



## Q3 2022 Investor Presentation

November 2022

Pictured: Actual Reclaimed Waste Coal Site in Russellton, PA

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# Executing on Plans Despite Challenging Bitcoin Environment



## NYDIG Debt Eliminated and WhiteHawk Credit Agreement Closed

- Fully extinguished ~\$67mm of principal amount of debt outstanding with NYDIG and BankProv
- WhiteHawk equipment financings restructured into 36-month secured note, tripling maturity and upsizing by \$23mm
- Current principal amount of debt ~\$82mm, and net debt ~\$55mm (~51% reduction since 6/30/22)

## Continued Progress Removing Costs

- Eliminating ~\$15-20mm of run rate annual costs within G&A and plant operations & maintenance expenses
- 2023E cash G&A of ~\$18-21mm vs. \$32mm Q1-Q3 2022 annualized

## Maximizing Liquidity

- ~\$27mm of cash and ~19 BTC on balance sheet as of 11/7/22
- Plan to conservatively manage cash and be disciplined in opportunistically rebuilding mining fleet

## Rebuilding Miner Fleet

- Procured or received ~10,000 miners since 8/16/22
  - Sourced >7,000 miners with capital outlay of ~\$4.4mm<sup>1</sup>
- Strategic partnership with Foundry demonstrates ability to creatively fill the datacenter with high capital efficiency

## Executing on Plant Upgrades and Maintenance

- Both plants successfully completed fall outages in line with expectations and have demonstrated ability to operate at baseload capacity
- Expect to be at \$45-\$50/MWh net cost of power beginning in Q1 2023<sup>2</sup>

1. Includes ~4,500 hosted miners from Foundry at a 50/50 profit share reduced by a \$60MWh fee

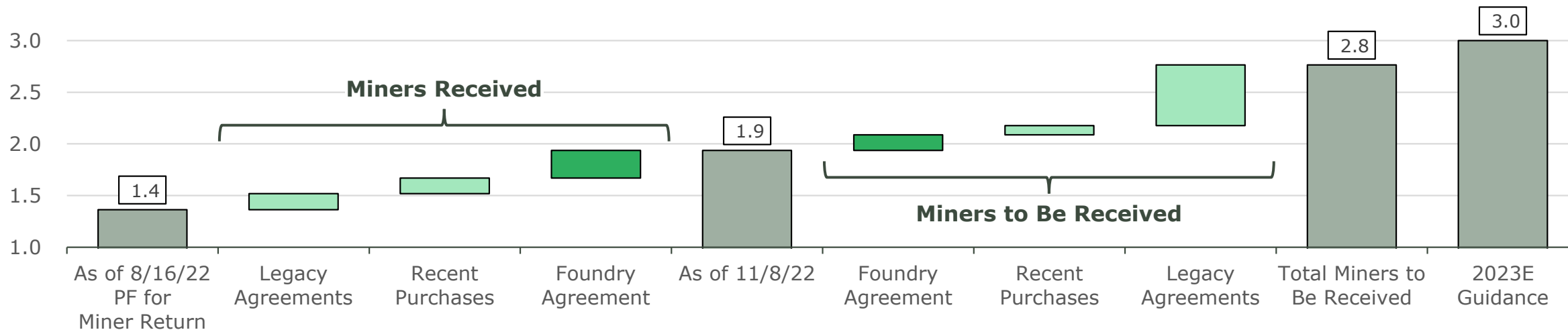
2. Net cost of power calculated as follows: (fuel cost + O&M expenses - capacity revenue - waste coal tax credit income) / MWh produced

# Opportunistically Scaling Bitcoin Mining Operation



Emphasis on capital efficiency and liquidity preservation

## Hash Rate Capacity Growth since 8/16/22 (EH/s)



### Disciplined Approach to Miner Procurement

- ~0.6 EH/s of hash rate capacity received since 8/16/22
- Set to receive ~0.4 EH/s in coming months
- Since 8/16/22, sourced >7,000 new miners with capital outlay of ~\$4.4mm through distressed miner purchases and hosting agreement with Foundry
- MinerVa continuing to deliver value in the form of Bitmain and MinerVa miners

### Foundry Strategic Hosting Partnership

- Entered binding hosting agreement on 11/7/22
  - Foundry supplying ~4,500 miners (primarily Bitmain S19j Pro and MicroBT M30S)
  - \$60/MWh hosting fee and 50/50 profit share
  - Stronghold has option to curtail miners to sell power
- Executed a non-binding letter of intent to purchase hosted miners in exchange for limited cash plus equity and a profit share on the miners and power sold when the miners are curtailed

# Favorable Termination of Northern Data Hosting Agreement



## Step-function improvement in cash flow profile

### What SDIG Receives

- Elimination of go-forward profit share payments to Northern Data – expected to save ~\$14-28mm over next 2 years <sup>1</sup>
- Elimination of ~\$2.6mm payable to Northern Data
- Ability to fill ~50 MW of modular datacenter containers with Stronghold miners
- Option to purchase modular datacenter containers for \$2-6mm based on hash price <sup>2,3</sup>

### What SDIG Pays

- \$3.5mm in October cash payments (already paid)
- \$1.0mm cash payment in November
- De minimis \$1,000 annual lease payment for ~50 MW of modular datacenter containers

## Termination Expected to Improve SDIG Cash Flow Profile and Offer Strong Returns <sup>1</sup>

Assumed Hash Price (\$/TH/s per day) <sup>2</sup>	\$0.070	\$0.085	\$0.100	\$0.115
Illustrative Bitcoin Price & Network Hash Rate	\$15,000 & 193 EH/s	\$20,000 & 212 EH/s	\$25,000 & 225 EH/s	\$30,000 & 235 EH/s
Settlement Agreement Payments	\$5	\$5	\$5	\$5
Purchase of Datacenter Containers in 2024	\$2	\$3	\$3	\$4
<b>Total Stronghold Investment</b>	<b>\$7</b>	<b>\$8</b>	<b>\$8</b>	<b>\$9</b>
Forgiveness of Payable to Northern Data	\$3	\$3	\$3	\$3
Elimination of Profit Share Payments	\$14	\$19	\$23	\$28
<b>Total Cash Flow Uplift</b>	<b>\$17</b>	<b>\$21</b>	<b>\$26</b>	<b>\$31</b>
<b>Net Cash Flow Uplift</b>	<b>\$10</b>	<b>\$14</b>	<b>\$19</b>	<b>\$22</b>
<b>Months to Payback</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>2</b>

1. Assumes ~1.33 EH/s of hash rate capacity with average miner efficiency of 37 J/T; assumes 95% miner uptime; assumes Northern Data would receive 35% of revenue net of \$27/MWh

2. Hash price calculation on page 12

3. Per the agreement, the containers cost \$2mm for hash price ≤ \$0.08, \$3mm for \$0.08 < hash price ≤ \$0.10, \$4mm for \$0.10 < hash price ≤ \$0.12, \$5mm for \$0.12 < hash price ≤ \$0.14, and \$6mm thereafter

# Plant Update Post Outages



- Both Scrubgrass and Panther Creek successfully completed their fall outage in line with expectations and have demonstrated the ability to run as base load power plants
- Panther Creek has redundant systems in place in the event of an error or maintenance issue
- Following the outage, Scrubgrass is now putting similar redundant systems in place and we expect these to be completed by end of 2022
- **Net cost of power expected to be \$45-50/MWh by Q1 2023**

# Q3 2022 Results



<b>Financial</b>	<b>3 Months Ended 9/30/2022</b>	<b>9 Months Ended 9/30/2022</b>
Total Revenue (000's)	\$24,749	\$82,627
Net Loss (000's)	(\$75,220)	(\$147,765)
Adjusted EBITDA (000's) <sup>1</sup>	(\$2,965)	(\$148)
Bitcoins Mined	567	1,643

<b>Environmental</b>	<b>3 Months Ended 9/30/2022</b>	<b>9 Months Ended 9/30/2022</b>
Tons of Coal Refuse Removed from the Environment	~218,000	~738,000
Tons of Beneficial Use Ash Returned to Remediate Sites	~122,000	~470,000

1. See table on page 10 that reconciles Net Loss to Adjusted EBITDA

# 2023 Guidance



## Operational Assumptions

Avg. Power Output	135-140 MW
Avg. Hash Rate Capacity	~3.0 EH/s
Avg. Miner Uptime, without miner curtailment	90%
Avg. Hash Rate, reflecting times when miners are curtailed to sell power	~2.4 EH/s

## Financial (\$mm, unless noted)

Total Revenue and Other Income	\$108-114
Recurring Fuel and Operations & Maintenance Expenses	\$56-52 \$46-52/MWh
Recurring Cash G&A	\$18-21
Adjusted EBITDA	\$29-35

## Market Assumptions

Bitcoin Price & Network Hash Rate	\$20,000 & 212 EH/s
Implied Hash Price	\$0.085/TH/s per day
Avg. Around-the-Clock Grid Price	\$64/MWh
Avg. Realized Grid Price	\$72/MWh

### Hash Price <sup>1</sup>

\$0.070	\$0.085	\$0.100	\$0.115
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## Financial Guidance Sensitivities (\$mm)

Revenue & Other Income	\$96-101	\$108-114	\$123-128	\$137-143
EBITDA	\$17-22	\$29-35	\$44-49	\$58-64

## Illustrative Bitcoin & Network Hash Rate Combination

Bitcoin Price	\$15,000	\$20,000	\$25,000	\$30,000
Network Hash Rate (EH/s)	193	212	225	235

1. Hash price calculation on page 12





**Appendix**

# Reconciliation of Non-GAAP Items



Reconciliation of Adjusted EBITDA (\$000's)	Three Months Ended 9/30/22	Nine Months Ended 9/30/22
<b>Net Income (loss)</b>	<b>(\$75,220.4)</b>	<b>(\$147,765.4)</b>
Interest	\$3,393.1	\$10,813.3
Depreciation and amortization	\$12,247.2	\$37,234.1
Impairment cost of digital currencies	\$465.7	\$8,176.9
Impairment costs of equipment deposits	–	\$12,228.7
Impairments on miner assets	\$11,610.0	\$16,600.0
One time non-recurring expenses <sup>1</sup>	\$8,217.6	\$14,781.0
Stock-Based Compensation	\$3,377.5	\$9,123.1
Losses on disposal of fixed assets	\$461.9	\$2,231.5
Realized loss on sale of miner assets	–	\$8,012.2
Loss on debt extinguishment	\$28,697.0	\$28,697.0
Impairment on assets held for sale	\$4,159.0	\$4,159.0
Changes in fair value of forward sale derivative	–	(\$3,435.6)
Gain on extinguishment of PPP loan	–	(\$841.7)
Realized (gain)/loss on sale of digital currencies	(\$185.4)	(\$936.5)
Changes in fair value of convertible note	\$1,204.7	\$2,167.5
Changes in fair value of warrant liabilities	(\$1,302.1)	(\$1,302.1)
Realized gain on sale of derivative contract	(\$91.0)	(\$91.0)
<b>Adjusted EBITDA<sup>2</sup></b>	<b>(\$2,965.0)</b>	<b>(\$147.7)</b>

1. Includes the following non-recurring expenses: out-of-the-ordinary major repairs and upgrades to the power plant, settlement expenses from terminating the Northern Data hosting agreement, legal fees related to the extinguishment of the NYDIG debt, and other one-time items.

2. Adjusted EBITDA has been retrospectively adjusted and no longer excludes Waste coal tax credits as these are a recurring benefit received relating to running the power plants.

# Bitcoin Mining Economics Drivers

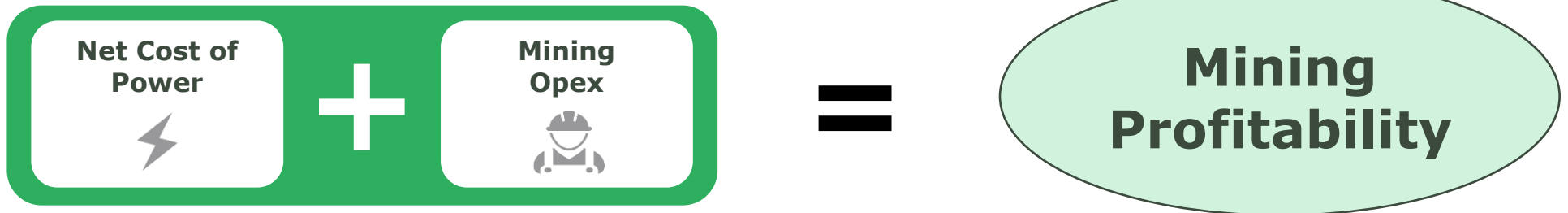


## Revenue



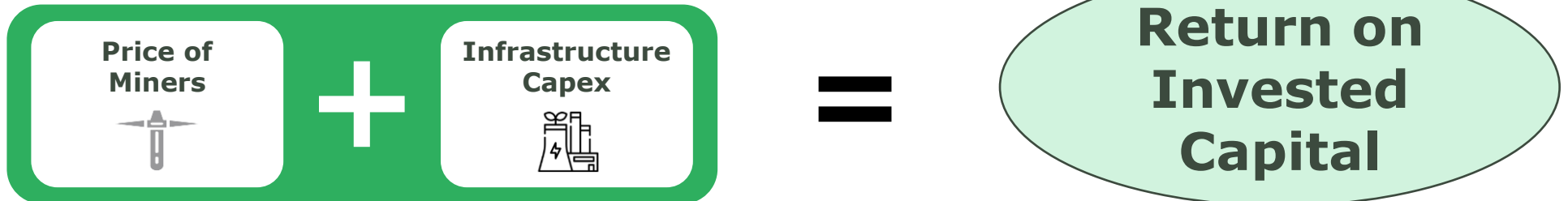
**Less:**

## Expenses



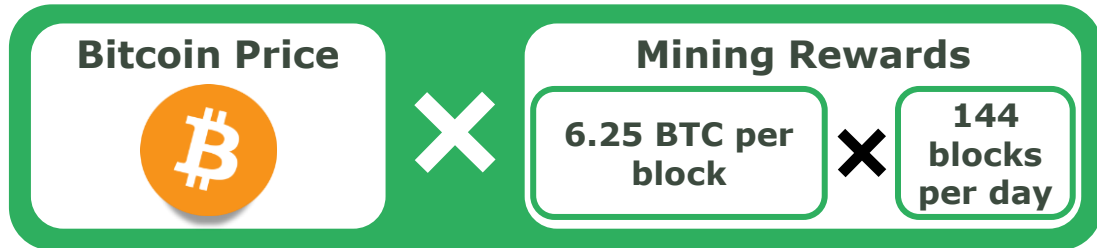
**Divided by:**

## Invested Capital

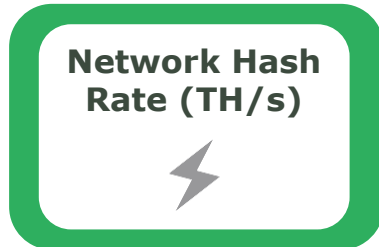


# Hash Price Calculation

The interplay between daily mining revenue and network hash rate



**Divided by:**



Bitcoin Network Hash Price (\$/TH/s per Day)

