of unconsolidated joint venture depreciation and amortization ⁽¹⁾	7,837	7,627	210
Foreign exchange loss (gain)	(720)	—	(720)
Non-recurring transactions ⁽²⁾	21	(1,531)	1,552
Loss from discontinued operations	1,738	—	1,738
Net loss attributable to non-controlling interests	324	—	324
Stock-based compensation expense	7,010	314	6,696
Adjusted EBITDA	\$ (57,530)	\$ 14,767	\$ (72,297)

⁽¹⁾ Net of the accretion of fair value differences of depreciable and amortizable assets included in equity in earnings of unconsolidated joint venture in the Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with ASC 323. See Note 8. *Investments in unconsolidated joint venture* of our Unaudited Condensed Consolidated Financial Statements for further detail.

⁽²⁾ Non-recurring transactions for the three months ended June 30, 2024 represent approximately \$1.5 million of miner relocation costs, \$0.7 million of restructuring costs, offset by a \$2.2 million tax refund. Non-recurring transactions for the three months ended June 30, 2023 represent a gain from a legal settlement of \$1.5 million.

Revenue

Total revenue for the three months ended June 30, 2024 and 2023 was \$35.2 million and \$20.5 million, respectively, and consisted of Digital Assets Mining, Managed Services, HPC, and Other.

Digital Assets Mining

Digital Assets Mining revenue was \$13.9 million and \$15.9 million for the three months ended June 30, 2024 and 2023, respectively. The decrease was primarily driven by a decrease in Bitcoin mined due to the Halving, an increase in network difficulty, the relocation of miners from the Kearney and Granbury sites to Alpha and Salt Creek, and planned downtime at the Salt Creek site to fortify the upstream electrical infrastructure supporting the facility. Bitcoin mined (excluding our net share of the King Mountain JV) for the three months ended June 30, 2024 and 2023 was 212 and 568, respectively. This was partially offset by an increase in average revenue per Bitcoin mined (excluding our net share of the King Mountain JV), which was about \$65,700 for the three months ended June 30, 2024 compared to about \$27,900 for the three months ended June 30, 2023.

Managed Services

Managed Services revenue was \$9.0 million for the three months ended June 30, 2024, consisting of \$6.0 million in management fees, \$1.6 million in cost reimbursements, and \$1.4 million in the form of customer equity. Managed Services revenue was \$4.7 million for the three months ended June 30, 2023, consisting \$3.1 million in fees and \$1.6 million in cost reimbursements. The increase was primarily driven by management fees related to the Ionic Management Services Agreement signed at the end of January 2024, partially offset by a decrease in management fees related to the Kearney and Granbury sites; during the three months ended June 30, 2024 we received only one month of management fees for Kearney and Granbury compared to three months of management fees received during the three months ended June 30, 2023.

High Performance Computing – Colocation and Cloud

HPC revenue was \$3.4 million and nil for the three months ended June 30, 2024 and 2023, respectively. The revenue for the three months ended June 30, 2024 represents three months of combined company activity in connection with the Business Combination and consists of recurring revenue from small and medium enterprises predominantly domiciled in Canada.

Other

Other revenue was \$8.9 million and nil for the three months ended June 30, 2024 and 2023, respectively. Other revenue for the three months ended June 30, 2024 consisted of \$3.6 million in equipment sales, \$2.4 million in hosting cost reimbursements, \$1.4 million in hosting services revenue, and \$1.5 million in power revenues from our natural gas power plants that were acquired as part of the Far North JV.

Cost of revenue

Digital Assets Mining

Cost of revenue for Digital Assets Mining for the three months ended June 30, 2024 and 2023 was \$7.5 million and \$10.5 million, respectively, driven by a decrease in costs after completing the relocation of our fleet from hosted to owned sites, including to our new site, Salt Creek, which has a favorable energy profile, the implementation of our proprietary curtailment system, resulting in more efficient management of our energy costs, and credits from participation in ancillary demand response programs. The three months ended June 30, 2024 includes three months of costs at the Medicine Hat site, which was acquired as a result of the Business Combination.

Managed Services

Cost of revenue for Managed Services for the three months ended June 30, 2024 and 2023 was \$3.1 million and \$1.5 million, respectively. The \$1.6 million increase was primarily driven by a \$1.0 million increase in reimbursable payroll costs and a \$0.6 million increase in other site operating costs driven by the addition of the five Ionic sites.

High Performance Computing – Colocation and Cloud

Cost of revenue for HPC for the three months ended June 30, 2024 and 2023 was \$2.5 million and nil, respectively. The cost of revenue reflects three months of activity in connection with the newly acquired HPC business from the Business Combination.

Other

Cost of revenue for Other for the three months ended June 30, 2024 was \$7.5 million and consisted primarily of \$3.2 million in cost of hosting services revenue, of which \$3.1 million is electricity costs, \$2.0 million in cost of equipment sold, and \$2.3 million in cost of power revenues. Cost of revenues for Other for the three months ended June 30, 2023 was nil.

Depreciation and amortization

Depreciation and amortization expense was \$11.5 million and \$4.1 million for the three months ended June 30, 2024 and 2023, respectively. The increase was primarily driven by depreciation and amortization of property and equipment acquired through the Business Combination and Far North transaction. Additionally, during the quarter ended March 31, 2024, management performed an operational efficiency review of its mining equipment ahead of the anticipated Halving. The outcome was a change in the expected useful life of our M31S and M31S+ and Canaan Avalon servers. The mining equipment was originally estimated to have a useful life of four years from the date the mining equipment was put into service. After the operational efficiency review, the mining equipment was estimated to have a useful life of five months as of January 1, 2024. The result is a change in estimate and applied prospectively, which increased depreciation expense by \$1.5 million for the three months ended June 30, 2024.

General and administrative expenses

G&A expenses were \$17.9 million and \$5.2 million for the three months ended June 30, 2024 and 2023, respectively. The \$12.6 million increase in G&A expenses was driven by: (i) a \$6.7 million increase in stock-based compensation, (ii) a \$2.4 million increase in salary and benefit costs due to added headcount as part of the Business Combination and to support our growth, (iii) a \$2.0 million increase in other G&A expenses related to the relocation of miners from Kearney and Granbury to Alpha and Salt Creek and additional headcount and cost centers as part of the Business Combination, (iv) a \$1.0 million increase in insurance expenses due to the increased coverage required as a publicly listed entity, (v) a \$1.0 million increase in professional fees for corporate development initiatives and items related to operating as a public company, (vi) \$0.7 million in investor relations and regulatory related expenses due to becoming a publicly listed entity, and (vii) \$0.7 million in restructuring costs. The increase in expenses was partially offset by a \$1.9 million decrease in sales tax expense driven by a \$2.2 million refund of sales taxes in Canada for the years prior to the Business Combination.

Losses on digital assets

Losses on digital assets were \$71.8 million and nil for the three months ended June 30, 2024 and 2023, respectively. The decrease primarily consists of decreases in the market value from the last reporting period to the current reporting period of our Bitcoin in accordance with ASU 2023-08, effective July 1, 2023, which requires us to recognize our digital assets at fair value with changes recognized in net income during the reporting period. The price of Bitcoin on March 31, 2024 was \$71,289 compared to the price of Bitcoin on June 30, 2024 of \$62,668, such that the decrease in Bitcoin price during the quarter resulted in the loss of \$71.8 million.

Legal settlement

Legal settlement was nil and \$1.5 million for the three months ended June 30, 2024 and 2023, respectively. USBTC became a plaintiff in a malpractice lawsuit in September 2021. In April 2023, USBTC settled the lawsuit for a gross amount of \$3.1 million. In May 2023, USBTC received approximately \$1.5 million, net of legal fees.

Other income (expense)

Other income (expense) totaled \$14.4 million and (\$2.3) million for the three months ended June 30, 2024 and 2023, respectively. The increase of \$16.7 million was primarily due to a \$17.2 million unrealized gain on derivatives and a \$0.7 million in foreign exchange gain, partially offset by a \$0.9 million decrease in equity in earnings of unconsolidated joint venture and a \$0.4 million increase in interest expense.

Income tax

Our income tax (provision) benefit was \$1.9 million for the three months ended June 30, 2024 compared to (\$0.3) million for the three months ended June 30, 2023. The decrease in income tax provision was primarily due to lower taxable income for the three months ended June 30, 2024 compared to the prior year period.

Loss from discontinued operations

Loss from discontinued operations was \$1.7 million and nil for the three months ended June 30, 2024 and 2023, respectively. On March 6, 2024, we announced the closure of our Drumheller site in Alberta, Canada in connection with restructuring and optimization initiatives designed to strengthen financial performance. The \$1.7 million loss was related to the closure of our Drumheller site.

Adjusted EBITDA

Adjusted EBITDA was (\$57.5) million and \$14.8 million for the three months ended June 30, 2024 and 2023, respectively. The decrease was primarily driven by the \$71.8 million loss on digital assets. For a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, please see “—Results of Operations—Adjusted EBITDA reconciliation” above.

Six Months Ended June 30, 2024 and 2023

	Six Months Ended		
	June 30, 2024	June 30, 2023	Increase (Decrease)
(in USD thousands)			
Revenue:			
Digital Assets Mining	\$ 44,269	\$ 23,504	\$ 20,765
Managed Services	18,252	10,199	8,053
High Performance Computing – Colocation and Cloud	6,691	—	6,691
Other	17,744	2,474	15,270
Total revenue	86,956	36,177	50,779
Cost of revenue (exclusive of depreciation and amortization shown below):			
Cost of revenue - Digital Assets Mining	24,089	16,552	7,537
Cost of revenue - Managed Services	5,881	3,897	1,984
Cost of revenue - High Performance Computing – Colocation and Cloud	5,089	—	5,089
Cost of revenue - Other	13,724	45	13,679
Total cost of revenue	48,783	20,494	28,289
Operating expenses:			
Depreciation and amortization	23,003	6,968	16,035
General and administrative expenses	37,898	11,586	26,312
Losses (gains) on digital assets	(202,732)	—	(202,732)
(Gain) loss on sale of property and equipment	(190)	445	(635)
Realized gain on sale of digital assets	—	(2,376)	2,376
Impairment of digital assets	—	1,431	(1,431)
Legal settlement	—	(1,531)	1,531
Total operating expenses (income)	(142,021)	16,523	(158,544)
Operating income (loss)	180,194	(840)	181,034
Other (expense) income:			
Foreign exchange gain (loss)	(1,679)	—	(1,679)
Interest expense	(12,293)	(13,232)	939
Gain on debt extinguishment	—	23,683	(23,683)
Unrealized gain on derivatives	17,219	—	17,219
Equity in earnings of unconsolidated joint venture	6,962	6,642	320
Total other income	10,209	17,093	(6,884)
Income from continuing operations before taxes	190,403	16,253	174,150
Income tax provision	(2,522)	(611)	(1,911)
Net income from continuing operations	\$ 187,881	\$ 15,642	\$ 172,239
Loss from discontinued operations	(9,364)	—	(9,364)
Net income	178,517	15,642	162,875
Less: Net loss attributable to non-controlling interests	493	—	493
Net income attributable to Hut 8 Corp.	\$ 179,010	\$ 15,642	\$ 163,368
Net income	\$ 178,517	\$ 15,642	\$ 162,875
Other comprehensive loss:			
Foreign currency translation adjustments	(18,436)	—	(18,436)
Total comprehensive income	160,081	15,642	144,439
Less: Comprehensive loss attributable to non-controlling interest	557	—	557
Comprehensive income attributable to Hut 8 Corp.	\$ 160,638	\$ 15,642	\$ 144,996

Adjusted EBITDA reconciliation:

<i>(in USD thousands)</i>	June 30, 2024	June 30, 2023	Increase (Decrease)
Net income	\$ 178,517	\$ 15,642	\$ 162,875
Interest expense	12,293	13,232	(939)
Income tax provision	2,522	611	1,911
Depreciation and amortization	23,003	6,968	16,035
Gain on debt extinguishment	—	(23,683)	23,683
Unrealized gain on derivatives	(17,219)	—	(17,219)
Share of unconsolidated joint venture depreciation and amortization ⁽¹⁾	13,186	12,879	307
Foreign exchange loss (gain)	1,679	—	1,679
(Gain) loss on sale of property and equipment	(190)	445	(635)
Non-recurring transactions ⁽²⁾	4,336	(1,531)	5,867
Loss from discontinued operations	9,364	—	9,364
Net loss attributable to non-controlling interests	493	—	493
Stock-based compensation expense	11,484	1,348	10,136
Adjusted EBITDA	\$ 239,468	\$ 25,911	\$ 213,557

⁽¹⁾ Net of the accretion of fair value differences of depreciable and amortizable assets included in equity in earnings of unconsolidated joint venture in the Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with ASC 323. See Note 8. *Investments in unconsolidated joint venture* of our Unaudited Condensed Consolidated Financial Statements for further detail.

⁽²⁾ Non-recurring transactions for the six months ended June 30, 2024 represent approximately \$3.6 million of restructuring costs, \$1.5 million of miner relocation costs, \$1.5 million related to the Far North transaction, and a \$2.2 million tax refund.

Revenue

Total revenue for the six months ended June 30, 2024 and 2023 was \$87.0 million and \$36.2 million, respectively, and consisted of Digital Assets Mining, Managed Services, HPC, and Other.

Digital Assets Mining

Digital Assets Mining revenue was \$44.3 million and \$23.5 million for the six months ended June 30, 2024 and 2023, respectively. This increase was primarily driven by an increase in the average price of Bitcoin in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, partially offset by a decrease in Bitcoin mined driven by the Halving, an increase in average network difficulty, the relocation of miners from the Kearney and Granbury sites to Alpha and Salt Creek, and planned downtime at the Salt Creek site to fortify the upstream electrical infrastructure supporting the facility. The average revenue per Bitcoin mined (excluding our net share of the King Mountain JV) was about \$55,100 during the six months ended June 30, 2024 compared to about \$26,300 during the six months ended June 30, 2023. Bitcoin mined (excluding our net share of the King Mountain JV) for the six months ended June 30, 2024 and 2023 was 803 (excluding the Bitcoin mined at Drumheller) and 894, respectively. Average network difficulty for the six months ended June 30, 2024 and 2023 was 81.1T and 44.8T, respectively.

Managed Services

Managed Services revenue was \$18.3 million for the six months ended June 30, 2024, consisting of \$12.9 million in management fees, \$3.1 million in cost reimbursements, and \$2.3 million in the form of customer equity. Managed Services revenue was \$10.2 million for the six months ended June 30, 2023, consisting of \$6.0 million in management fees and \$4.2 million in cost reimbursements. The increase was primarily driven by management fees related to the Ionic Management Services Agreement signed at the end of January 2024.

High Performance Computing – Colocation and Cloud

HPC revenue was \$6.7 million and nil for the six months ended June 30, 2024 and 2023, respectively. The revenue for the six months ended June 30, 2024 represents six months of combined company activity in connection with the Business Combination and consists of recurring revenue from small and medium enterprises predominantly domiciled in Canada.

Other

Other revenue was \$17.7 million and \$2.5 million for the six months ended June 30, 2024 and 2023, respectively. Other revenue for the six months ended June 30, 2024 consisted of \$7.3 million in equipment sales, \$4.9 million in hosting cost reimbursements, \$3.2 million in hosting services revenue, \$2.2 million in power revenues, and \$0.1 million in equipment repair revenue. Other revenue for the six months ended June 30, 2023 consisted primarily of hosting services revenue.

Cost of revenue

Digital Assets Mining

Cost of revenue for Digital Assets Mining for the six months ended June 30, 2024 and 2023 was \$24.1 million and \$16.6 million, respectively. The increase was driven primarily by an increase in electricity costs from additional miners online and higher network difficulty. The six months ended June 30, 2024 includes six months of costs at the Medicine Hat site, which was acquired as a result of the Business Combination.

Managed Services

Cost of revenue for Managed Services for the six months ended June 30, 2024 and 2023 was \$5.9 million and \$3.9 million, respectively. The \$2.0 million increase was primarily driven by a \$1.9 million increase in reimbursable payroll costs and a \$0.1 million increase in other site operating costs.

High Performance Computing – Colocation and Cloud

Cost of revenue for HPC for the six months ended June 30, 2024 and 2023 was \$5.1 million and nil, respectively. The cost of revenue reflects six months of activity in connection with the newly acquired HPC business from the Business Combination.

Other

Cost of revenue for Other for the six months ended June 30, 2024 was \$13.7 million and consisted primarily of \$6.4 million in cost of hosting services revenue, of which \$6.3 million is electricity costs, \$3.9 million in cost of equipment sold, \$3.2 million in cost of power revenues, and \$0.2 million in cost of equipment repair. Cost of revenues for Other for the six months ended June 30, 2023 was less than \$0.1 million and consisted primarily of cost of hosting services revenue.

Depreciation and amortization

Depreciation and amortization expense was \$23.0 million and \$7.0 million for the six months ended June 30, 2024 and 2023, respectively. The increase was primarily driven by property and equipment acquired through the Business Combination and the Far North transaction. Additionally, during the three months ended March 31, 2024, management performed an operational efficiency review of its mining equipment ahead of the anticipated Halving. The outcome was a change in the expected useful life of our MicroBT M31S and M31S+ and Canaan Avalon servers. The mining equipment was originally estimated to have a useful life of four years from the date the mining equipment was put into service. After the operational efficiency review, the mining equipment was estimated to have a useful life of five months as of January 1, 2024. The result is a change in estimate and applied prospectively, which increased depreciation expense by \$3.6 million for the six months ended June 30, 2024.

General and administrative expenses

G&A expenses were \$37.9 million and \$11.6 million for the six months ended June 30, 2024 and 2023, respectively. The \$26.3 million increase in G&A expenses was driven by: (i) a \$10.1 million increase in stock-based compensation, (ii) a \$5.1 million increase in salary and benefit costs due to added headcount as part of the Business Combination and to support our growth, (iii) a \$3.9 million increase in other G&A expenses related to additional headcount and cost centers as part of the Business Combination and relocation of miners from Kearney and Granbury to Alpha and Salt Creek, (iv) \$3.6 million in restructuring costs, (iv) a \$2.1 million increase in insurance expenses, (v) \$1.5 million in expenses related to the Far North transaction, (vi) \$1.0 million in investor relations and regulatory related expenses, and (vii) a \$0.4 million increase in professional fees. The increase in expenses was partially offset by a \$1.4 million decrease in sales tax expense driven by a \$2.2 million refund of sales taxes in Canada for the year prior to the Business Combination.

Gains on digital assets

Gains on digital assets were \$202.7 million and nil for the six months ended June 30, 2024 and 2023, respectively. The increase, which primarily consists of increases in the market value of our Bitcoin, was due to our decision to adopt ASU 2023-08, effective July 1, 2023, which requires us to recognize our digital assets at fair value with changes recognized in net income during the reporting period. The price of Bitcoin on December 31, 2023 was \$42,288 compared to the price of Bitcoin on June 30, 2024 of \$62,668, such that the increase in Bitcoin price during the quarter resulted in the significant gain of \$202.7 million.

Legal settlement

Legal settlement was nil and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively. USBTC became a plaintiff in a malpractice lawsuit in September 2021. In April 2023, USBTC settled the lawsuit for a gross amount of \$3.1 million. In May 2023, USBTC received approximately \$1.5 million, net of legal fees.

Other income

Other income totaled \$10.2 million and \$17.1 million for the six months ended June 30, 2024 and 2023, respectively. The decrease of \$6.9 million was primarily due to gain on debt extinguishment of nil compared to \$23.7 million during the six months ended June 30, 2024 and 2023, respectively, and foreign exchange loss of \$1.7 million compared to nil during the six months ended June 30, 2024 and 2023, respectively. The gain on debt extinguishment relates to our restructuring of the NYDIG debt in February 2023. The decrease in other income was partially offset by an unrealized gain on call options of \$17.2 million, a decrease in interest expense of \$0.9 million, and an increase in equity in earnings of an unconsolidated joint venture of \$0.3 million during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Income tax

Our income tax provision was \$2.5 million for the six months ended June 30, 2024 compared to \$0.6 million for the six months ended June 30, 2023. The increase in income tax provision was primarily due to higher taxable income for the six months ended June 30, 2024 compared to the prior year period.

Loss from discontinued operations

Loss from discontinued operations was \$9.4 million and nil for the six months ended June 30, 2024 and 2023, respectively. On March 6, 2024, we announced the closure of our Drumheller site in Alberta, Canada in connection with restructuring and optimization initiatives designed to strengthen financial performance. Of the \$9.4 million loss related to the closure of our Drumheller site, the impairment of the long term assets contributed \$6.1 million and the remaining \$3.3 million loss was from other operational activities.

Adjusted EBITDA

Adjusted EBITDA was \$239.5 million and \$25.9 million for the six months ended June 30, 2024 and 2023, respectively. The increase was primarily driven by the \$202.7 million fair value gain on digital assets, higher gross margin per Bitcoin mined, and additional profitable revenue from Managed Services. For a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, please see “—Results of Operations—Adjusted EBITDA reconciliation” above.

Liquidity and Capital Resources

Our earnings and ability to meet any debt obligations will depend on the cash flows resulting from our operations. Our cash needs historically were primarily for growth through acquisitions and working capital to support equipment financing and the purchase of additional miners. Cash needs for operations have historically been financed with cash generated from operations, sales of our mined Bitcoin or financings. Our strategy is primarily to sell new Bitcoin mined and we intend to use existing Bitcoin held in reserve to build balance sheet value and finance growth initiatives. Bitcoin held in reserve may be deployed through direct sales, option strategies, or other approaches. See Note 9. *Loans and notes payable* to the Unaudited Condensed Consolidated Financial Statements found elsewhere in this Quarterly Report for additional information on our existing financing arrangements.

Our ability to meet our anticipated cash requirements will depend on factors including our ability to expand our business or enter into new lines of business and provide new offerings, services, and features and make enhancements to our business, our ability to compete with existing and new competitors in existing and new markets and offerings, our ability to acquire new businesses or pursue strategic transactions and global and domestic economic conditions and their impact on demand for our markets and offering.

We believe that cash flows generated from operating activities will meet our anticipated cash requirements in the short-term. On a long-term basis, we would rely on our Bitcoin held in reserve and access to the capital markets for any long-term funding not provided by operating cash flows and cash on hand.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended	
	June 30, 2024	June 30, 2023
(in USD thousands)		
Cash flows (used in) provided by operating activities	\$ (42,693)	\$ (2,539)
Cash flows provided by investing activities	34,992	22,337
Cash flows provided by (used in) financing activities	152,862	(16,126)

Operating Activities

Net cash used in operating activities was \$42.7 million and \$2.5 million for the six months ended June 30, 2024 and 2023, respectively. Net cash used in operating activities for the six months ended June 30, 2024 resulted from net income and related adjustments of \$31.1 million in addition to unfavorable changes in working capital of \$11.6 million. Net cash provided by operating activities for the six months ended June 30, 2023 resulted from net income and related adjustments of \$4.9 million offset by favorable changes in working capital of \$2.4 million.

Investing Activities

Net cash provided by investing activities was \$35.0 million and \$22.3 million for the six months ended June 30, 2024 and 2023, respectively. Cash increases for the six months ended June 30, 2024 were primarily due to \$53.1 million in proceeds from the sale of Bitcoin, \$4.2 million in proceeds from the sale of property and equipment, and \$1.1 million in cash acquired from the Far North acquisition, partially offset by \$17.0 million in purchases of property and equipment primarily for the Salt Creek buildout and a \$6.4 million investment in Ionic. Cash increases for the six months ended June 30, 2023 were primarily due to \$24.2 million in proceeds from the sale of Bitcoin, offset by \$1.0 million in deposits on miners and \$0.9 million in purchases of property and equipment.

Financing Activities

Net cash (used in) provided by financing activities was \$152.9 million and (\$16.1) million for the six months ended June 30, 2024 and 2023, respectively. Cash provided by financing activities for the six months ended June 30, 2024 was driven by \$150.0 million in proceeds from the Coatue convertible note, \$20.8 million in proceeds from covered call options premium, and \$14.8 million in proceeds from the Coinbase loan. This was partially offset by \$32.3 million in repayment of loans and notes payable. Cash used for the six months ended June 30, 2023 was primarily due to \$14.9 million in repayment of notes payable and \$1.2 million in debt issuance costs paid.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, each as of the date of the consolidated financial statements, and revenues and expenses during the periods presented. On an ongoing basis, our management evaluates these estimates and assumptions, and the effects of any such revisions are reflected in the consolidated financial statements in the period in which they are determined to be necessary. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our consolidated financial statements.

Set forth below are the policies and estimates that we have identified as critical to our business operations and understanding our results of operations, based on the high degree of judgment utilized or complexity in their application.

- Use of estimates
- Digital assets
- Revenue from contracts with customers
- Impairment of long-lived assets
- Investment in equity investees
- Finite-lived intangible assets
- Stock based compensation expense

See Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements* to our Unaudited Condensed Consolidated Financial Statements found elsewhere in this Quarterly Report for more detail on these accounting policies and estimates.

Recent Accounting Pronouncements

See Note 2. *Basis of presentation, summary of significant accounting policies and recent accounting pronouncements* to our Unaudited Condensed Consolidated Financial Statements found elsewhere in this Quarterly Report for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Price Risk of Bitcoin

We hold a significant amount of Bitcoin; therefore, we are exposed to the impact of market price changes in Bitcoin on our Bitcoin holdings.

As of June 30, 2024, we held 9,102 Bitcoin and the fair value of a single Bitcoin was approximately \$62,700. Therefore, the fair value of our Bitcoin holdings as of June 30, 2024 was approximately \$570.5 million. Declines in the fair market value of Bitcoin will impact the cash value that would be realized if we were to sell our Bitcoin for cash, therefore having a negative impact on our liquidity.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to interest rate risk relates to our ability to earn interest income on cash balances denominated in foreign currency at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of our cash account.

In addition, we have two loans that maintain a variable interest rate. The first is the TZRC Secured Promissory Note, which includes a floating interest rate subject to a maximum rate of 15.25%. The second is the Coinbase credit facility, which bears interest at a rate of 6.0% plus the greater of (i) the federal funds rate on the date of the applicable borrowing and (ii) 3.25%. As a result, changes in the market interest rate could have an effect on our operations over certain periods. As of June 30, 2024, the interest rate on the TZRC Secured Promissory Note was 15.25%, the maximum interest rate. As of June 30, 2024, the interest rate on the Coinbase credit facility was 11.50%. Based on the outstanding balance of the Coinbase credit facility as of June 30, 2024, for every 100 basis point increase in the US Federal Funds Target Rate - Upper Bound, we would incur approximately \$0.7 million of additional annual interest expense. We currently do not hedge interest rate exposure. We may in the future hedge our interest rate exposure and may use swaps, caps, collars, structured collars or other common derivative financial instruments to reduce interest rate risk. It is difficult to predict the effect that future hedging activities would have on our operating results.

For more information regarding the TZRC Secured Promissory Note and Coinbase credit facility, see Note 9. *Loans and notes payable* to the Unaudited Condensed Consolidated Financial Statements found elsewhere in this Quarterly Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of Hut 8's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and regulations promulgated thereunder) as of June 30, 2024. Based on this evaluation, our management concluded that our disclosure controls and procedures were effective as of June 30, 2024. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls, and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a description of material legal proceedings in which we are involved, see Note 17. *Commitments and contingencies* to our Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, which is incorporated herein by reference.

We are not presently a party to any other legal or regulatory proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, or financial condition. However, we are subject to regulatory oversight by numerous federal, state, provincial, and foreign regulators and we are, and we may become, subject to various legal proceedings, inquiries, investigations, and demand letters that arise in the course of our business.

Item 1A. Risk Factors

As of the date of this Quarterly Report, there have been no material changes from the risk factors set forth in Part I, Item 1A of our Annual Report. We are subject to various risks and uncertainties that could materially adversely affect our business, financial condition, operating results and the trading price of our common stock. You should carefully read and consider the risks and uncertainties included in the Annual Report, together with all of the other information in the Annual Report and this Quarterly Report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, and other documents that we file with the U.S. Securities and Exchange Commission (the “SEC”). The risks and uncertainties described in these reports may not be the only ones we face. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. The factors discussed in these reports, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors, and oral statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Except as previously reported in our Current Report on Form 8-K filed with the SEC on June 24, 2024, there were no unregistered sales of equity securities by us during the three months ended June 30, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 12, 2024, our board of directors accelerated the vesting of 380,658 stock options held by certain non-employee directors and 425,604 stock options held by Asher Genoot, our Chief Executive Officer, under the Hut 8 Corp. Rollover Option Plan, in each case to vest immediately.

During the quarter ended June 30, 2024, none of our officers or directors adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Hut 8 Corp.	8-K	3.1	12/01/2023
3.2	Amended and Restated Bylaws of Hut 8 Corp.	8-K	3.2	12/01/2023
10.1	Convertible Note Purchase Agreement, dated June 21, 2024, by and between Hut 8 Corp., Coatue Tactical Solutions Lending Holdings AIV 3 LP, and Hut 8 Mining Corp.	8-K	10.1	06/24/2024
10.2*	Second Amended and Restated Credit Agreement, dated as of June 17, 2024, between Hut 8 Mining Corp. and Coinbase Credit, Inc.	8-K	10.1	06/24/2024
10.3*#	Employment Agreement, dated as of May 1, 2024, by and between Victor Semah and Hut 8 Corp.			
31.1	Certification of Principal Executive Officer of Hut 8 Corp. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2	Certification of Principal Financial and Accounting Officer of Hut 8 Corp. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Certification of Principal Executive Officer and Principal Financial and Accounting Officer of Hut 8 Corp. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101	Inline Interactive Data File			
104	Cover Page Interactive Data File			

* Pursuant to Item 601(b)(10), as applicable, of Regulation S-K, certain portions of this exhibit were redacted. Hut 8 Corp. hereby agrees to furnish a copy of any redacted information to the SEC upon request.

Management contract or compensation plan or arrangement. Furnished herewith and not deemed to be “filed” for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

** Furnished herewith and not deemed to be “filed” for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 13, 2024

Hut 8 Corp.

By: /s/ Asher Genoot

Asher Genoot

Chief Executive Officer

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the “**Agreement**”) is made as of the 1st day of May, 2024, by and between Hut 8 Corp., a corporation existing under the laws of the State of Delaware (the “**Company**”), and Victor Semah, an individual residing in the State of Florida (the “**Executive**”).

RECITALS:

WHEREAS the Company shall employ the Executive as Chief Legal Officer & Corporate Secretary pursuant to the terms of this Agreement and such officer shall provide services to the Company on the terms, and subject to the conditions, as set out in this Agreement.

NOW THEREFORE in consideration of the foregoing recitals and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

**ARTICLE 1
INTERPRETATION****Section 1.1 Definitions.**

In this Agreement, unless otherwise defined herein, capitalized terms have the meaning set out in Schedule “A” annexed to this Agreement.

Section 1.2 Extended Meanings.

In this Agreement, words importing the singular include the plural and vice versa and words importing gender include all genders.

Section 1.3 Headings.

The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement.

Section 1.4 References.

References to a specific article, or section are to be construed as references to that specified article, or section of this Agreement, unless the context otherwise requires.

Section 1.5 Currency.

All dollar amounts referred to in this Agreement are in United States currency, unless otherwise specifically indicated.

ARTICLE 2 EMPLOYMENT POSITION AND DUTIES

Section 2.1 **Employment.**

The Executive shall be employed as the Chief Legal Officer & Corporate Secretary of the Company and shall report to the Chief Executive Officer of the Company. If reasonably requested by the Board, the Executive will also serve as an officer and/or director of direct or indirect subsidiaries of the Company. Except as otherwise provided herein, the Executive will not be entitled to any additional compensation for services for other positions or titles that the Executive may hold with any direct or indirect subsidiaries of the Company to the extent the Executive is so appointed. The Executive shall be based in the Company's principal office in Miami, Florida with business travel as reasonably required to perform the Executive's duties and responsibilities under this Agreement.

The Executive shall perform such duties and responsibilities as set forth on Schedule "B" annexed to this Agreement.

It is agreed to by the Parties to this Agreement that the Executive shall retain all necessary authorizations to work in the United States as a condition of carrying out their duties under this Agreement.

Section 2.2 **Term.**

This Agreement will be effective from May 1, 2024 (the "**Start Date**") and will continue in effect for an indefinite term until it is terminated in accordance with Article 4 (the "**Term**").

Section 2.3 **Location.**

Subject to Section 2.1, the Executive shall generally perform services for the Company in the State of Florida, United States of America.

Section 2.4 **Faithful Service.**

- (1) During the Term, the Executive shall:
 - (a) well and faithfully serve the Company, and carry out those responsibilities as are necessary to perform the functions associated with the position of Chief Legal Officer & Corporate Secretary of the Company;
 - (b) devote the required skill, experience and attention necessary to carry out the responsibilities consistent with the Executive's position; and
 - (c) use commercially reasonable best efforts to promote the success of the Business of the Company and, at all times while performing services for the Company, act in the best interests of the Company.
 - (2) The Executive acknowledges that the Executive must comply with: (a) the lawful policies and procedures established by the Company from time to time, including any code of ethics or business conduct adopted by the Company (including any future revisions of such policies, procedures or other codes of business conduct); and (b) all applicable laws, rules, regulations and all requirements of all applicable regulatory, self-regulatory and administrative bodies.
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ARTICLE 3
COMPENSATION AND BENEFITS

Section 3.1 Base Salary.

During the Term, the Company shall pay from its U.S. payroll to the Executive a salary at the rate of US\$375,000.00 per annum (the “**Base Salary**”), less applicable deductions and withholdings, payable in accordance with the Company’s regular payroll practices. The Executive’s Base Salary may be increased upon annual review by the Board (or a subcommittee thereof), at the sole discretion of the Board (or a subcommittee thereof), and once increased shall thereafter be the Base Salary hereunder.

Section 3.2 Bonus.

During the Term, the Executive will be eligible to receive an annual bonus for each calendar year, commencing with the 2025 calendar year, with a target of eighty-five percent (85%) of Base Salary (“**Annual Bonus**”) in accordance with the achievement of performance metrics, both corporate and personal, as determined by the Board (or a subcommittee thereof) in their sole discretion, acting reasonably, as applicable, at the beginning of the relevant year. The amount of each such Annual Bonus will be expected to scale upward and downward based on actual performance against such performance metrics as determined by the Board (or a subcommittee thereof) in good faith. For the 2024 calendar year, the Executive will be entitled to receive a bonus (the “**2024 Bonus**”; the 2024 Bonus and each Annual Bonus, a “**Bonus**”) in an amount equal to eighty-five percent (85%) of Base Salary multiplied by a fraction, the numerator of which is the number of days in the period beginning on the Start Date and ending on December 31, 2024 and the denominator of which is 366. Each Bonus will be payable on such date as is determined by the Board (or a subcommittee thereof), but no later than March 31 of the following fiscal year and in all cases in the calendar year that follows the fiscal year to which the Bonus relates. Except as otherwise provided in Article 4 of this Agreement, as a condition to being eligible for a Bonus (including, for avoidance of doubt, the 2024 Bonus), the Executive must remain actively employed under this Agreement until the date of payment.

The Executive acknowledges that: (a) terms of the Annual Bonus may change each fiscal year at the discretion of the Company; (b) except as provided in the preceding paragraph with respect to the 2024 Bonus, the Executive has no expectation that in any fiscal year there will be a guaranteed level of bonus; (c) the amount of the bonus, if any, that the Executive may be awarded may change from year to year; and (d) all bonuses are subject to applicable deductions and withholdings. For greater certainty, except as otherwise stipulated in Article 4 of this Agreement, no period of notice of termination, if any, or payment in lieu of notice or Severance Period that is given pursuant to this Agreement that follows or is in respect of a period after the last date of actual and active employment will be considered as extending the Executive’s period of employment for the purposes of determining the Executive’s entitlements under this Agreement.

Section 3.3 Equity Compensation.

During the Term, the Executive shall be entitled to receive equity-based compensation awards under the equity compensation plan of the Company as in effect from time to time, as determined by the Board (or a subcommittee thereof) in its sole discretion.

Section 3.4 Vacation.

During each full calendar year, the Executive will be entitled to four (4) weeks' vacation, which shall accrue in accordance with the Company's vacation policy, if applicable. Unused vacation may not be carried forward to a subsequent year or paid out upon termination of employment, except as required by applicable law or Company policy. Vacation is to be taken at a time acceptable to the Company having regard to business requirements.

Section 3.5 Expenses.

The Company or an affiliate shall reimburse the Executive for all out-of-pocket expenses reasonably and properly incurred by the Executive in connection with the Executive's duties hereunder, provided that such expenses are in accordance with the policies of the Company in effect from time to time. To the extent requested by the Company or required under such policies, the Executive shall furnish to the Company statements and receipts for all such expenses. If the reimbursement of any travel expense results in a taxable benefit to the Executive, the Company agrees to reimburse or cause an affiliate to reimburse the Executive the applicable taxes as a result of such taxable benefit.

Section 3.6 Benefits.

The Executive will be eligible to participate in the applicable benefits plans of the Company or its U.S. affiliates, as the case may be, during the Term subject to and in accordance with the terms and conditions of such plans, as may be amended or terminated.

Section 3.7 Section 409A Compliance.

The intent of the Parties is that payments and benefits under this Agreement be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), to the maximum extent possible or, to the extent not so exempt, that they be compliant with Section 409A to the maximum extent possible and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted accordingly. In no event whatsoever shall the Company or its affiliates or any of their respective directors, officers, employees, agents or attorneys be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A.

To the extent applicable and for purposes of compliance with Code Section 409A: (a) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive; (b) any right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit; and (c) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment" or like terms shall mean separation from service. Any provision of this Agreement to the contrary notwithstanding, if at the time of Executive's separation from service, the Company determines that Executive is a "specified employee" within the meaning of Code Section 409A, then to the extent any payment or benefit that Executive becomes entitled to under this Agreement on account of such separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment or benefit shall be paid or provided at the date which is the earlier of (i) six (6) months and one (1) day after such separation from service, and (ii) the date of Executive's death (the "**Delay Period**"). Within five (5) days of the end of the Delay Period, all payments and benefits delayed pursuant to this paragraph (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or provided to Executive in a lump-sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

All payments of Taxes required to be paid by the Company to the Executive pursuant to Section 11.7 shall be paid no later than December 31 of the calendar year following the calendar year in which the Executive remits the Taxes.

ARTICLE 4 TERMINATION OF EMPLOYMENT

Section 4.1 Early Termination.

Notwithstanding any other provision in this Agreement, the Executive's employment and this Agreement may be terminated at any time as follows:

- (1) automatically upon the death of the Executive;
 - (2) by the Company at any time as a result of the Executive's Disability;
 - (3) by the Company at any time for Cause;
 - (4) by the Company at any time without Cause by providing written notice to the Executive specifying the effective Date of Termination (which may be immediately);
 - (5) by the Executive (in the absence of Good Reason) at any time by providing written notice to the Company specifying the effective date of resignation (such date being not less than eight (8) weeks following the date of the Executive's written notice, the "**Resignation Notice Period**") it being understood the Company is under no obligation to utilize the Executive's services during the Resignation Notice Period and may waive any portion of the Resignation Notice Period subject only to paying the Executive the Base Salary that otherwise would have been earned during such waived portion; or
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- (6) by the Executive for Good Reason only after providing written notice to the Company specifying the event or events upon which the Executive is relying to terminate the Executive's employment for Good Reason within ninety (90) days after the initial occurrence thereof, and provided that (a) such event or events are not cured by the Company within thirty (30) days after receipt of such notice, and (b) the Executive's resignation occurs within two (2) years following the initial occurrence of such event or events.

Section 4.2 Termination for Death, Cause, or Voluntary Resignation.

If this Agreement and the Executive's employment is terminated pursuant to Section 4.1(1), Section 4.1(3) or Section 4.1(5) above, then the Company shall, or the Company shall cause an affiliate to, pay to the Executive or to the Executive's estate, as applicable: (a) accrued and unpaid Base Salary up to the Date of Termination; (b) any accrued and outstanding vacation pay to the Date of Termination, if required to be paid pursuant to applicable law or Company policy; (c) reimbursement for business and other eligible expenses properly incurred to the Date of Termination; and (d) any amount accrued and arising from Executive's participation in, or benefits accrued under, any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements ((a), (b), (c) and (d), the "**Basic Entitlements**"). If this Agreement is terminated pursuant to Section 4.1(1), then, in addition to the Company paying, or the Company causing an affiliate to pay, the Executive's Basic Entitlements, the Company or an affiliate shall pay to the Executive's estate any Bonus earned but unpaid for any prior fiscal year preceding the year in which the Executive's death occurs. Furthermore, if this Agreement is terminated pursuant to Section 4.1(1), Executive shall be entitled to continuation of vesting and/or acceleration of vesting, as applicable, of any long term incentive or other equity based award granted to Executive (including, without limitation, any rights to continued or accelerated vesting of unvested stock, stock options, restricted stock units, performance stock units, or other securities or equity or equity-based incentive awards of the Company) to the extent provided for in any applicable plan or award agreement. For greater certainty and clarity, if this Agreement is terminated pursuant to Section 4.1(3) or Section 4.1(5) above, then the Executive shall not be entitled to any Bonus, pro-rated or otherwise, for the year in which the Date of Termination occurs or for any unpaid Bonus for the prior fiscal year in which termination or resignation occurs.

Section 4.3 Termination by Reason of Disability.

If this Agreement and the Executive's employment is terminated pursuant to Section 4.1(2) above, then the Company shall, or the Company shall cause an affiliate to, pay to the Executive the Basic Entitlements and any Bonus earned but unpaid for any prior fiscal year preceding the year in which the Date of Termination pursuant to Section 4.1(2) occurs. In addition, Executive shall be entitled to continuation of vesting and/or acceleration of vesting, as applicable, of any long term incentive or other equity based award granted to Executive (including, without limitation, any rights to continued or accelerated vesting of unvested stock, stock options, restricted stock units, performance stock units, or other securities or equity or equity-based incentive awards of the Company) to the extent provided for in any applicable plan or award agreement.

Section 4.4 Termination without Cause or for Good Reason.

If this Agreement and the Executive's employment are terminated by the Company without Cause pursuant to Section 4.1(4) or by the Executive for Good Reason pursuant to Section 4.1(6) above, then the following provisions shall apply:

- (1) the Company shall, or shall cause an affiliate to, pay to the Executive the Basic Entitlements;
- (2) the Company shall, or shall cause an affiliate to, pay any Bonus awarded in respect of the year preceding the year of termination, but not yet paid;
- (3) the Company shall, or shall cause an affiliate to, provide to the Executive an amount equivalent to the Executive's then Base Salary and Annual Bonus at target for a period of twelve (12) months (the "**Severance Period**") following the Date of Termination (the "**Cash Severance**");
- (4) if and to the extent the Executive is eligible for and elects COBRA coverage from the Company or its affiliates, the Company shall, or shall cause an affiliate to, during the Severance Period (or until the Executive becomes eligible for group health coverage from a new employer, if earlier) subsidize the COBRA premiums at the same subsidy rate as then in effect for active employees for the same level of coverage or, if such subsidy would result in adverse tax consequences to the Executive or the Company or its affiliates, make a taxable cash payment each month during the Severance Period equal to the amount the subsidy would have been; and
- (5) long term incentive or other equity awards will be determined in accordance with the terms of the applicable plan and award agreements; provided that with respect to awards that vest solely based on continued service with the Company, such awards shall vest in any tranche scheduled to vest in accordance with the applicable award agreement during the Severance Period, which vesting shall occur on the 91st day after the Date of Termination (or, if necessary to comply with Code Section 409A, if applicable, on such earlier date as is required in order to maintain compliance with, or an exemption from, Code Section 409A).

Section 4.5 Mitigation.

The Executive is not required to mitigate any of the amounts payable under this Article 4.

Section 4.6 Release.

Except as otherwise provided in Section 4.4, the Executive shall not be entitled to any further notice of termination, payment in lieu of notice of termination, severance, damages, or any additional compensation whatsoever. As a condition to receiving any payment pursuant to Section 4.4 hereof, the Executive agrees to deliver a full and final release in a form provided to the Executive by the Company, which shall be in substantially the form attached hereto as Exhibit A. Such release must be executed by the Executive and become irrevocable within sixty (60) days following the Date of Termination. If the Executive fails or refuses to so timely execute such release, or revokes such release, the amounts payable under Section 4.4 (other than under Section 4.4(1)) shall be forfeited. Any Bonus payable pursuant to Section 4.4(2) shall be paid at the same time it would have been paid absent termination of employment. Any payments pursuant to Section 4.4(3) or (4) shall be paid in equal installments in accordance with the Company's normal payroll practices during the Severance Period; provided, that the first installment shall not be paid until the first Business Day after the sixtieth (60th) day following the Date of Termination and such first installment shall include all unpaid installments from the Date of Termination; provided, further, that solely to the extent that the Cash Severance is not non-qualified deferred compensation within the meaning of Code Section 409A, at the option of the Company, the Company may pay the Cash Severance in a single lump sum on the first Business Day after the sixtieth (60th) day following the Date of Termination.

Section 4.7 Resignation as Director and Officer.

Upon termination of the Executive's employment for any reason whatsoever, the Executive shall thereupon be deemed to have immediately resigned any position the Executive may have as an officer, director or employee of the Company, together with any other office, position or directorship which the Executive may hold with the Company or any of its affiliates. In such event, the Executive shall, at the request of the Company, forthwith execute any and all documents appropriate to evidence such resignations. The Executive shall not be entitled to any payments in respect of such loss of office/directorship.

Section 4.8 Return of Property.

All equipment, keys, pass cards, credit cards, software, material, written correspondence, memoranda, communication, reports, or other documents or property pertaining to the business of the Company or any of its affiliates used or produced by the Executive in connection with the Executive's employment, or in the Executive's possession or under the Executive's control, shall at all times remain the property of the Company or its affiliate, as applicable. The Executive shall return all property of the Company or any of its affiliates in the Executive's possession or under the Executive's control in good condition (subject to normal wear and tear) forthwith upon any request by the Company or upon any termination of this Agreement and of the Executive's employment (regardless of the reason for such termination).

**ARTICLE 5
EXECUTIVE'S COVENANTS**

Section 5.1 Company Property.

The Executive acknowledges that all materials of the Company or an affiliate of the Company relating to the business and affairs of the Company or such affiliate, including, without limitation, all Developments, manuals, documents, reports, equipment, working materials and lists of customers or suppliers prepared by the Company or such affiliate or by the Executive in the course of the Executive's employment are for the benefit of the Company or such affiliate and are and will remain the property of the Company or such affiliate.

Section 5.2 Confidentiality and Intellectual Property Rights.

- (1) While employed during the Term, and following the termination of the Executive's employment (for any reason), the Executive shall not disclose to any Person, nor use for the Executive or another Person's benefit, any Confidential Information, except as otherwise specifically authorized in writing by the Company or as reasonably required for the Executive to carry out the Executive's duties and responsibilities during employment.
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- (2) The Executive acknowledges and agrees that all rights, titles and interests in or to the Developments and all Intellectual Property in and to the Developments shall be owned exclusively by the Company. Without further compensation, the Executive hereby irrevocably quit-claims and assigns to the Company, and agrees to assign to any designee of the Company, the Executive's entire right, title and interest in and to the Developments and all Intellectual Property in and to the Developments. The Executive understands that this assignment is intended to, and does, extend to Developments currently in existence, in development, as well as Developments which have yet to be created.
 - (3) The Executive hereby irrevocably waives, in favor of the Company, its successors, assigns and nominees, all moral rights arising under 17 U.S.C. § 101 *et seq.*, as amended (or any successor legislation of similar effect) or similar legislation in any applicable jurisdiction, or at common law, to the full extent that such rights may be waived in each respective jurisdiction, that the Executive may have now or in the future with respect to the Developments.
 - (4) The Executive shall promptly disclose Developments to the Company, and, at the Company's expense, perform all actions reasonably requested by the Company (whether during or after the Term) to establish and confirm title and ownership of Developments and all Intellectual Property in and to the Developments (including, without limitation, assignments, consents, powers of attorney and other instruments). The Executive agrees to execute on demand, whether during or after the Term, any applications, transfers, assignments or other documents as the Company may consider necessary for the purpose of either:
 - (a) obtaining, maintaining, vesting or assigning absolute title in any Developments and any Intellectual Property related thereto in, to or for the Company; or
 - (b) applying for, prosecuting, obtaining, protecting or enforcing any patent, copyright, industrial design or trade-mark registration or any other similar right pertaining to any Intellectual Property in Developments in any country. The Executive further agrees to cooperate and assist the Company in every way possible in the application for or prosecution of rights pertaining to such Intellectual Property.
 - (5) In the event the Company is unable, for any reason, after diligent effort, to secure the Executive's signature on any document needed in connection with the above-mentioned actions, the Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Executive's agent and attorney in fact, which appointment is coupled with an interest to act for and on the Executive's behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 5.2 with the same legal force and effect as if executed by the Executive.
 - (6) The Executive is hereby notified in accordance with the Defend Trade Secrets Act that the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The Executive is further notified that if the Executive files a lawsuit for retaliation by the Company or any of its affiliates for reporting a suspected violation of law, the Executive may disclose the Company's or such affiliates' trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.
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- (7) Nothing in this Agreement prohibits the Executive from reporting possible violations of law or regulation to any governmental agency or entity (including the Department of Justice, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Commission, and any Inspector General), or making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures and the Executive is not required to notify the Company that Executive has made such reports or disclosures.
- (8) The Executive hereby irrevocably consents to the use of the Executive's name, image, voice, or other likeness or statements made by the Executive in any text, audio and/or visual work, including but not limited to printed materials, photographs, audio recordings, video recordings, films, websites, business or social networking site pages, print, online or other electronic works of authorship (collectively, "Recordings and Works of Authorship"), which the Company and/or its affiliates and/or their contractors or representatives produce or publish for legitimate business reasons, in perpetuity and without the requirement of any further consent, attribution or consideration whatsoever. The Executive further hereby grants to the Company and its affiliates and licensees the right to modify, publish, copy, sublicense, and distribute any of the above works, or any part or remake thereof, in any medium throughout the world in perpetuity for legitimate business reasons. Notwithstanding the foregoing, Company agrees not to maliciously edit any Recordings and Works of Authorship in a manner that would substantively alter (including by omission) any statements made by Executive or in a manner that would reasonably be expected to damage Executive or his reputation.

Section 5.3 Corporate Opportunities.

Any business opportunities relating in any way to the business and affairs of the Company or any of its affiliates which become known to the Executive during the Executive's employment hereunder shall be fully disclosed and, if within the Executive's control, made available to the Company, and shall not be appropriated by the Executive under any circumstance.

ARTICLE 6 NON-COMPETITION

Section 6.1 Non-Competition.

The Executive shall not, during the Term (including, for certainty, the Resignation Notice Period) and for a period of twelve (12) months following the termination of the Executive's employment, for any reason, on the Executive's own behalf or on behalf of any Person, without the prior written consent of the Company, whether directly or indirectly, alone, or through or in connection with any Person,

- (1) carry on or be engaged in a capacity that is the same as or similar to the position occupied by the Executive during the Term, for any undertaking or business in all or part of the Territory which is competitive, in any way, with the Business; or
 - (2) have any financial interest in or be otherwise commercially involved in any undertaking or business in all or part of the Territory which is competitive, in any way, with the Business.
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Section 6.2 Exception.

The Executive will, however, not be in default under Section 6.1 by virtue of the Executive holding, strictly for portfolio purposes and as a passive investor, no more than one percent (1%) of the issued and outstanding shares of or any other interest in, any body corporate which is listed on any recognized stock exchange, the business of which body corporate is competitive, in any way, with the Business. Furthermore, Section 6.1 is not intended, nor shall it be construed, to prohibit or restrict in any way Executive's ability to engage in the practice of law for a law firm following the termination of Executive's employment hereunder.

**ARTICLE 7
NON-SOLICITATION**

Section 7.1 Non-Solicitation of Customers and Suppliers.

The Executive shall not, during the Term (including, for certainty, the Resignation Notice Period) and for a period of twelve (12) months following the termination of the Executive's employment, for any reason, on the Executive's own behalf or on behalf of or in connection with any other Person, without the prior written consent of Company, whether directly or indirectly, in any capacity whatsoever, alone, or through or in connection with any Person, solicit the business of (or assist in the soliciting of the business of) any Customer, Prospective Customer or Supplier for any purpose which is competitive with the Business, including for the purpose of having a Customer, Prospective Customer or Supplier cease doing business with the Company or any of its affiliates.

Section 7.2 Non-Solicitation of Employees.

The Executive shall not, during the Term (including, for certainty, the Resignation Notice Period) and for a period of twelve (12) months immediately following the termination of the Executive's employment, for any reason, on the Executive's own behalf or on behalf of or in connection with any other Person, without the prior written consent of Company, whether directly or indirectly, in any capacity whatsoever, alone, or through or in connection with any Person:

- (1) solicit the employment or engagement of or otherwise entice away from the employment or engagement of the Company or any of its affiliates, any individual who is employed or engaged by the Company or any of its affiliates, whether or not such individual would commit any breach of contract or terms of employment or engagement by leaving the employ or the engagement of the Company or any of its affiliates; or
 - (2) assist any Person to solicit the employment or engagement of any individual who is employed or engaged by the Company or any of its affiliates with whom the Executive had contact in the course of the Executive's employment with the Company during the two (2) year period immediately before the Executive's employment terminated, or otherwise entice any such individual away from the employment or engagement of the Company or any of its affiliates.
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For clarity, the placement by the Executive or any other Person of advertising in a newspaper or other publication of general circulation, or the engagement of a personnel search agency by the Executive or any other Person generally (i.e. not specifically in respect of the Company or any of its affiliates), that results in an employee or other individual engaged by the Company or any of its affiliates leaving the employment of or engagement with the Company shall not be considered a violation of this Section 7.2.

Section 7.3 Fiduciary Obligations.

Nothing in this Article 7 is intended to limit the fiduciary obligations that the Executive owes to the Company or any of its affiliates, as the case may be.

**ARTICLE 8
RECOGNITION**

Section 8.1 Recognition.

- (1) The Executive expressly recognizes that Article 5, Article 6 and Article 7 of this Agreement are of the essence of this Agreement, and that the Company would not have entered into this Agreement without the inclusion of those provisions and the Executive's commitment to abide by same.
- (2) The Executive further recognizes and expressly acknowledges that the application of Article 5, Article 6 and Article 7 of this Agreement will not have the effect of prohibiting the Executive from earning a living in a satisfactory manner in the event of the termination of this Agreement and the Executive's employment.
- (3) The Executive further recognizes and expressly acknowledges that Article 5, Article 6 and Article 7 of this Agreement grant to the Company and its affiliates only such reasonable protection as is necessary to preserve the legitimate interests of the Company and its affiliates and the Executive equally recognizes, in this respect, that the description of the Business and the Territory are reasonable.

Section 8.2 Remedies.

The Executive hereby recognizes and expressly acknowledges that the Company and its affiliates would be subject to irreparable harm should any of the provisions of Article 5, Article 6 or Article 7 be infringed, or should any of the Executive's obligations hereunder be breached by the Executive, and that damages alone will be an inadequate remedy for any breach or violation thereof and that the Company and its affiliates, in addition to all other remedies, will be entitled as a matter of right to equitable relief, including temporary or permanent injunction to restrain such breach.

Section 8.3 Suspension or Termination of Benefits and Compensation.

In the event that the Board (or a subcommittee thereof) determines in good faith that the Executive has breached any provisions of Article 5, Article 6 or Article 7 of this Agreement, the Company will have the right to suspend or terminate any or all remaining payments and/or benefits, if any, referenced in Section 4.4 of this Agreement. Such suspension or termination of payments and/or benefits will be in addition to and will not limit any and all other rights and remedies as set out in Section 8.2 of this Agreement that the Company and/or its affiliates may have against the Executive. No such determination by the Board shall be final and conclusive and, for the elimination of doubt, the Executive shall retain all rights and remedies with respect to (and the right to challenge, including by legal process) any such determination and/or resulting suspension or termination of payments and/or benefits.

**ARTICLE 9
NON-DISPARAGEMENT**

Section 9.1 Non-Disparagement.

The Executive shall not, during and following the Term, engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the business or the Company, its affiliates or its employees. Similarly, the Company shall instruct each of its and its affiliates' respective directors and officers to not, during and following the Term, engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity or reputation of the Executive. Nothing in this section is intended to restrict any Party to this Agreement from making comments or providing disclosure: (i) as required under applicable laws, including whistleblower legislation, (ii) as required in any investigation, court or arbitration proceeding or action, or (iii) engaging in any activity protected under applicable law, including the National Labor Relations Act.

**ARTICLE 10
CONFLICTING OBLIGATIONS**

Section 10.1 No Conflicting Obligations.

The Executive represents and warrants to the Company that:

- (1) there exists no agreement or contract, and that the Executive is not subject to any obligation, which restricts the Executive from (i) being employed by the Company; (ii) performing the duties assigned to the Executive pursuant to this Agreement; (iii) soliciting the business of any Person; or (iv) using information within the Executive's knowledge or control which may be useful in the performance of the Executive's duties for the Company;
 - (2) in the performance of the Executive's duties for the Company, the Executive shall not knowingly improperly bring to the Company or any of its subsidiaries or use any trade secrets, confidential information or other proprietary information of any third party; and
 - (3) the Executive shall not knowingly infringe the Intellectual Property of any third party.
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Section 10.2 Suspension with Pay.

The Executive acknowledges that, during the course of the Executive's employment, the Board may exercise its discretion to suspend the Executive with pay in furtherance of any internal investigation relating to the Executive's conduct.

**ARTICLE 11
GENERAL**

Section 11.1 Notices.

Any notice, demand or other communication which is required or permitted by this Agreement to be given or made by a party hereto must be in writing and be sufficiently given if delivered personally, sent by pre-paid registered mail, or via electronic mail at the following addresses:

- (1) to the Company at:

1101 Brickell Avenue, Suite 1500
Miami, FL 33131

Attention: Chief Executive Officer

E-mail: [REDACTED]

- (2) to the Executive at:
[REDACTED]

Attention: Victor Semah

E-mail: [REDACTED]

or at such other address as any party may from time to time advise the other party by notice in writing. Every notice or other communication will be deemed to have been received, (a) on the date of receipt, if given by personal delivery or electronic mail, and (b) the fifth Business Day after which it is mailed, if sent by registered mail. Notwithstanding the foregoing, if a strike or lockout of postal service is in effect, or generally known to be impending, notice must be effected by personal delivery.

Section 11.2 Survival.

Notwithstanding the termination of this Agreement, each party shall remain bound by the provisions of this Agreement which by their terms impose obligations upon that party that extend beyond the termination of this Agreement.

Section 11.3 Further Assurances.

The Parties shall, with reasonable diligence, do all things and provide all reasonable assurances as may be required to give effect to this Agreement and carry out its provisions, including providing such further documents or instruments reasonably required by any other party.

Section 11.4 Assignment.

Except as otherwise expressly provided herein, neither this Agreement nor any rights or obligations are assignable by the Executive. The Company may assign this Agreement to any successor (whether direct or indirect, by purchase, amalgamation, arrangement, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. The Executive, by the Executive's signature hereto, expressly consents to such assignment and, provided that such successor agrees to assume and be bound by the terms and conditions of this Agreement. All references to the "the Company" herein shall include any such successor.

Section 11.5 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and which further includes understandings, negotiations and discussions, whether oral or written, of the Parties and there are no warranties, representations or other agreements by or among the Parties in connection with the subject matter hereof except as specifically set forth herein.

Section 11.6 Amendment and Waiver.

Except as permitted by the terms of this Agreement, no supplement, modification, amendment or waiver of this Agreement will be binding unless executed in writing by all of the Parties. No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar) nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 11.7 Withholding Tax.

All remuneration paid to the Executive pursuant to this Agreement will be subject to withholding and deduction of all amounts required under applicable laws in respect of taxes (including income and payroll taxes), social security contributions, employment insurance premiums, government pension premiums and similar amounts ("**Tax**"). The Company shall indemnify the Executive at all times during and after the Term for Tax liabilities (including in respect of any applicable interest or penalties) arising as a result of the Company or any of its affiliates failing to report income or withhold Tax as may be required pursuant to the laws of a jurisdiction other than the jurisdiction in which the Executive resides. The foregoing indemnity is conditional upon the Executive co-operating with the Company to undertake such mitigation measures that the Company considers advisable. The above indemnity shall not apply in respect of losses, claims or demands arising as a result of the Executive's failure to meet individual Tax filing, reporting or payment obligations. This Section 11.7 shall survive any termination of this Agreement.

Section 11.8 Indemnity.

In addition to any rights to indemnification to which Executive is entitled under (i) Section 11.7 and (ii) the Company's certificate of incorporation, bylaws, agreements or policies or applicable law, the Company shall indemnify Executive at all times during and after the Term to the maximum extent permitted under applicable law, and shall pay the Executive's expenses (including legal fees and expenses) actually and reasonably incurred in defending any civil action, suit or proceeding in advance of the final disposition of such action, suit or proceeding to the maximum extent permitted under such applicable law for Executive's action or inaction on behalf of the Company under the terms of this Agreement. At all times during and after the Term, the Executive shall be covered to the same extent as other officers and employees of the Company of similar title, office or rank under any liability insurance policy maintained by the Company with respect to such other officers and employees. This Section 11.8 shall survive any termination of this Agreement.

Section 11.9 Successors and Assigns.

This Agreement will enure to the benefit of and be binding upon the Parties and their respective heirs, executors and administrators or successors and permitted assigns, as the case may be.

Section 11.10 Preamble/Recital.

The Executive and the Company acknowledge and agree that the provisions contained in the preamble/recital section of this Agreement forms an integral part of this Agreement and may be relied upon by any Party.

Section 11.11 Severability.

If any provision in this Agreement is determined to be invalid, void or unenforceable by the decision of any court of competent jurisdiction, which determination is not appealed or appealable for any reason whatsoever, the provision in question will not be deemed to affect or impair the validity or enforceability of any other provision of this Agreement and such invalid or unenforceable provision or portion thereof will be severed from the remainder of this Agreement.

Section 11.12 Independent Legal Advice.

The Executive acknowledges that the Executive has been advised to obtain, and that the Executive has obtained or has been afforded the opportunity to obtain, independent legal advice with respect to this Agreement and that the Executive understands the nature and consequences of this Agreement.

Section 11.13 Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the State of Florida, without regard to principles of conflicts of law. The Parties stipulate and agree to the exclusive jurisdiction of the courts sitting in the State of Florida for the resolution of all disputes and controversies arising out of or based on this Agreement, and the Parties hereto expressly waive all objections or immunities each now has or later may have to venue, whether based on lack of subject matter or personal jurisdiction, inconvenience of forum or other defenses or objections.

Section 11.14 Notification of New Employer.

The Executive agrees to disclose the existence of the Executive's obligations to the Company and its affiliates under this Agreement to all third parties who engage or employ or otherwise become associated or have a business relationship with the Executive during the 12-month period after the Date of Termination, and hereby irrevocably consents to the Company's and its affiliates' contacting any and all such third parties at any time during such 12-month period solely to provide them with a copy of this Agreement to inform them of, and allow them to verify compliance, with the terms hereof. The Executive shall not assert, and hereby releases the Company and its affiliates from, any claims relating to the Company's or its affiliates' communications or actions with respect to any third parties pursuant to and in compliance with the limitations provided in the foregoing provisions.

Section 11.15 Counterparts.

This Agreement may be executed by the Parties in one or more counterparts, each of which when so executed and delivered will be deemed to be an original and such counterparts will together constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first set forth above.

HUT 8 CORP.

/s/ Asher Genoot
Authorized Signing Officer

Agreed to and **accepted** this 1st day of May, 2024.

/s/ Victor Semah
Victor Semah

SCHEDULE “A” DEFINITIONS

“**affiliate**” of the Company means (a) any direct or indirect subsidiary of the Company; and (b) any entity the management of which is controlled, directly or indirectly, by the Company.

“**Board**” means the Board of Directors of the Company.

“**Business**” means the business of the Company and its affiliates being a digital asset mining and high-performance computing infrastructure provider, and as such may change or evolve in accordance with the business and strategic planning.

“**Business Day**” means any day of the year which the Toronto Stock Exchange and NASDAQ are open for business.

“**Cause**” means: (a) any material willful misconduct by the Executive in discharging the Executive’s duties and responsibilities hereunder; (b) a material breach of this Agreement by the Executive, which breach Executive fails to cure within thirty (30) days after receipt of notice of such breach from the Chair of the Board or the person to whom the Executive is required to report of the Executive’s material breach; (c) repeated willful failure on the part of the Executive to perform the Executive’s duties (other than any such failure resulting from Executive’s Disability) following written notification by the Chair of the Board or the person to whom the Executive is required to report of the Executive’s failure to perform such duties; (d) any willful failure or refusal by the Executive to comply in any material respect with the reasonable policies, rules and regulations of the Company or any of its affiliates (other than any such failure or refusal resulting from Executive’s Disability); (e) the Executive’s conviction of, or plea of guilty or *nolo contendere* to, any felony or to any other crime involving moral turpitude; or (f) commission of an act of fraud, embezzlement, or misappropriation by the Executive of the Company’s or any of its affiliates’ property or assets.

“**Confidential Information**” means all information disclosed to or known by the Executive as a consequence of or through the Executive’s employment with the Company or any of its affiliates that is not generally known to the public and which relates to any aspect of the business or affairs of the Company or any of its affiliates, their clients, customers or suppliers or any other party with whom the Company agrees to hold information of such party in confidence. Confidential Information includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing or designated or marked as confidential):

- (a) work product resulting from or related to work or projects performed or to be performed by the Company or an affiliate, including, but not limited to, the interim and final lines of inquiry, hypotheses, research and conclusions related thereto and the methods, processes, procedures, analysis, techniques and audits used in connection therewith;
- (b) information relating to Developments (as hereinafter defined) prior to any public disclosure thereof, including, but not limited to, the nature of the developments, production data, technical and engineering data, test data and test results, the status and details of research and development of products and services, and information regarding acquiring, protecting, enforcing and licensing proprietary rights (including patents, copyrights and trade secrets);

- (c) internal personnel and financial information of the Company or any of its affiliates, vendor names and other vendor information, purchasing and internal cost information, internal services and operational manuals;
- (d) marketing and development plans, price and cost data, price and fee amounts, pricing and billing policies, quoting procedures, marketing techniques and methods of obtaining business, forecasts and forecast assumptions and volumes, and future plans and potential strategies of the Company or any of its affiliates which have been or are being discussed, customer names and customer information;
- (e) contracts and their contents, client services, data provided by clients and the type, quantity and specifications of products and services purchased, leased, licensed or received by clients of the Company or any of its affiliates; and
- (f) all other information of the Company or any of its affiliates which becomes known to the Executive as a result of employment with the Company or any of its affiliates, which the Executive, acting reasonably, believes is confidential information of the Company or any of its affiliates or which the Company or any of its affiliates takes measures to protect, provided that the Executive is aware or ought to be aware of such measures, but Confidential Information does not include:
 - (i) information that becomes publicly known through no breach of this Agreement and no breach by any other Persons who were known to the Executive to be under confidentiality obligations with respect to the item or items involved; or,
 - (ii) information, the public disclosure of which is required to be made by any law, regulation, governmental authority or court (to the extent of the requirement), provided that before disclosure is made, notice of the requirement is provided to the Company where it is within the Executive's control and it is legally permissible to provide such notice, and to the extent possible in the circumstances, the Company and/or its affiliate is afforded an opportunity to dispute the requirement.

"Customer" means any Person who, during the Term (including, for certainty, the Resignation Notice Period), or in the case of termination of employment, in the two (2) years preceding the Date of Termination of the Executive's employment hereunder for any reason, has purchased, leased or licensed from the Company or its affiliates, any product or services produced, sold, licensed, or distributed by the Company or any of its affiliates in respect of the Business.

"Date of Termination" means the Executive's last date of actual and active employment hereunder.

"Developments" means any discovery, invention, design, improvement, concept, design, specification, creation, development, treatment, computer program, method, process, apparatus, specimen, formula, formulation, product, hardware or firmware, any drawing, report, memorandum, article, letter, notebook and any other work of authorship and ideas (whether or not patentable or copyrightable) and legally recognized proprietary rights (including, but not limited to, patents, copyrights, trademarks, topographies, know-how and trade secrets), and all records and tangible embodiments relating to the foregoing, that:

- (a) result or derive from the Executive's employment with the Company or any of its affiliates or from the Executive's knowledge or use of Confidential Information;

- (b) are conceived or made by the Executive (individually or in collaboration with others) in the discharge of the Executive's duties hereunder;
- (c) result from or derive from the use or application of the resources of the Company or any of its affiliates; or
- (d) relate to the business operations of the Company or any of its affiliates or the actual or demonstrably anticipated research and development by the Company or any of its affiliates.

"Disability" means the Executive's inability to substantially fulfil the Executive's duties on behalf of the Company for a continuous period of six (6) months or more or for an aggregate period of twelve (12) months or more during any consecutive eighteen (18) month period, and if there is any disagreement between the Company and the Executive as to the Executive's Disability or as to the date any such Disability began or ended, such disagreement will be determined by a physician mutually acceptable to the Company and the Executive whose determination will be conclusive evidence of any such Disability and of the date any such Disability began or ended.

"Good Reason" shall mean the occurrence of any of the following events without the Executive's consent:

- (a) the unilateral relocation of the Executive's principal workplace to a location that is more than 30 miles from the Executive's then current principal work location as described in Section 2.1;
- (b) a reduction in the Executive's Base Salary (other than a reduction of less than 10% which is applied uniformly to Executive and all other senior executives of the Company);
- (c) any material breach by the Company of any material provision of this Agreement;
- (d) a material adverse change in the reporting structure applicable to the Executive (i.e., to whom Executive is required to report); or
- (e) a material diminution in the Executive's job duties, responsibilities or authority.

"Intellectual Property" shall mean all common law, statutory and other intellectual and industrial property rights, including, without limiting the generality of the foregoing:

- (a) rights to any patents, trademarks, service marks, trade names, domain names, copyright, database rights, designs, industrial designs, trade secrets, integrated circuit rights and topography rights; and
- (b) all domestic and foreign registrations, applications, divisionals, continuations, continuations-in-part, re-examinations and renewals thereof.

"Party" means any of the Executive or the Company, as the case may be, and together shall, collectively, be the **"Parties"**.

“Person” means a natural person, partnership, limited liability partnership, company, joint stock company, trust, unincorporated association, joint venture or other entity or governmental entity, and pronouns have a similarly extended meaning.

“Prospective Customer” means (i) any Person solicited by the Executive on behalf of the Company or its affiliates for any purpose relating to the Business at any time during the Term (including, for certainty, the Resignation Notice Period), and in the case of termination within the two (2) year period immediately preceding the date of termination of the Executive’s employment hereunder, for any reason; and (ii) any Person solicited by the Company or any of its affiliates with the Executive’s knowledge for any purpose relating to the Business at any time during the Term (including, for certainty, the Resignation Notice Period), and in the case of termination within the twelve (12) month period immediately preceding the date of the termination of the Executive’s employment hereunder.

“Supplier” means any Person who, during the Term (including, for certainty, the Resignation Notice Period), and in the case of termination, in the two (2) years preceding the date of termination of the Executive’s employment hereunder for any reason, has sold to the Company or its affiliates, any products or services that are or may be used by the Company or any of its affiliates as an integral part of the Business.

“Territory” means the Province of Ontario, the Province of Alberta and the States of Florida, New York, Nebraska and Texas or any other state in the United States of America or Province in Canada in which the Company or any of its affiliates have operations.

**SCHEDULE “B”
DUTIES AND RESPONSIBILITIES**

- Develop and lead corporate legal strategy to promote and protect the Company.
- Oversee the delivery of legal services and resources to accomplish the Company’s goals, strategies and priorities, including the selection of appropriate external counsel when required.
- Lead the Company’s growth initiatives particularly with respect to mergers and acquisitions and capital raising functions.
- Maintain proper corporate interactions with relevant government bodies, and the community at large.
- Advise the CEO and executive team of the Company and its affiliates on a variety of issues.
- Participate in the formulation of general management policy as a member of the executive team.
- Foster an environment of, and engaging in, ethical and responsible decision making.
- Manage public company reporting requirements and filings.
- Oversee pending and threatened litigation.
- Carry out such other duties and responsibilities as is customary for a Chief Legal Officer of a company in a similar industry and stage of development, as the Chief Executive Officer and/or the Board of Directors of the Company may reasonably request from time to time.

EXHIBIT A

FORM OF RELEASE

GENERAL RELEASE OF CLAIMS (this “Release”)

1. **General Release.** The undersigned (the “Executive”), for himself and his family, heirs, spouse, agents, executors, administrators, legal representatives and their respective successors and assigns (together with Executive, collectively, the “Releasing Parties”), in consideration for the compensation and benefits to be received pursuant to Section 4.4 of the Executive Employment Agreement to which this release is attached as Exhibit A (the “Employment Agreement”; capitalized terms used but not defined in this Release shall have the corresponding meanings set forth in the Employment Agreement), which shall be in lieu of any other separation or similar payments provided under any other plans, programs, agreements or arrangements, does hereby irrevocably, fully, knowingly, voluntarily and unconditionally release and forever discharge (i) the Company, (ii) each current and former affiliate (including subsidiaries) of the Company, each current and former direct or indirect shareholder, member or other equity holder of the Company, and each current and former affiliate (including subsidiaries) of each such shareholder, member and each such other equity holder; (iii) each predecessor, successor, heir, agent and assign of any person or entity referenced in any of the immediately preceding clauses (i) or (ii), whether or not acting in his, her or its representative or individual capacity; and (iv) each current and former attorney, agent, trustee, fiduciary, advisor, director, manager, principal, officer, benefit plan, benefit plan fiduciary, shareholder, member, general partner, limited partner, other equity holder, representative, control person or entity or employee of any persons or entities referenced in any of the immediately preceding clauses (i) through (iii) (and each other person or entity with a functionally equivalent role of a person or entity holding such titles notwithstanding the lack of such title or any other title), in each case in their capacity as such, and each of their respective predecessors, successors, heirs, agents and assigns (all of the persons and entities referenced the immediately preceding clauses (i) through (iv) are collectively referred to herein as the “Released Parties”) from any and all actions, accounts, agreements, claims, contracts, covenants, debts, demands, obligations, suits, counter-claims, defenses, rights, omissions, promises, damages, losses, contingencies, judgments, fines, penalties, charges, costs (including, without limitation, attorneys’ fees and costs of defense and investigation), expenses and liabilities of any kind and nature whatsoever, whether known or unknown, absolute or contingent, suspected or unsuspected, matured or unmatured, in contract, tort, by statute, at law, in equity or otherwise (collectively, “Claims”), other than the Excluded Claims (as defined below), which any Releasing Party may now own, hold, have or claim to have, in each case, against any of the Released Parties for, upon or by reason, or arising out of Executive’s employment with the Company and its affiliates or the termination thereof (collectively, the “Released Claims”), it being expressly understood that the Released Claims include, without limitation, all Claims (other than Excluded Claims) under the Employment Agreement and all Claims (other than Excluded Claims) under any applicable laws or otherwise arising under or in connection with Executive’s employment or termination thereof, whether for tort, breach of express or implied employment contract, wrongful discharge, intentional infliction of emotional distress, or defamation or injuries incurred on the job or incurred as a result of loss of employment. Executive acknowledges that the Company encouraged the Executive to consult with an attorney of the Executive’s choosing, and through this Release encourages the Executive to consult with the Executive’s attorney with respect to possible claims under the Age Discrimination in Employment Act (“ADEA”) and that the Executive understands that the ADEA is a Federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefits and benefit plans. Without limiting the generality of the release provided above, Executive expressly waives any and all Claims under ADEA that the Executive may have as of the date hereof. Executive further understands that by signing this Release the Executive is in fact waiving, releasing and forever giving up any Claim under the ADEA as well as all other laws within the scope of this Section 1 that may have existed on or prior to the date hereof.

2. **Covenant Not to Sue.** Executive, on behalf of Executive and all of the other Releasing Parties, covenants that Executive will not (and that Executive will cause all other persons or entities who may seek to claim as, by, through or in relation to any of the Releasing Parties or any of the matters released by or on behalf of the Releasing Parties in this Release not to) sue any of the Released Parties on the basis of or in any way relating to any Released Claim (regardless of whether the release of any such Released Claim is enforceable under, or prohibited by, applicable law or otherwise).

3. **Rights Excluded from Release.** Notwithstanding anything in Section 1 of this Release to the contrary, this Release shall not apply to (i) any rights to Basic Entitlements and other rights under Section 4.4 of the Employment Agreement, (ii) any rights to vested stock, vested stock options, vested restricted stock units, vested performance stock units, or other vested securities or vested equity or equity-based incentive awards of the Company, (iii) solely to the extent provided for in any applicable plan or award agreement with respect to any long term incentive or other equity based award granted to Executive, any rights to continued or accelerated vesting of unvested stock, stock options, restricted stock units, performance stock units, or other securities or equity or equity-based incentive awards of the Company following the Date of Termination, (iv) any rights or claims that may arise as a result of events occurring after the date this Release is executed, (v) any indemnification, duty to defend and advancement of expenses rights Executive may have as a former officer or director of the Company or its subsidiaries or affiliated companies (including, without limitation, pursuant to any written indemnification agreement and/or any indemnification provision in the certificate of incorporation, by-laws or other similar governing agreements of the Company and its affiliates); (vi) any claims for benefits under any directors' and officers' liability policy maintained by the Company or its subsidiaries or affiliated companies in accordance with the terms of such policy; (vii) Executive's right to seek benefits under state unemployment insurance law for the period beginning after Executive's last day of employment with the Company; (viii) Executive's right to seek benefits under state workers' compensation law; and (ix) if Executive is age 40 or older, Executive's right to challenge whether Executive knowingly and voluntarily entered into this Agreement under the ADEA (collectively, the "Excluded Claims"). Executive understands and agrees that except for Executive's specific rights enumerated in the immediately preceding sentence, Executive's release in Section 1 of this Release above constitutes a general as well as a specific release of each of the Released Parties from all Released Claims.

4. **No Pending Actions.** Executive represents and warrants to the Company that Executive is the sole owner of all of the Released Claims and has not sold, assigned, transferred or otherwise disposed of or encumbered any of the Released Claims. Executive further represents and warrants that Executive has not filed or initiated, or caused to be filed or initiated, any complaint, claim, charge, or cause of action relating to any Released Claim against any of Released Parties in any federal or state court or with any federal, state or local governmental agency. Executive agrees that Executive will not file or initiate, or cause to be filed or initiated, any complaint, claim, charge, or cause of action relating to any Released Claim against any of Released Parties in any federal or state court or with any federal, state or local governmental agency. Executive further agrees not to be a member of any class action in any court or before any governmental agency or in any private forum seeking relief against any of Released Parties based on or arising out of any of the Released Claims and waives any right to, and agrees that Executive will not accept, any monetary relief or any other form of relief as a result of any such class action.

5. **Certain Governmental Agency Matters.** Executive's general and specific release of all Claims and covenant not to sue above shall not prevent Executive from filing charges with the United States Equal Employment Opportunity Commission, any state or local government fair employment practices agency or the National Labor Relations Board, or claims with the Securities and Exchange Commission, and shall not prevent Executive from participating in any investigation by any such agencies. However, to the maximum extent permitted by law, Executive hereby waives, on behalf of Executive and each other Releasing Party, any and all right to, and agrees that Executive and the Releasing Parties will not accept, any monetary recovery or any other relief of any type from any of Released Parties which Executive or any other Releasing Party might obtain as a result of, or in any way arising out of, such filing or participation that involves, concerns, grows out of or in any way relates to any of the Released Claims (other than claims filed by Executive with the Securities and Exchange Commission).

6. **No Workers' Compensation Claims.** Executive represents and warrants that, except as previously disclosed by Executive to the Company or its affiliates, Executive has, to Executive's knowledge, suffered no injury or illness arising out of the course of Executive's employment with the Company and its affiliates.

7. **No Unpaid Compensation.** Executive acknowledges and agrees that, except (a) for the compensation and benefits to which the Executive is entitled pursuant to Section 4.4 of the Employment Agreement, and (b) as included in the Excluded Claims, as of the date of execution of this Release, Executive is not (i) owed any accrued but unpaid salary or wages by the Company or any other Released Party or (ii) owed any amounts by the Company or any other Released Party with respect to any other unpaid payments, consideration or benefits of any kind, including, without limitation, earned but unused vacation time or paid time off, sick time, personal time, bonus, expense reimbursements, severance or payments in lieu of notice, whether pursuant to contract or otherwise.

8. **No Knowledge of Improper Conduct.** Executive represents and warrants that, except as Executive has reported to the Company (including disclosure to the Board or a subcommittee thereof), (i) Executive has no knowledge of any alleged material improper conduct or activity by the Company, any affiliate of the Company, or any employee of the foregoing, and (iii) has not been retaliated against for reporting any allegations of wrongdoing by the Company or any of its affiliates.

9. **Waiver of Reinstatement.** Executive hereby waives reinstatement to employment with the Company and each of its affiliates. Executive also agrees not to seek reinstatement, re-employment or employment with the Company or any of its affiliates or any acquirer of the Company or any of its affiliates or any of their respective assets. Executive further understands and agrees that the consideration to be given by the Company to Executive as a result of Executive's execution of this Release is to be given in part for Executive's waiver of reinstatement and Executive's agreement not to seek reinstatement, re-employment or employment with the Company or any of its affiliates or any acquirer of the Company or any of its affiliates or any of their respective assets and that the provisions of this Section 9 are material terms of this Release.

10. **Return of Property.** Executive represents and warrants that as of the Date of Termination, Executive returned all property of the Company or any of its affiliates assigned or otherwise provided to Executive (including, without limitation, all computer equipment, cellular phones, credit and debit cards and keys and access cards or fobs to any facility at which the Company or any of its affiliates has operations). Executive represents and warrants that Executive has not taken from the Company or any of its affiliates any other property of the Company or any of its affiliates (including the originals and/or any copies of any information provided to or acquired by Executive in connection with the performance of work for the Company or any of its affiliates (including all files, correspondence, communications, memoranda, emails, records, manuals, and all other documents, no matter how produced or reproduced, computer programs, software, and files containing confidential information and any other information, and all usernames and passwords for all software and internet accounts and programs)), it being acknowledged and agreed by Executive that all such property is the sole and exclusive property of the Company and its affiliates.

11. **Consideration Period; Revocation (if applicable)**. Executive hereby acknowledges that the Company has informed him that he has up to [twenty-one (21)][forty-five (45)] days to sign this Release and Executive may knowingly and voluntarily waive that [twenty-one (21)][forty-five (45)] period by signing this Release earlier. Executive also understands that if Executive is age 40 or older Executive shall have seven (7) days following the date on which Executive signs this Release within which to revoke it by providing a written notice of Executive's revocation to the Company addressed to [Company to provide contact at time of termination].¹

12. **Recommendation to Seek Counsel**. Executive acknowledges that Executive has read this Release, that Executive has been advised that he should consult with an attorney before he executes this Release, and that Executive understands all of its terms and executes it voluntarily and with full knowledge of its significance and the consequences thereof.

13. **Revocation**. If Executive is age forty (40) or older, this Release shall take effect on the eighth day following Executive's execution of this Release unless Executive's written revocation is delivered to the Company within seven (7) days after such execution.

14. **Misc.** Executive acknowledges that this Release will be subject to the governing law, venue, jurisdiction and other dispute resolution and interpretation provisions set forth in the Employment Agreement, which are hereby incorporated by reference as if fully set forth herein.

Name: Victor Semah

_____,20__

¹ Note to Draft: Age Discrimination in Employment Act disclosures to be provided in the event of a group termination.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Asher Genoot, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hut 8 Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Reserved];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

By: /s/ Asher Genoot

Name: Asher Genoot

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shenif Visram, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hut 8 Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Reserved];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

By: /s/ Shenif Visram

Name: Shenif Visram

Title: Chief Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Hut 8 Corp. (the “Company”) for the fiscal period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Asher Genoot, as Chief Executive Officer of the Company, and Shenif Visram, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2024

By: /s/ Asher Genoot

Name: Asher Genoot

Title: Chief Executive Officer

By: /s/ Shenif Visram

Name: Shenif Visram

Title: Chief Financial Officer
