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Riot Blockchain, Inc.

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RIOT

Riot Blockchain, Inc.

RIOT/Nasdaq

April 21, 2022

Price: \$12.80 | Target Price: \$51.25

- Analyst Recommendation: **STRONG BUY**
- Competitive low cost of revenue
- Dynamic leadership generating strategic acquisitions
- Vertically integrated leader in a new industry

Valuation	2020A	2021A	2022E
P/S	71.62	12.14	9.79
EV/EBITDA	121.9	197.8	92.9
EV/REV	49.42	26.86	8.4

Market Capitalization

Stock Price

Equity Market Cap (MM):	1.6B	52-Week Range:	\$12.76-\$46.28
Enterprise Value (MM):	1.17B	12-Month Stock Performance:	\$-23.69 (-64.29%)
Shares Outstanding (MM):	117.3M	Dividend Yield:	N/A
Estimated Float (MM):	114.1M	Book Value Per Share:	11.63
3-Mo. Avg. Daily Volume:	9.09M	Beta:	4.20
Short Ratio:	2.38	EV/EBITDA	60.72

Company Quick View:

Riot Blockchain, Inc. (RIOT/Nasdaq) mines bitcoin from the largest facility in the United States. Riot's other two revenue segments include data-center hosting and engineering. In the new cryptocurrency industry, Riot is a low-cost leader, achieving lower operational costs than its competition through acquisitions that bring scale, strategic locations, and new technologies.

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INVESTMENT SUMMARY/ THESIS

We rate RIOT as a BUY with a price target of \$51.25. We believe Riot is well-positioned as a low-cost provider that can thrive amongst growing competition in the nascent cryptocurrency mining industry. While Riot's long-term success might depend on the success of Bitcoin (uppercase when meaning the concept, lowercase when meaning the countable coin, and priced as "BTC") and its extreme price volatility, we nonetheless believe Riot's dynamic leadership team, strategic acquisitions, debt-free capital structure, zero-dividend policy, current equipment deployment, and diverse revenue streams empower Riot to thrive in bull or bear markets, in either and both BTC and/or the regular larger economy.

For any significant drop in the price of bitcoin (BTC), Riot can buy assets from weaker competitors that might stumble. Due to special bitcoin mining industry circumstances, if BTC dips and competitors exit the competition for rewards, Riot would increase market share and earn more revenue. Low BTC also lowers demand, and therefore prices, for new mining equipment that Riot buys. Conversely, for any significant BTC increase, Riot will directly boost revenue from sales of their product, BTC.

Low-Cost Energy

Riot has lowered its energy costs (60% of operation expenses) through three acquisitions that strategically located operations, invested in technology, and added new revenue segments. First, Riot's deal with Coinmint delivers cheap hydroelectric power. The Whinstone acquisition provides cheap Texan power, scale, and an added hosting segment. Finally, the ESS Metron acquisition delivers further efficiencies from technology and added an engineering segment.

Investing in Capacity to Gaining Market Share

Riot's revenue consists of 82.7% Bitcoin mining. Riot has rapidly increased its mining capacity (measured by "hash rate") and aims to maintain or improve its share of the industry through acquiring and deploying new miners. Riot is tripling its computing power from the current 43k machines to 120k. Monthly updates on miner implementation projections for future hash rate and bitcoin mining capabilities are shown in Figure 1, pg. 3.

Figure 1: Miner Delivery Timeline as of January 5th, 2022

		Stated Miner Delivery Timeline											
Purchase Agreements		1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	2Q22E	3Q22E	4Q22E
Bitmain S17	4,000	4,000											
Bitmain S19 Pro	18,646			2,003	1,040	9,103	6,500						
Bitmain S19j	67,500							3,924	3,023	13,352	13,352	16,925	16,925
Bitmain S19XP	30,000										4,000	13,000	13,000
Total	120,146	4,000	0	2,003	1,040	9,103	6,500	3,924	3,023	13,352	17,352	29,925	29,925
Cumulative Deployed Miners		4,000	4,000	6,003	7,043	16,146	22,646	26,570	29,593	42,945	60,297	90,222	120,146

(Grondahl, M., Northland Capital Markets Report, 2022)

Demand Case for Bitcoin

Bitcoin's strict finite supply of 21 million creates a scarcity proposition unique from other commodities. While Bitcoin's current volatility hinders its utility as a medium of exchange, we conclude that Bitcoin as a new asset class has legitimized sufficiently, and demand will continue to increase from bitcoin's use as a store of value, as a diversifier against inflationary conditions, and in developing nations seeking a better financial paradigm.

Stock Performance

RIOT is volatile and correlated with BTC. Historical volatility is 97%, with an average 10-day trading volume of 7.82 million. RIOT's 52-week high for 2018 was \$28, and the 52-week high for 2019 was \$6.00, 79% less. Then, RIOT increased 204% in 2020 and another 83% in 2021 with the significant rise in Bitcoin price and demand. RIOT is currently near the bottom of its 52-week range. See Figure 20, pg. 29.

VALUATION

We performed two primary valuation methodologies: Discounted Cash Flows (DCF) and Relative Multiple Methods.

Discounted Cash Flows (DCF)

The DCF valuation did not provide valid results due to Riot's high growth rate trajectory that requires substantial capital expenditure (CAPEX) to gain market share. To forecast revenue and CAPEX, we predicted a) management plans to grow the hash rate, b) the longevity of Antminers, c) that mining speed will increase faster than inflation, d) how Riot's low-cost position lets it gain market share in down markets, and e) financing through BTC sales rather than a secondary

offering. Riot has filed with the SEC for the right to create more shares, and we like that leadership has options for financing. Nonetheless, for our model, we settled on the assumption that self-financing through the sale of held BTC would be their best path. Also, while the company's historical financials show a lower gross margin from crypto mining, the gross margin is trending towards the industry average of 90%. Looking at the DCF calculation, Riot's valuation is most sensitive to hash rate growth, the cost of mining (electricity) that drives the gross margin, and the cost of Antminers, which is CAPEX.

To determine Riot's cost of equity, we calculated the Capital Asset Pricing Model (CAPM), which resulted in a high cost of equity of 27%, driven by Riot's large Beta of 4.2. This high Beta makes sense considering RIOT's positive correlation with the volatile Bitcoin and may also support the case for Bitcoin exposure in a diversified investment portfolio. (See Demand Case for Bitcoin in Investment Thesis, pg. 3)

Relative Multiple Methods

The market multiple approach yielded a wide range of results. Although Riot's negative earnings were limiting in deciding appropriate ratios, Riot was not unique in this case since most comparable companies were in the same growth trajectory and reported negative earnings.

We compared Riot Blockchain to its peers—Marathon, Core Scientific, Hive, BitFarms, and Hut 8—by calculating the EV/EBITDA, EV/Revenue, and P/S multiples. Then, using an average of each of the companies' multiples and Riot's forecasted data, we calculated an estimate of the company's price for each of the multiples.

We used the average EV/EBITDA ratio of the comparable companies, multiplied it by Riot's projected EBITDA of \$159,003 million, which yielded a target share price of \$73.10. We also used the average EV/Rev ratio of comparable companies and multiplied it by Riot's projected revenue of \$538,945 million for 2022. This valuation method yielded a target share price of \$58.22. Lastly, the P/S target share price was calculated by multiplying the average P/S of comparable companies by Riot's projected sales of \$538,945 for 2022 minus total debt, then adding cash and cash equivalents of \$312,315 million for 2021, which yielded a target share price of \$42.84.

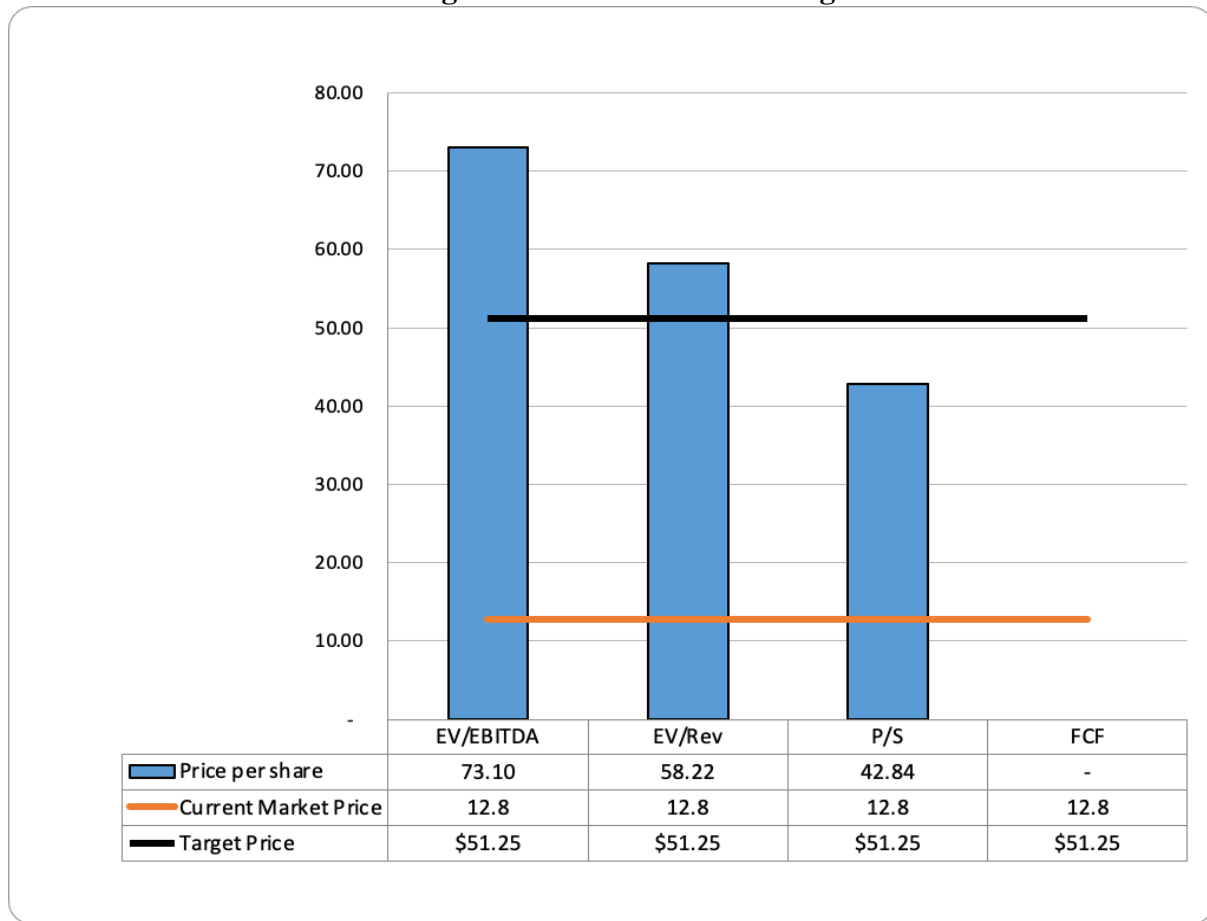
To calculate our final, 12-month target price of \$51.25 for Riot, we computed a weighted average of our three valuation methods. We weighted the P/S multiple the most (55%) because it is the most conservative and representative of the industry. The ranges of the other ratios varied widely skewing results upwards. Marathon, for example, had an EV/EBITDA ratio of 944x+. Figure 2 demonstrates the multiples evaluated. The gray filled cells highlight the outliers not used in calculations.

Figure 2: Valuation Multiples

	Marathon	Core Scientific	Hive	Bit Farms	Hut8	Average	RIOT	Price per share	%
EV/EBITDA	943.9	113.8	4.55	10.55	-19.5	210.7	92.9	358.42	10%
EV/Rev	22.21	11.87	3.56	4.4	5.54	9.5	8.4	58.22	35%
P/S	17.34	7.76	3.47	3.51	5.06	7.4	12.1	42.84	55%

Figure 3 below summarizes our price target estimates, including Riot's current stock price and our 1-year price target.

Figure 3: Valuation Price Targets



INDUSTRY ANALYSIS

Bitcoin first launched in January 2009 and today is the largest (\$751B, 41%) and most influential cryptocurrency in the \$1,830B market. Designed by the pseudonymous Satoshi Nakamoto, Bitcoin is a purely peer-to-peer form of electronic cash. Compared to digital gold, Bitcoin is used for digital transactions, diversifying investments, storing value, and speculation.

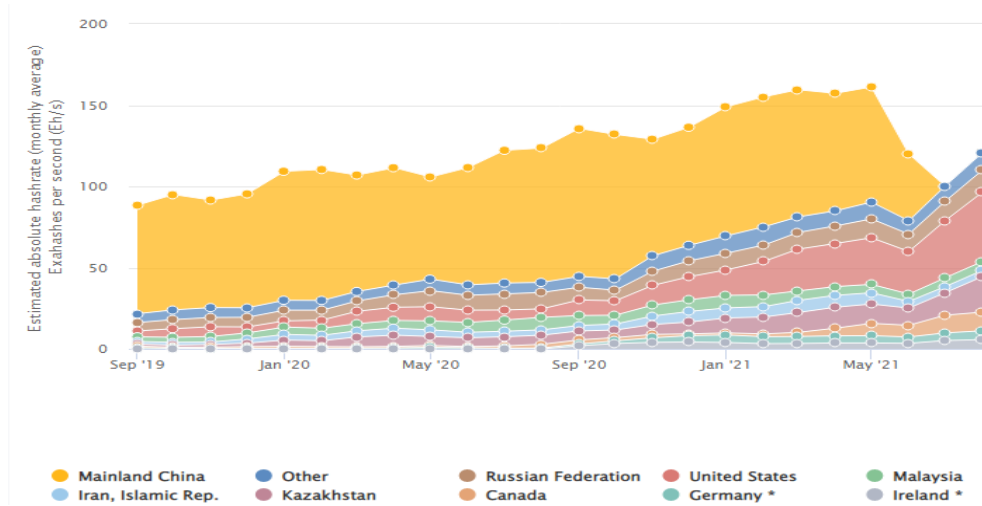
Bitcoin is a blockchain, a decentralized algorithm that verifies all transactions on a shared ledger. The blockchain links blocks of data in a sequential log of all transactions. Miners continuously verify transactions, exerting massive amounts of computational power, measured in exahash (EH/s). In exchange for this “work,” every ten minutes, the network rewards the first miner to confirm a transaction with a Bitcoin (BTC) reward. The higher the hash rate, the faster a block can be solved, and the more likely a miner earns the reward. Therefore, hash rate is a proxy for revenue (in BTC).

Every four years, these rewards will halve, limiting supply. The current reward for solving a block is 6.25 BTC. (1 BTC = ~\$40,000 USD.) The verification work secures transactions without the need for a trusted third party such as a bank or credit card company. This trustless verification system makes Bitcoin different from traditional payments, allowing for greater privacy while remaining free from control by any organization, including the U.S. government.

For miners, like Riot, greater computational power leads to higher chances of solving a block and receiving a Bitcoin reward. As the number of miners increases, they arrive at the solutions called “proof of work” faster, thus increasing the issuance of new bitcoins. However, the Bitcoin network increases the difficulty of solving a block by requiring more hashing algorithms solved per second, known as the “network hash rate.” The higher this network hash rate, the more miners are attempting to validate transactions, and the more computational power needed to receive the BTC reward. This correspondence between the amount of hash and the difficulty is known as the difficulty adjustment.

Since computing power leads to revenue, miners measure their relative revenue to industry revenue, fixed at ~900 BTC per day, by their hash rate. Put another way, compared to the industry's hash rate, i.e., “the global hash rate,” a miner's hash rate reflects that business's market share. As miners enter the industry, the global hash rate increases. Therefore, mining organizations must invest to maintain or improve their share of the bitcoin mining industry. Hash rate provides a simplified indication of revenue in BTC, and market share of the network, allowing us to compare countries and competitors. Figure 4 graphs a country comparison and in Figure 19, pg. 23, see chart of Peer Comparison.

Figure 4: Evolution of Network Hash Rate



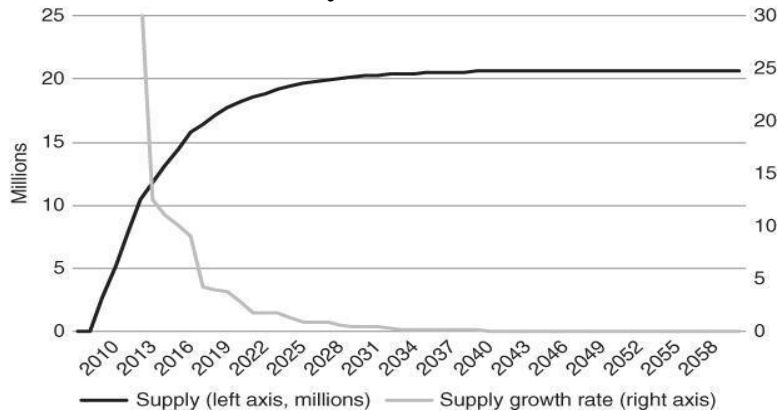
(University of Cambridge, 2021)

Supply and Demand for Bitcoin

Bitcoin is an artificial commodity designed to perfectly limit its supply and hold its relative value. As a decentralized digital currency, Bitcoin supply is perfectly known, controlled by the network’s protocol, which offers a scarcity proposition to investors. Figure 5 graphs the supply growth rate. As the years progress, the supply growth rate decreases due to the scheduled halvings. Investors trust that with only 21 million Bitcoin ever created, the price must increase to meet the demand.

For Bitcoin to continue to succeed, there must be a growing understanding and continual adoption of Bitcoin to go beyond mere speculation to become a medium of exchange and a diversifying store of value. The next four sections explore some stories around this demand.

Figure 5: Bitcoin Supply and Supply Growth Rate Assuming Blocks Are Issued Exactly Every Ten Minutes



(Ammous, 2018)

Third Party Exchanges

For retail investors to participate in the Bitcoin network, they must convert money into BTC through an exchange, which is a third-party network that allows for transfers from different fiat currencies or other cryptocurrencies at the current market rate. These intermediaries also provide a digital wallet. As of March 2022, there were nearly 600 exchanges and wallets housed through various third-party companies. More prevalent names include: Binance, Blockchain.com, BlockFi, Blockfolio, Bybit, Cex.io, Coinbase/Pro, Coinmama, Kraken, and Robinhood. Savvy users are wary of the limitations associated and fees for trading, funding, and exchange. While these Bitcoin exchanges do not participate in the mining sector, they offer retail access to crypto as mediums of exchange and/or a store of value.

Strike

On April 7th, 2022, Strike, a digital payments platform with 400,000 active merchants and over 37,000 partners, announced its partnership with four of the world's largest payment providers: Shopify, NCR, and Blackhawk Network, to enable Bitcoin payments at stores throughout the country. This integration eliminates legacy banks and payments processing fees while supporting shoppers' private purchases. Strike uses Bitcoin's lightning network technology to offer instant payments globally, with no added costs. Strike will automatically convert Bitcoin to US dollars as a point-of-sale exchange. The transaction system offers potential for most of the world's currencies to route through Bitcoin over the lightning network. As a point-of-sale intermediary, users do not need to have the Strike App to purchase with bitcoin. Most large-name crypto wallets are accepted. In the adoption and convenience aspects of Bitcoin, the Strike collaboration could be groundbreaking for the future of cryptocurrency.

Growing Validation

Greater awareness, positive attitudes towards Bitcoin, and more usage all increase support of the network. Bitcoin transactions and unique accounts have grown at nearly 60% per annum over the past five years. With this significant and broad growth in the industry, institutional adoption is ramping up. However, the advocacy from general enthusiasts to institutional investors depends on accepting the varying possibilities of Bitcoin adoption.

One possibility is Bitcoin as a transactional currency, leading to merchant adoption of Bitcoin payment services. Perhaps the most important possibility is Bitcoin as a portfolio diversifier. An investor consensus of Bitcoin as an inflationary hedge much like gold and other uncorrelated assets would further validation and demand.

The most significant obstacle to Bitcoin adoption as a transactional currency is its extreme volatility. As a speculative investment, an investor should have high risk tolerance. This

considerable volatility risk may lessen merchants' willingness to accept Bitcoin or investors' willingness to hold it as an investment.

The average daily trading of cryptocurrencies has surpassed 1% of trading in foreign exchange markets, the world's largest market by trading volume. The value of all cryptocurrencies is now 1.83 trillion dollars. As a comparison, the US Stock Market is valued at 53 trillion U.S. dollars. Bitcoin constitutes more than half the cryptocurrency market capitalization while supporting the highest trading volume. Bitcoin ranks 15th among global currency market caps.

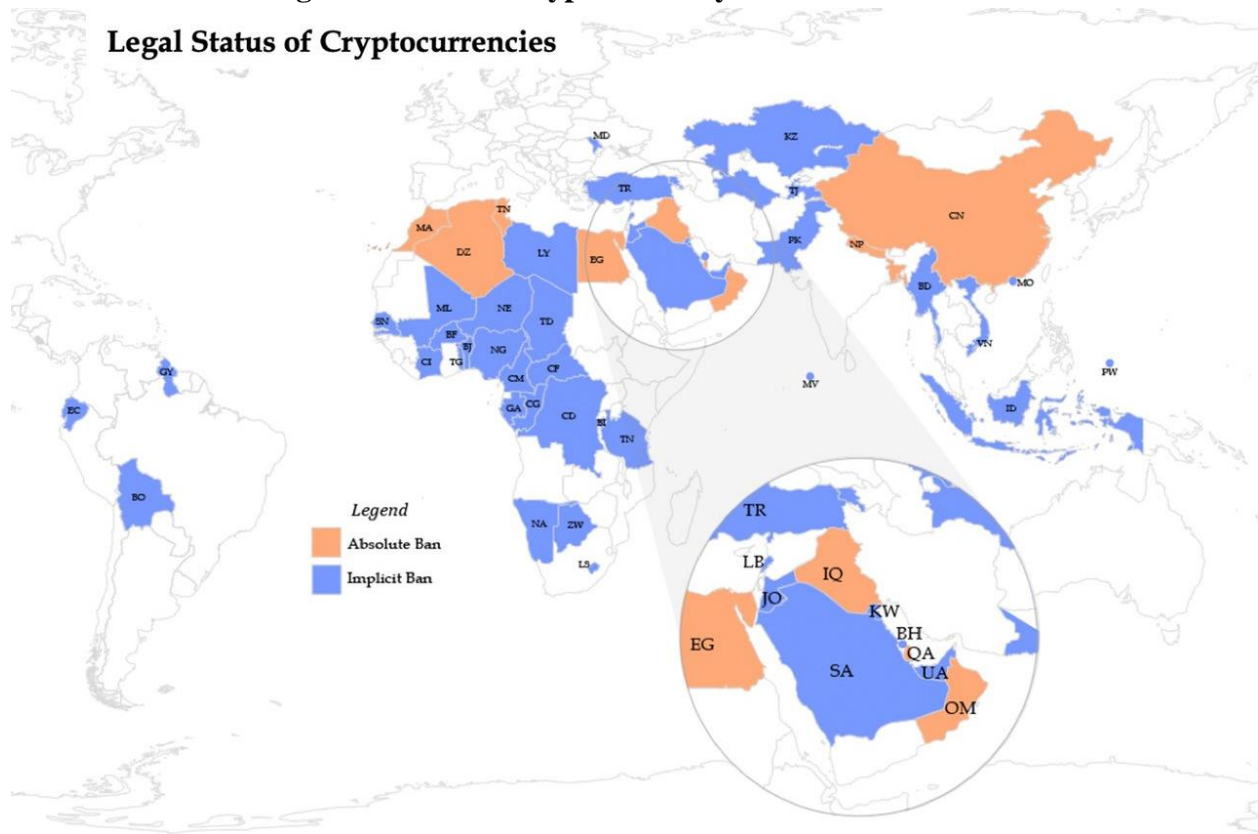
Bitcoin Globally

Globally, Bitcoin holdings are most prevalent in financially well-developed countries. However, Bitcoin transactions are more commonplace in developing nations.

Developing nations lack robust and efficient financial services, distrust government institutions, and face costly remittances, high inflation rates, and chaotic exchange rates. Thus, Crypto looks like a solution. Bitcoin exchanges handle more than 80% of all cryptocurrency transactions in underdeveloped nations, according to chain analysis, software for tracing the flow of funds across blockchains. Bitcoin adoption is high in many emerging countries in Latin America, Africa, and Asia. Vietnam is ranked number one in usage, with Asia accounting for more than half of all cryptocurrency transactions globally. Bitcoin's deregulated peer-to-peer structure overcomes social trust issues in developing countries. The accessibility to bitcoin bolsters financial inclusion, allowing individuals to participate in e-commerce. In addition, individuals who adopt Bitcoin as a tool for remittances face lower transaction costs and improved funds transfer speed. Bitcoin furthers global exchange without the bureaucracies of traditional methods.

On the other hand, due to controversies around high power consumption, volatility, and nefarious transactions, nine countries absolutely ban Bitcoin, and 42 countries implicitly ban it, which increased significantly from 27 countries in 2018. Figure 6 pictures the legal status of Bitcoin by country.

Figure 6: Bans of Cryptocurrency Around the World.



(The Law Library of Congress, Global Legal Research Directorate, 2021)

El Salvador Makes Bitcoin Legal Tender

On September 7, 2021, El Salvador became the first country to adopt Bitcoin as legal tender, allowing the cryptocurrency to be used in any transaction, from buying a cup of coffee to paying taxes. President Nayib Bukele stated that this cryptocurrency adoption could bring the approximately 70% of Salvadorans that do not own bank accounts into the formal economy and make it faster and cheaper to participate in e-commerce. He further argues that crypto investors could ultimately free the indebted nation from the hold of the traditional global financial system.

Proponents are not limited to El Salvador. Recent polls suggest that 27% of Americans approve of making Bitcoin legal tender, with younger generations at a 44% approval rating. Additionally, Bitcoin is considered property in Australia, the United Kingdom, and the United States making the asset class subject to capital gains taxation. Bitcoin gains legitimization through these legal acceptances and regulations in various countries.

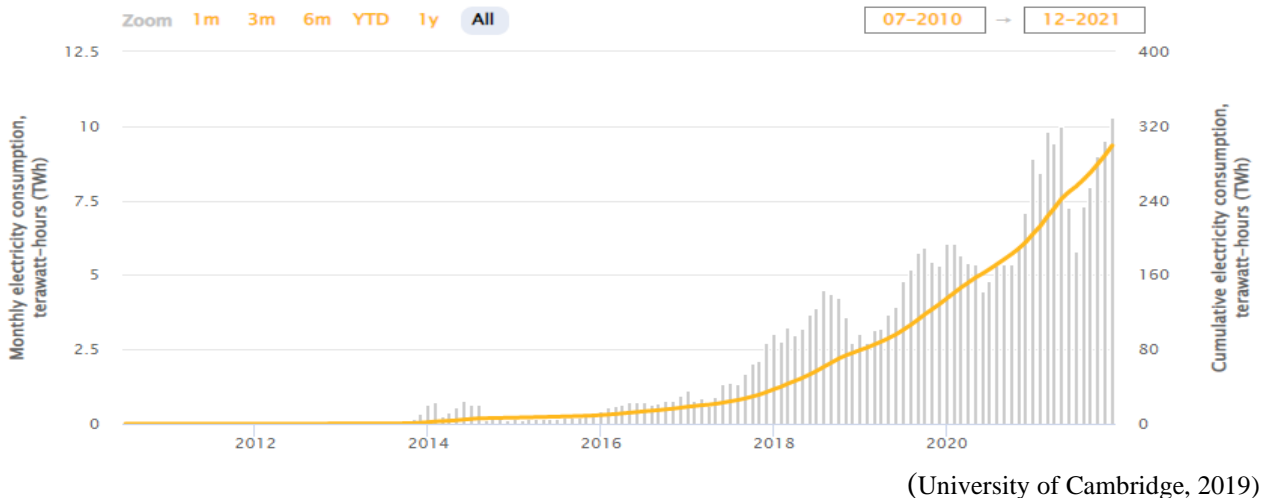
Cost of Electricity Across the United States

According to the Cambridge Bitcoin Electricity Consumption Index, the United States maintains about 66.2 exahash per second or 35.4% of the global hash rate. This means that, of the ~900 BTC released daily, Americans earn about 318 BTC. America's popularity in the industry is due to its access to cheap energy sources. As a low-margin industry, bitcoin mining requires affordable energy from unrestrictive policies. Miners searching for low-cost electricity tap into renewable and stranded energy assets that other industries cannot use, such as hydroelectric, solar, or carbon byproducts released in the oil drilling process.

Different states carry different energy costs. To illustrate, the cost of electricity is 18 to 19 cents per kilowatt-hour in California and Connecticut, more than double that of Kentucky, Wyoming, Washington, and Texas. Texas is growing its share of renewables, with 20% of its energy coming from wind power.

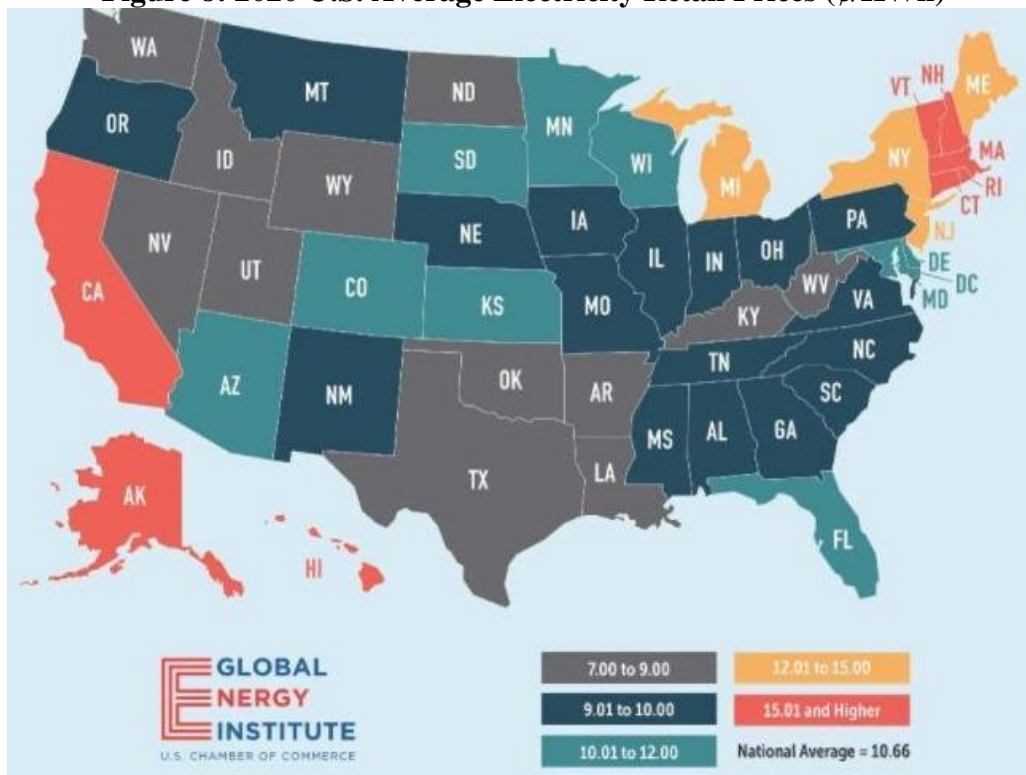
Energy

Figure 7: Total Global Bitcoin Electricity Consumption



Controlled by the difficulty adjustment and halving schedule, Bitcoin perfectly limits its finite supply. As miners require greater computational power to remain competitive, energy dominates operational expenses. In December of 2019, Coin Savage estimated that electricity consumption comprised about 60% of the operating costs of a Bitcoin mining company.

Figure 8: 2020 U.S. Average Electricity Retail Prices (¢/KWh)



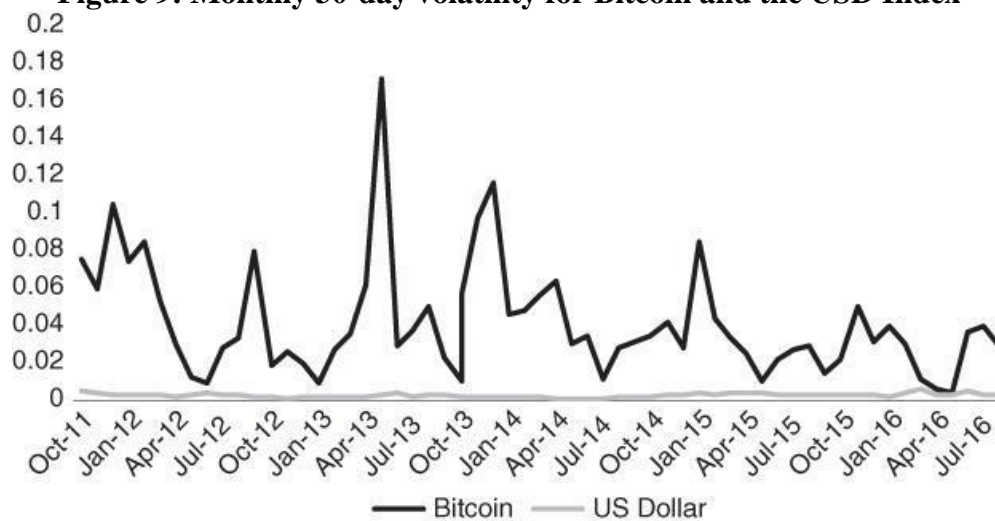
U.S. Chamber of Commerce, Global Energy Institute. (2020)

Two Key Drivers of the Industry

BTC Price

Since supply is fixed, only demand drives the price of Bitcoin (BTC). The volatility of BTC is one of the most significant for non-derivative financial assets, with a standard deviation average of about 4.5% for the past five years. Over this period, Bitcoin’s volatility was six times that of stocks and thirty times that of bonds. Figure 9 graphs the monthly 30-day price volatility of Bitcoin. This volatility of Bitcoin presents a significant challenge to the industry. As price fluctuations occur, organizations have greater difficulty determining their revenue, forecasting future cash flows, and prioritizing expenses. Furthermore, Bitcoin price changes can result from the adoption or liquidation of large institutions, regulatory concerns, or a change in sentiment for Bitcoin.

Figure 9: Monthly 30-day volatility for Bitcoin and the USD Index



(Ammous, 2018, pp. 188)

Regulation

Regulatory agencies are actively trying to find their footing, looking for enforceability while trying to balance risk mitigation while avoiding the stifling of innovation and falling behind other countries, such as Canada, where most peer companies reside. While regulation should rightfully be viewed as a threat, in this new industry, many players welcome the legitimization and consistency that clear definition brings. Positively, regulation can offer validation to Bitcoin. Negatively, regulation can stunt industry growth and its social benefits. For further regulation discussion, see Risk Analysis section.

COMPANY OVERVIEW

Initially, Aspen Bio, the upsurge in BTC prices caused the business to transition to bitcoin mining and hosting, resulting in a name change to Riot Blockchain.

Riot continues to strategically add infrastructure to pursue greater hash rate capacity and electrical power efficiencies. Riot began its operations in Oklahoma with 4,000 machines. Soon after, it entered a co-location hosting agreement with Coinmint in Massena, NY, a small town with abandoned aluminum factories with access to abundant power. Coinmint's energy use is from 88% zero-emissions sources, mainly hydroelectric.

Figure 10: Whinstone U.S. - Rockdale, Texas Facility

(Riot Blockchain, 2021)

After a year of new miner acquisitions to increase operational hashing capacity, Riot acquired Whinstone from Northern Data AG on May 26, 2021. Whinstone is currently the largest Bitcoin mining and hosting facility, measured by developed capacity, in North America. Whinstone generates revenue from engineering and construction service revenue and hosting, which provides co-location services for institutional-scale Bitcoin mining companies. Rockdale, TX brings crypto-friendly politicians, affordable land, and a large, deregulated power grid. 90% of the state's energy comes from the electrical reliability Council of Texas (ERCOT), whose decentralized grid incentivizes competition that lowers rates. Along with the facility came a fixed low-cost power agreement with TXU energy Retail Company LLC through April 30, 2030.

Collaboration with energy companies like Riot and ERCOT is necessary as the bitcoin mining market grows more competitive. Riot's Whinstone facility sources electricity from ERCOT, a private electrical company, and other providers to a lesser degree. Riot, and others, behave as a controllable load resource, which is a user capable of reducing or increasing energy consumption. ERCOT offers Riot opportunities for "lack of usage" credits and payment reductions based on the response and relations. See our ESG section for how this arrangement adds resiliency to the grid.

On December 1, 2021, Riot acquired ESS Metron. ESS Metron builds electrical equipment that develops and provides liquid-cooling/immersion equipment to Riot's Whinstone facility and outside clients. Immersion cooling technology moves heat more efficiently than air-cooled systems, requiring less maintenance while offering a more energy-efficient hash rate. The purchase consisted of 715,413 shares of RIOT common stock and \$25 million in cash, a transaction valued at approximately \$50 million. This ESS Metron acquisition creates the world's "first and only industrial-scale immersion-cooled bitcoin mining operation." Of Whinstone's 300 MW of

developed capacity, 200 MW is currently dedicated to ESS Metron's immersion-cooling technology.

Riot's February 2022 Update declared 38,000 miners in deployment: 7,043 in New York and 30,957 at Whinstone U.S., of which 10,000 are in Whinstone's immersion-cooled dedicated building G. In March of 2022, Riot produced 511 BTC, an increase of approximately 176% compared to March of 2021. At \$40k BTC, the 511 BTC is valued at \$20M USD. Currently, Riot has a deployed fleet of 42,919 miners with a hash rate capacity of 4.3 EH/s. By January 2023, assuming deployment of 120,000 miners, Riot anticipates a total self-mining hash rate capacity of 12.8 EH/s, triple its current capacity. Riot achieves lower operational costs than competition through acquisitions, scale, and location.

Revenue Growth

Riot's revenue segments include Bitcoin mining, hosting, and engineering. Hosting revenues began in Q2 of 2021 and engineering revenues began in Q4 2021 totaled \$24.5 million (11% of Total Revenue) and \$4.2 million (2% of Total Revenue) for years end December 31, 2021. Mining revenues for 2021 totaled \$184.4 million (87% of Total Revenue.) Total Revenue increased an incredible 1,665% from 2020's \$12.1 million.

Halvings decrease revenue earned because the block reward of bitcoin decreases from 6.25 to 3.125 in 2024, and then 1.56 in 2028. A halving can be seen in Q2 of 2020 in the financials as the reward decreased from 12.5 bitcoins to the 6.25. See also our projections of a mere 1% estimated yoy growth in revenue in 2024.

MANAGEMENT PERFORMANCE

In this young company, Riot's executive team brings a variety of diverse backgrounds. The team's technological, financial, and strategic experiences provide a unique managerial perspective to help Riot expand in a rapidly developing industry.

Jason Les, CEO, has served as the CEO of Riot since February of 2021. Prior to serving as CEO, Les served as Director for Riot from October 2017 to February 2021. Les' previous ventures include founding partner of Binary Digital SG, a software tech company, where he worked with the engineering team on AI development and inter-software compatibility projects. Les' bitcoin involvement began in 2013, during his accomplished professional poker career. With over a decade of poker success, Les was selected as a human benchmark for poker artificial intelligence. Les has a B.S. in Information & Computer Science from UC Irvine.

Jeffery G. McGonegal, CFO, has been the longest standing executive at Riot, holding CEO position for two years before becoming the current CFO. McGonegal has a B.A. from Florida State University in accounting and received his CPA license in 1975. McGonegal spent most of his career prior to joining Riot with an accounting firm (BDO USA, LLP). Before leaving, McGonegal held a Managing Director position in Denver, CO. Throughout his time at BDO, McGonegal held multiple executive roles in public companies. Our team was given the opportunity to meet McGonegal in Castle Rock, CO for an interview.

Ryan Werner, VP of Finance, has been with Riot since March of 2021. Werner started his career at Ernst and Young, an audit practice, specializing in publicly traded companies. Werner then moved onto Archstone, where he worked as a director for almost two years before moving to UDR. Werner served as Senior Director of Real Estate & Transactions Accounting for eight years at UDR, a S&P 500 real estate trust company. Werner has a B.S. in Accounting & Business Administration degree from the University of Kansas. He then went on to receive his CPA and Master of Accounting & Information Systems from University of Kansas.

Phil McPherson, VP of Capital Markets, has been with Riot since March of 2021. Prior to joining Riot, McPherson spent eight years as the CFO for Citadel Exploration Inc. and over twenty years working in public markets. McPherson currently sits on the Board of Directors for Barnwell Industries as a member of the Audit committee and Chairman of its Reserve Committee. McPherson holds a B.S. in Economics from East Carolina University.

SHAREHOLDER ANALYSIS

Examining shareholders can help understand anticipated future performance and stability. Significant sales or purchases can signal a possible change in a company. Large investors do copious amounts of research before investing large sums, and therefore give some credibility to the stock.

Holding 29% of the company's shares, institutional investors are the largest group of shareholders. The Vanguard Group Inc. is the largest shareholder, holding 8.61% of shares. Vanguard also holds Riot in multiple mutual funds. Their Vanguard Total Stock Market Index mutual fund holds 3,130,662 shares, or 2.69% of outstanding stock.

The Vanguard Group, Inc is an American investment advisor situated in Malvern, PA. They manage approximately \$7 trillion in assets. The Vanguard Group is the world's largest provider of mutual funds and the second largest provider of ETFs.

Figure 11: Top Five Institutional Investors

<u>Institutional Investor</u>	<u>Shares Held</u>	<u>Percentage of Ownership</u>
The Vanguard Group, Inc	10,040,038	8.61%
BlackRock Fund Advisors	5,740,168	4.92%
Susquehanna Financial Group, LLLP	3,022,091	2.59%
State Street Corporation	2,005,804	1.72%
Toroso Investments LLC	1,675,652	1.44%

Figure 12: Top Five Mutual Fund Holders

<u>Mutual Funds</u>	<u>Shares Held</u>	<u>Percentage of Ownership</u>
Vanguard Total Stock Market Index	3,130,414	2.69%
Vanguard Small Cap Index Fund	2,775,577	2.38%
iShares Russell 2000 EFT	2,059,929	1.77%
Vanguard Small Cap Growth Index Fund	1,727,681	1.48%
Amplify Transformational Data Sharing ETF	1,675,652	1.44%

Insiders purchasing more stock can show a positive outlook. On the other hand, selling large quantities can signal a negative outlook. Higher shares owned tend to show greater confidence in the company. However, too many shares owned may give investors concern of too much control from management. Insiders own a total of 3.72% of Riot Blockchain's stock, slightly lower than that of Riot's peers at an average 13.58%. Jeff McGonegal, the largest inside investor of Riot Blockchain, owns 358,034 shares, or 0.31%. McGonegal is the current CFO, having started in 2003 when Riot was the biotech company Venaxis. Jason Les, CEO, made a notably larger than normal trade in December 2021, buying 62,500 shares valued at \$945,625. December is often a busy trade month for insiders and December 2021 saw more than 396,000 shares purchased and sold among insiders. Financial historicals show that the December 2021 insider trades look standard for the time of year.

Figure 13: Insider Investors

<u>Insider</u>	<u>Title</u>	<u>Shares Held</u>	<u>Percentage</u>
Jeff McGonegal	CFO	358,034	.31%
Jason Les	CEO	291,944	.25%
Benjamin Yi	Executive Chairman	73,167	.06%
Lyle Theriot	COO (Whinstone US)	56,369	.05%
Chad Harris	CEO (Whinstone US)	44,487	.04%
Hannah Cho	Director	10,000	.01%
Hubert Marleau	Director	10,000	.01%
Lance D'Ambrosio	Director	7,500	<.01%

Outside investors include individuals who are not part of the company. A German crypto-currency solutions company, Data AG Northern holds 6,949,992 shares or 5.96% of Riot Blockchain. Data AG often purchases shares in other companies, including their competitors, to benefit from peer price increases. Data AG Northern made a notably large trade on September 2, 2021, selling 3,000,000 shares worth \$109,830,000.

Figure 14: Top Outside Investors

<u>Name</u>	<u>Title</u>	<u>Shares Held</u>	<u>Percentage</u>
Data AG Northern	Company Competitor	6,949,992	5.96%
Barry C Honig	Business Owner	443,585	.38%
Remo Mancini	Former Chairman	471,544	.4%
Michael Martin Beeghley	Former CEO (2016-2017)	177,918	.15%

Riot's revenue relies heavily on the price of Bitcoin (BTC,) so RIOT also correlates to BTC. Cryptocurrencies total almost \$2T, with Bitcoin's share at ~41%. Bitcoin's market cap makes up 2.9% of all national currencies across the globe. Analyzing bitcoin holders can help us understand Riot's revenue growth and RIOT's price. See the next 4 figures.

Figure 15: Top Five Cryptocurrencies

<u>Cryptocurrency</u>	<u>Market Share</u>	<u>Market Cap</u>
Bitcoin	42.76%	732,693,027,020
Ethereum	17.7%	303,250,224,093
Tether	4.67%	80,097,312,283
Binance Coin	3.51%	60,248,417,937
USD Coin	3.06%	52,462,708,411

Figure 16: Top Five Public Companies with Bitcoin

<u>Company</u>	<u>Bitcoin Owned</u>	<u>Industry</u>
MicroStrategy	121,044	Software
Tesla	48,000	Auto
Galaxy Digital	16,402	Crypto Investment Firm
Square	8,027	Financial Services
Marathon Digital Holdings	4,813	Crypto Mining

Figure 17: Top Five Countries Holding Bitcoin

<u>Country</u>	<u>Bitcoin</u>
India	100,740,320
USA	27,491,810
Russia	17,379,175
Nigeria	13,016,341
Brazil	10,373,187

PEER ANALYSIS

Figure 18: Quick Comparison

	RIOT	CORZ	HIVE	BITF	HUT	MARA
Miners	42,919	80,000	16,000	27,000	16,044	133,000 (’20)
Hash Rate	4.3 EH/s	8.3 EH/s	2 EH/s	2.7 EH/s	2.54 EH/s	3.9 EH/s
Bitcoin holdings	6,062	8,497	2,568	5,243	6,460	9,374

The Bitcoin mining industry is rapidly evolving, becoming increasingly competitive, and miners struggle to maintain or increase their hash rate (“market share”) by continually investing in cutting-edge technologies. Many blockchain companies diversify their mining to different cryptocurrencies while Riot, focuses on bitcoin mining, hosting, and new engineering segments to generate revenue. Peers within Riot’s industry continually earn their share of the market through innovative business models, technology upgrades, and cost-efficient energy resources.

Core Scientific (CORZ) - Core Scientific is the leader in net carbon-neutral blockchain infrastructure, functioning as a self-mining and hosting operation while also distributing blockchain hardware. CORZ is strategically located in Georgia, Kentucky, and North Dakota, taking advantage of discounted renewable energy for hosting large-scale blockchain computing operations. Mining with a net carbon neutral footprint means that 55%-60% of its electricity comes from sustainable power. CORZ’s self-mining operations focus on a variety of cryptocurrencies including Bitcoin, Ethereum, Monero Nervos, Litecoin, SIA, and Z-cash. Hosting involves providing the necessary technology and infrastructure to host digital asset miners. With 80,000 miners deployed, CORZ has a self-mining hash rate of 8.3 EH/s, a hosting hash rate of 7.9 EH/s, and holds 8,497 bitcoins.

Hive Blockchain Technologies (HIVE) - HIVE earned notoriety when it became the first publicly traded cryptocurrency miner listed on the TSX Venture Exchange (TSXV). Founded in 1987, HIVE holds its headquarters in Vancouver, Canada. HIVE will implement innovative sustainable practices that, HIVE claims, will provide a competitive advantage in an increasingly crowded mining market. The coordination of corporate governance to safeguard environmental sustainability along with HIVE’s community outreach program have successfully helped HIVE quickly achieve new heights in the equity market. Hive blockchain utilizes 100% green energy to mine Bitcoin and Ethereum. Hive Blockchain has a hash rate of 2.0 EH/s and holds 2,568 bitcoins.

BitFarms Technologies (BITF) - BitFarms Technologies is a Canadian-based mining company founded in 2017 that went public in 2018 through the TSXV. BITF services clients worldwide from its headquarters in Brossard, Canada and implements a diversified production platform with five industrial scale facilities located in Québec, Washington state, and Paraguay. Each facility is

over 99% powered with environmentally friendly hydro power and secured with long term power contracts. BITF is currently the only publicly traded pure-play mining company audited by a Big Four accounting firm. BITF also diversifies their mining ventures by focusing on multiple cryptocurrency networks including Bitcoin, Bitcoin Cash, Ethereum, Litecoin, and Dash. BITF has a hash rate of 2.7 EH/s, and holds 5,243 bitcoins.

Hut 8 Mining Corporation (HUT) - Hut 8 Mining Corporation, founded in 2018, is headquartered in Toronto, Canada and went public on the Toronto Stock Exchange (TSX). HUT boasts of having “one of the most established and largest operations in the mining game.” HUT mines Bitcoin and Ethereum cryptocurrencies and prides itself on having a green strategy by implementing smart response systems for its miners. HUT also minimizes its carbon footprint by using wind, and gas energy. HUT strategically reduces costs by placing facilities in cold climates with high winds. With access to 209 megawatts of power, HUT mining holds 6460 bitcoins and has a hash rate of 2.54 EH/s.

Marathon Digital Holdings (MARA) - Marathon is a digital asset technology company with a large portion of the bitcoin network hash rate market share. Headquartered in Las Vegas, Marathon deploys its miners in Texas, South Dakota, Nebraska, and Montana. Through partnerships with hosting facilities, including Compute North, Marathon sets itself apart from its competitors by focusing most of its capital expenditures on purchasing miners rather than facilities. Marathon expects to deploy 133,000 miners by mid-2022 with the capability of achieving a hash rate of 13.3 EH/s, and 23.3 EH/s by Q1 2023. Dedicated to reducing the environmental impact of Bitcoin mining, Marathon is 70% carbon neutral with a goal of reaching 100% neutrality by the end of 2022. Marathon aims to become the largest mining operation in North America with a growth of bitcoins mined up 556% to Q1 of 2022. Marathon holds 9,373.6 Bitcoins and has a hash rate of 3.9 EH/s as of March 2022, drastically up from its January 2021 hash rate of .18 EH/s.

Peer Comparison

A year and a half ago there were only four public mining companies, today there are over twenty. Core Scientific, Hive, Hut 8, Bitfarm Technologies, and Marathon, all provide competitive business models, growth strategies, comparable market caps and hash rates to Riot’s. With most of Riot’s peers matching bitcoin mined in the 3,000s range, and every company positioning itself toward rapid expansion, 2022 will be the deciding year for mining success. Hut 8 has 6,317 miners deployed. BitFarms has 27,000 active miners, with 49,200 to come online in 2022. Hive Blockchain has a deployment schedule of 6,500 miners, bringing their total to 10,000 active miners by the end of 2022. Marathon has 35,750 active miners with a full deployment schedule of 133,000 by the end of 2022. The leader of the peer group in hash rate, market cap, and miners deployed, Core Scientific, has 80,000 active miners with 100,000 new miners expected in 2022. Riot, on schedule to deploy 122,000 miners by Q4 of 2022, sits as a top contender of its peer group and compares closely with Marathon. Core Scientific’s miner deployment and business model places

itself in the top of the blockchain mining market share for the foreseeable future. With diversified cryptocurrencies, Core might be one of the safest investments.

Figure 19: Peer Financial Comparison

*Financials translated into USD	Share Price (USD)	Market Cap (millions)	EPS diluted (decimal)			Current (times)			EBITDA (millions)			Hash rate (EH/s)		
	04/21/22	04/21/22	Sep '21	'20 YE	'19 YE	Sep '21	'20 YE	'19 YE	Sep '21	'20 YE	'19 YE	Mar '22	'20 YE	'19 YE
Core Scientific CORZ/NASDAQ	7.31	2332.9	(139.34)	(230.31)	(120.81)	2.5x	1.0x	.6x	47.0	(2.8)	(5.4)	16.2	2	1
Marathon MARA/NASDAQ	19.32	1990.9	.36	.13	.53	49.9x	198.4x	.8x	(46.6)	(135.3)	(236.0)	3.9	.18	.014
Riot Blockchain RIOT/NASDAQ	12.8	1501.5	.19	(.30)	(1.02)	7.0x	98.6x	3.75x	11.54	(5.41)	(9.25)	4.3	0.57	.24
HUT 8 Mining Corp.* HUT/TSX	4.08	699.5	.41	.16	.02	22.4x	3.6x	3.5x	40.12	11.18	30.04	2.5	1.0	0.95
Bitfarms Technologies Ltd.* BITF/ TSXV	3.02	609.2	.04	(.19)	.05	5.5x	.3x	1.6x	63.20	4.78	7.03	2.7	.81	.24
Hive Blockchain LTD.* HIVE/TSXV	1.67	684.4	.27	(.01)	(.44)	14.9x	2.5x	2.7x	146.99	(1.66)	(14.31)	2.0	0.17	0.21

RISK ANALYSIS

Cryptocurrency companies such as Riot Blockchain can be adversely affected by a variety of constantly changing risks.

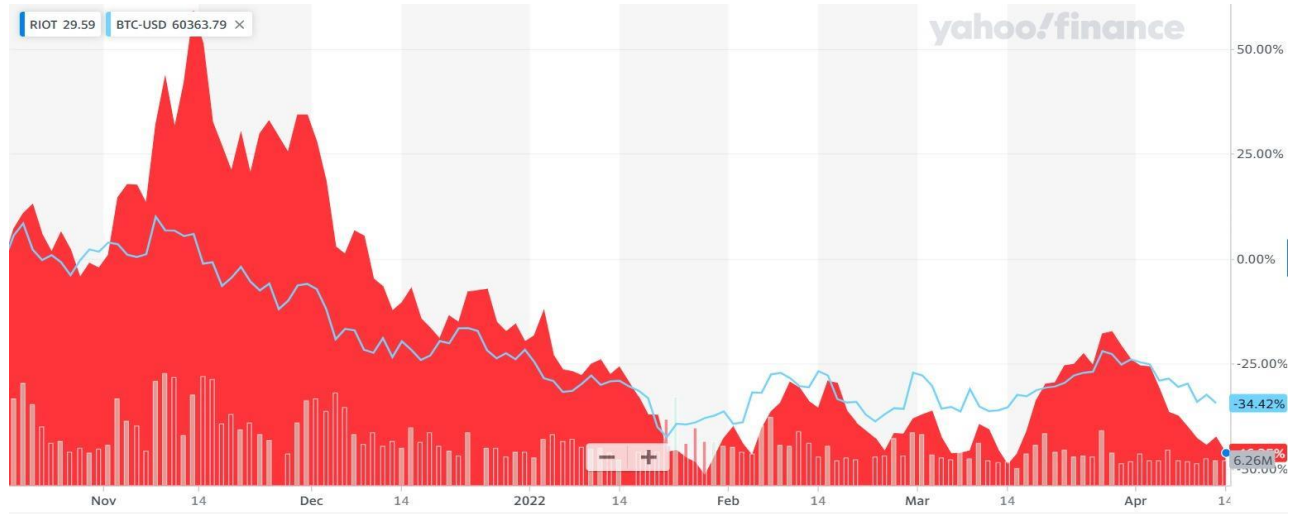
Bitcoin Price Risk

Riot's revenue depends on the number of bitcoins they mine and the value of that bitcoin. According to one market expert, Riot's stock price displays a three-month correlation to BTC of 65.3%. Therefore, Riot's stock will fluctuate with the adoption of bitcoin. BTC fluctuates with supply and demand, susceptible to macroeconomic and financial factors such as fear, uncertainty, regulation, and technological developments.

Bitcoin functions as a medium of exchange, store of value, and means of investment. Approximately 15,174 businesses worldwide accept bitcoin, with 2,300 firms located in the United States. Noteworthy companies that accept bitcoin as payment include Microsoft, AT&T, and even some restaurant chain locations such as Burger King in Germany and the Netherlands. However, while acceptance of bitcoin has grown, bitcoin is poorly understood, making it a highly speculative investment. The most considerable barrier to bitcoin adoption is its volatility, presenting a risk to commercial marketplaces and investors. Although free from third-party manipulation, BTC is highly volatile and is subject to investor speculation and social influencers. For instance, During the COVID-19 outbreak, Bitcoin fell from around \$10,000 on Feb 14, 2020, to approximately \$5,000 on Mar 13, 2020. Social influencer Elon Musk moved the price of bitcoin from \$32,000 to nearly \$44,000 by explaining Tesla's investment of 1.5 billion in the new commodity.

Bitcoin's daily volatility ranges from 5%-10%. The extreme time-series volatility results from its highly speculative nature. Riot Blockchain invests to increase its bitcoin mining infrastructure and has proven to mine increasing amounts of bitcoin. Although Riots, low energy costs, and growing infrastructure present a value proposition for bitcoin mining, Riot's success will ultimately depend on the long-term adoption of the commodity. Figure 20 shows a chart showing the six-month correlation between RIOT and BTC

Figure 20: RIOT vs BTC



(Yahoo Finance, 2020)

Cryptocurrency Mining Risk

Operating in a developing industry, Riot Blockchain faces risks to its operations, implementation of new technologies, and costs that affect its profitability. Specifically, natural disasters, power outages, and ethical controversies potentially threaten Riot's low energy cost strategy. Energy or internet connectivity disruptions temporarily halt operations, hindering Riot's ability to mine Bitcoin.

Technological Risk

Riot must quickly and frequently deploy new cost-effective technologies and upgrade techware. The latest produced miners made by Riot's supplier, Bitmain, consist of S19, S19 Pro, S19j Pro, and S19XP models. Riot invests exclusively in models utilizing the SHA-265 algorithm, a program specific to mining bitcoin. While Bitcoin holds dominance in the crypto market as a medium of exchange and store of value, Riot is risking the possibility of other cryptocurrencies outperforming Bitcoin.

Furthermore, Riot's continuous equipment upgrades and miner deployment could interrupt operations, lower shareholder confidence, and risk their share of the network hash rate. Additionally, the price of miners fluctuates with the network hash rate, i.e., demand from competing companies. The higher the network hash rate increases, the more expensive miners become. With few companies producing miners, Riot is at the will of its miner supplier. If miners

are not delivered and deployed on the schedule Riot sets, the company will fall behind expectations and could lose market share and investor interest.

Cybersecurity and Insurance

Cybersecurity and proper coverage of lost crypto are also risks associated with cryptocurrency mining. Riot has taken precautions to prevent cybercrime and fraudulent transactions that could compromise the network or attack third-party platforms. However, due to technological advancements, current security measures may be inadequate as hackers become more sophisticated. Additionally, cryptocurrency assets are not subject to FDIC or SIPC insurance. Private insurance may also fall short of providing adequate coverage. Therefore, if security protocols prove ineffective, Riot may struggle to recover their accumulated value of bitcoin from a cyberattack.

Regulation Risks

Bitcoin and other cryptocurrencies are increasingly becoming subject to governmental regulations that could deter investors from buying Riot's stock. Bitcoin and other cryptocurrencies are currently under-regulated in the United States, and different entities follow different approaches in regulating bitcoin and other cryptocurrencies. The Commodity Futures Trading Commission (CFTC) defines Bitcoin as a commodity, suggesting its primary use is storing value. Bitcoin is subject to capital gains taxation and the IRS defines it taxable as property. Regulation goes beyond taxation and targets Bitcoin, its mining, plus third-party transaction systems known as DeFi.

As the use of cryptocurrencies continues to grow in the United States, it appears inevitable that restrictions are placed on cryptocurrencies. From the adoption perspective, some regulation is helpful, expanding the serviceable market for Bitcoin. On the contrary, negative restrictions or bans could deter investors and would diminish Riot's revenue growth.

Economic And Geopolitical Risk:

The economic and geopolitical background for Bitcoin is uncertain. Government powers around the globe have implemented varied regulations over Bitcoin, with entire bans of using, selling, or holding in Algeria, Bangladesh, China, Egypt, Iraq, Morocco, Oman, Tunisia, and Qatar. Forty-two additional countries have also implicitly banned cryptocurrency via severe restrictions concerning national banks' access to cryptocurrency and prohibiting exchange of cryptocurrency exchange. Governments who have restricted Bitcoin insist that regulations and bans are on the behalf of the people's safety. The assumption is that cryptocurrency could be used for illegal and even terrorist activity, while arguing that cryptocurrencies' increasing popularity has the potential to destabilize regional, national, and global economies. Since Riot Blockchain's business model and revenue rely on Bitcoin, severe local restrictions are a threat to the business.

Regulation on Energy Usage

Government agencies are beginning to look into regulating the massive amounts of electricity that cryptocurrency mining requires to power the hardware. Riot could be subject to future environmental and energy regulations which could decrease mining capabilities. New regulations could prevent the amount and source of energy Riot is permitted to use in mining. As a result, Riot's revenue and operating input could be affected.

Furthermore, new environmental regulations could adversely affect Riot's financial condition, supply chain operations, and ability to compete globally due to the lack of environmental restrictions in certain regions. These restrictions would impose important costs on Riot and its suppliers, including costs related to increased environmental impact monitoring and reporting.

Currency And Conversion Risk

Riot Blockchain and other bitcoin mining companies rely on financial institutions' acceptance of Bitcoin-affiliated companies to operate its business. Due to the lack of stable regulations and policies for banks, cryptocurrency-affiliated companies face risks associated with relying on financial institutions. It is possible that accounts could be blocked as a consequence of affiliation with a decentralized value of property. Riot Blockchain uses financial institutions to convert bitcoin into a fiat currency to execute operations. If financial intermediaries revoke the use of accounts due to government action or a simple unwillingness to provide their services to cryptocurrency affiliated companies, Riot will need to seek new methods to store money or pay for its business operations, or to convert Bitcoin into fiat currency.

Internal Control and Managerial Risk

As a new market, cryptocurrency has a lack of guidelines and limited precedent for financial statements and accounting. The lack of guidelines warrants continued adaptations that add risk to Riot's internal controls and ability to follow SEC regulations. In the past, Riot has failed to maintain internal controls subject to the changing guidelines. Material weakness improvements such as maintaining internal controls with updated guidelines and publishing financials in accordance with regulations are necessary for Riot to stay within the SEC and U.S. GAAP guidelines. Risks associated with these regulations include suspended or terminated NASDAQ listing, sanctions, and lawsuits. Riot's reputation is also at risk.

Additionally, financial reporting standards and guidelines could alter documentation models that affect where new bitcoin blockchain rewards are awarded within financial statements, affecting revenues gained and negatively impacting Riot's financial appearance and investor confidence.

Lack of Knowledge and Social Popularity Risk

As a new asset class, cryptocurrency, and, subsequently, Riot Blockchain face risks related to misinformation and are sensitive to public opinion. BTC and other cryptocurrency investments, such as RIOT, are highly discussed topics with opinions and false or salacious information that can sway investors. Issues arise from the “network effect,” or social popularity, which in the past has led investors who do not understand the workings of the cryptocurrency market to buy in. Investors who do not understand the volatility and sensitivity of cryptocurrency exacerbate reputation and regulatory risk.

According to the Cambridge Center for Alternative Finance (CCAF), Bitcoin consumes around 110 Terawatt Hours per year — 0.6% of global electricity production. The amount of energy in the mining process is controversial, as some consider it wasteful. ARK Investment Management found mining is also 10% less than traditional financial institutions’ consumption. Research suggests that data centers use 1%-2% of global energy consumption, twice as much as bitcoin mining. However, those who value bitcoin as a financial tool argue the power is well spent. Opposing views and misinformation affect the price of BTC, which affects RIOT’s price.

Common Stock Risk

Historically, Riot relies on equity financing to fund its business operations. RIOT retained relevance and attractiveness through the price of BTC and Riot’s increased market share through Riot’s hash rate capacity over network capacity. Riot does not plan to pay dividends for the foreseeable future. Considering Bitcoin’s high volatility, holding stock in RIOT requires bullish bitcoin sentiment and a long-term position to build a return. As a speculative asset class, investors must brace for high volatility and high risk when investing in any cryptocurrency related stock.

Environmental, Social, Governance (ESG)

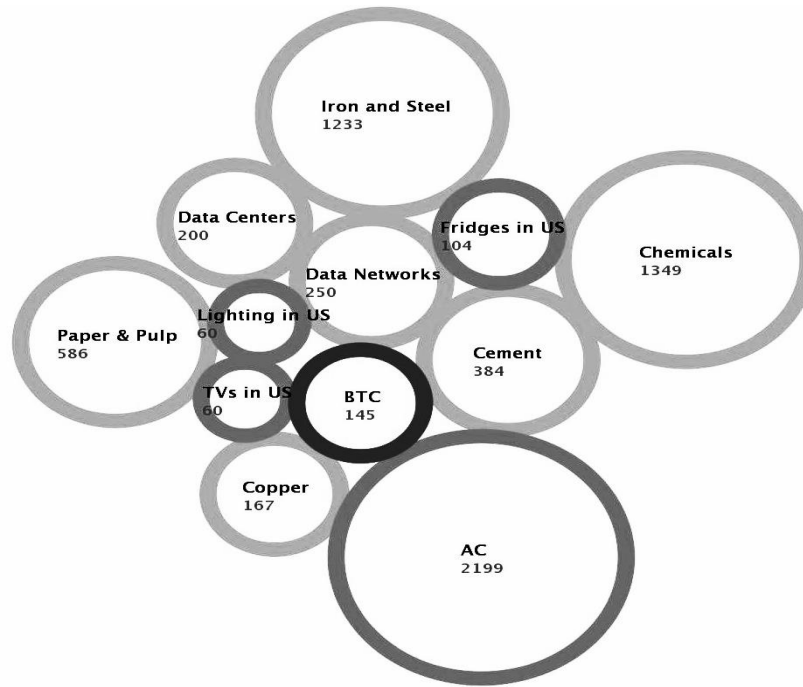
Inside Regis, a Jesuit University, the Anderson College of Business and Computing values “Magis,” the idea to strive for the greater good. Therefore, we believe ESG is an important part of business and will opine on Riot’s results in environmentally sustainable energy, economic development, and diversity.

Sustainable Energy

The global Bitcoin mining industry used more tera-watts of energy in 2020 than all refrigerators in the U.S. Mining companies seek and utilize cutting-edge green technology to mitigate energy

consumption and gain public favor. The most efficient mining machine on the market, Bitmain S19 Pro, utilizes the least energy while generating the highest hash rate. The S19 Pro uses 86.5 MWh to mine just one bitcoin. For comparison, the average household uses about 10.7 MWh annually. The electricity to mine one bitcoin can power the average household for nine years. Energy usage in the bitcoin mining industry has led to backlash, putting it at the forefront of the ESG conversation. Public and social pushes against bitcoin mining especially address carbon emissions.

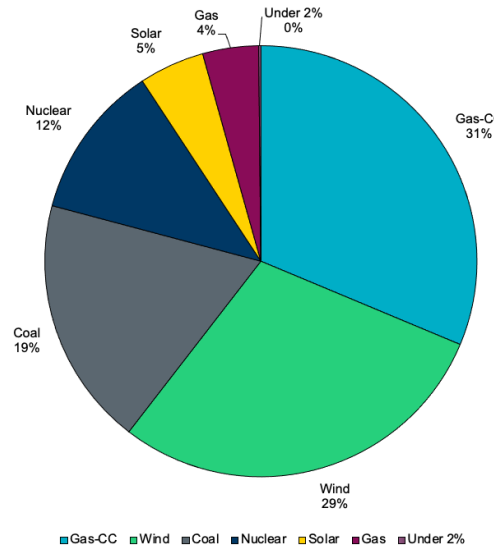
Figure 21: TWh used by U.S. Industrial and Residential Customers in 2020



(University of Cambridge, 2020)

Due to the immense amount of electricity consumed while mining Bitcoin, mining companies are moving to lower-cost renewable energy. Riot moved its mining headquarters to Whinstone US in Texas, collaborating with ERCOT, a privatized energy company. Wind and solar make up nearly 34% of the ERCOT market's energy capacity, with relatively lower-carbon natural gas generating 35%. Riot's mining in New York at Coinmint's facility is conveniently located near a hydropower plant. The energy intensiveness of the industry relies on and promotes the move to renewable energy and sustainability. Thus, Riot and other miners encourage sustainability by seeking cheaper electricity.

Figure 22: ERCOT-Energy by Fuel for 2022



(ERCOT, 2022)

Riot’s Whinstone U.S. facility power agreement with ERCOT delivers an opportunity to act socially responsibly, allowing Riot to repurpose power, which mitigates blackouts through voluntary shutdowns. During peak hours or emergencies, ERCOT may struggle to meet demand and compensate Riot for the difference between the cost of power and the market price. For instance, in February 2021 and 2022, the Whinstone facility voluntarily reduced operations and curtailed energy usage, allowing power to redirect back to ERCOT's grid. Riot's choice to sell back energy supplies a modest profit while stabilizing the energy grid, distributing electricity to areas in demand, such as heating homes and powering hospitals. Through the ERCOT collaboration, Riot helps stabilize the power grid by providing predictability and reliable power that can generate 60,000 homes. Riot seeks to motivate mining companies to follow suit.

Riot is a founding member of The Bitcoin Mining Council (BMC), a voluntary global forum of Bitcoin mining companies and other companies in the Bitcoin industry. (<https://bitcoinminingcouncil.com/>). The council consists of bitcoin mining companies that collect and analyze data to improve the mining process and collectively achieve better environmental sustainability in the industry. The BMC publishes press releases and resources on the consumption of sustainable power used in the industry to promote transparency and inform the public. The 2021 Q4 press release emphasized an improved sustainable energy mix from council members up to 66.1% yoy.

Economic Development

Bitcoin has opened the door to a new form of economic growth and opportunity. Whinstone U.S., previously an aluminum factory, closed its doors in 2018. Due to reliance on the manufacturing company, Rockdale, TX experienced hardship from the closure as 3,000 residents were laid off.

The city’s municipal budget deteriorated. After Riot Blockchain purchased the facility, 600 employees were hired: 400 contractors and 200 full-time team members. Thus, Riot’s residency promotes robust city involvement and favor.

Diversity

“The worlds of finance and tech are predominantly white and male, and fintech, the innovative collision of the two, is no different. Fintech includes the bitcoin mining industry, which desperately is devoid of diversity.” (Forbes 2021) Riot lacks diversity in its C-suite level management. According to WGU.edu, a lack of diversity can lead to stagnant processes and insufficient awareness. Diversity can foster creativity, company growth, and better financial performance. Riot may lack the ability to understand and adapt to other genders, races, and demographics perceive cryptocurrencies and bitcoin mining, therefore, failing to extend their stock past a particular type of investor.

JOHN ROTONTI’S INVESTING CHECKLIST

John Rotonti is a diligent student of the markets and the greats. Synthesizing Buffet, Graham, Lynch, and other titans, he has compiled the following modern investing checklist:

1. Does the business have a strong balance sheet, preferably with net cash?

Yes

Riot Blockchain had \$312.3 million net cash as of December 2021 plus 6,062 bitcoins as of March of 2022, following a 200 BTC sell for \$9.4 million. Riot has no debt. Riot can cover all its current liabilities two times before selling off any further assets.

2. Can the business generate organic revenue growth powered by a large market opportunity and/or long-term tailwinds?

Yes

Riot Blockchain’s growth and stabilization strategy are in its early stages, and the trends anticipate promising results. The Bitcoin mining sector is growing at a CAGR of 28.5%, and researchers speculate the 2021 growth of \$2,285 million will reach \$5,294 million by the end of 2028 (Brandessence Market Research And Consulting Private Limited, 2022).

Riot’s Whinstone is a 750 MW capacity facility that will house 120,000 Antminers expected to be deployed by Q4 of 2022. Press releases suggest that Riot is on schedule and

set to hit its deployment goals. We presume that Bitcoin will stay in demand. Therefore, Riot's stable position and revenue, ceteris paribus, has a promising outlook.

3. Does the business have rising or stable margins, with particular emphasis on gross margins and NOPAT margins?

Yes

Demand for Bitcoin, Riot's acquisitions, and its collaboration with the private energy company ERCOT, drives the increase in Riot's NOPAT and gross margins. Riot's past acquisitions of software and tech companies increase the efficiency of its miners and Whinstone, a facility and mining space. While profitability is generated through bitcoin mining, Riot achieves efficiency through procuring affordable energy, limiting corporate expenses, and increasing its hash rate.

4. Can the business generate high (or increasing) ROIC, growing earnings, and FCF?

Yes

Riot is increasing market share (hash rate) from 4.3 EH/s to 12.8 EH/s with massive capital expenditures to secure its position in the mining industry. Riot and its main competitor, Marathon, are expanding rapidly with similar schedules of miner deployment. Riot has secured facility space for miners while Marathon has not, improving Riot's competitive timeline for ROIC.

Riot's recent acquisition of ESS Metron gives the company a competitive advantage over the rest of the bitcoin miners, introducing the industry's first industrial-scale immersion-cooled deployment of Bitcoin mining hardware. Riot owns this hardware and is likely to pursue a patent by Riot, offering an edge over its competitors in growth earnings.

5. Is the business led by an exceptional CEO and quality leadership team?

Yes

Riot's CEO, Jason Les, builds long-term sustainable growth and dominating market share to retain relevance and hash rate capacity. Involved with Bitcoin since 2013, Les brings his technical expertise in the cryptocurrency industry, engineering in protocol development experience, and standard assessment to Riot.

Riot's CFO Jeff McGonegal's forty years of executive leadership helped position Riot within its industry. Of the many contributions McGonegal offers Riot, his extensive background assisting public organizations with financing, merger, and acquisition transactions has proven to be of insurmountable value to the company's position within its market.

We personally witnessed the respect and inspiration that Jeff McGonegal elicits from his team.

6. Does the business have recurring revenue and/or pricing power?

Yes

Riot only controls three aspects of its profit; cost of electricity, hash rate, and corporate expenses. Riot cannot control the price of bitcoin, the network hash rate, block rewards, or the price of miners. However, Riot's mining operations provide a recurring revenue stream where the business can attempt to time the market for the sale of BTC.

Riot charges hosting fees as a percentage of BTC. Riot does not hold significant pricing power on its smaller hosting side of operations. For example, Riot offers 200 MW of its 750 MW Whinstone facility for hosting miners—Riot charges a fee for hosting space, electricity cost, and repair costs. Hosting provides recurring revenue; however, it is also subject to fluctuation with BTC.

Riot's acquisition of ESS Metron included recurring engineering revenue streams from decades of the company's clients. Pricing power capabilities are tied into this new revenue stream dependent on market share, exposure, and previous contracts.

7. Does the company have a medium (or lower) risk profile?

No, very high risk.

Riot's success depends entirely on the price of Bitcoin, a highly volatile and new commodity. Demand for, and increasing costs of, Bitcoin are necessary to produce the revenue to cover mining expenses. A lack of acceptance of the asset from merchants or investors would significantly drop the cryptocurrency's price, directly depleting Riot's income. Riot is also susceptible to higher costs from Bitmain due to increased competition. Riot's Beta of 4.2 means that for every percentage change in the S&P 500, RIOT moves 4.2x.

8. Is the business executing well (is it experiencing strong business momentum)?

Yes

Riot's revenue increased 40.25% from 2021 Q3 to Q4 and 1,663% from 2020 to 2021. Riot's large acquisitions of Whinstone and ESS Metron and increased miners from 42,919 to 120,000 aggressively increased its hash rate from 4.3 EH/s in March 2022 to an expected 12.8 EH/s Q4 2022.

9. Is the company driven by a mission beyond maximizing profits for shareholders?

Somewhat

Riot believes blockchain technologies will improve the modern financial system and develop a more robust, renewable energy grid. Although Riot's pursuit of bitcoin creates some societal benefits, the business is purely motivated by their belief in bitcoin and eagerness to drive profits. Riot's search for affordable energy contributes to a robust energy grid containing more renewables. Bitcoin mining uses about .6% of the world's energy; of this amount of energy, 40-70% comes from renewable sources. The industry drives demand for renewables and wasted energy accelerating the global transition toward a more robust, greener energy grid. Additionally, as mentioned, Bitcoin provides a more accessible, faster, secure, and affordable financial services to developing nations allowing them to participate in e-commerce. Although bitcoin may provide these benefits, Riot's main objective is to capitalize on the value proposition of producing bitcoin at a lower cost.

Riot is a founding member of The Bitcoin Mining Council, an industry advocacy and accountability group.

10. Does the business have multi-bagger potential?

Yes

Because Riot leads the industry, it could consolidate the market in any BTC dips that squeeze competition. Alternatively, because revenue and stock price correlate to BTC, Riot could ride a BTC "rocket to the moon."

OUTSIDE INDEPENDENT RESEARCH

Interview: the enthusiast

Sam Campbell, titled our crypto-bro, is an avid cryptocurrency enthusiast and hobbyist. As an early adopter of bitcoin, Sam explained the demand case for the commodity, his confidence in proof of work security, his concern for inflationary conditions, and his distaste for traditional commodity investment. Sam's knowledge, perspective, and unwavering level of consumer confidence in the industry aided our understanding of Bitcoin adoption.

Interview: the professional

David Johnston is a tech entrepreneur and early contributor to the blockchain ecosystem. In 2013, David co-founded the first crypto angel investment group, Bitangels. Famous for the quote referred to as Johnston's law, "everything that can be decentralized will be decentralized," David explained

the role of decentralization in the financial industry. We discussed regulation. To quote David, "If Biden's policy affects cryptocurrency, it's not decentralized enough." Lastly, David explained the importance of being a low-cost bitcoin provider through renewables, machines, and cooling technology.

Adventure: to Buy A Beer With Bitcoin

To experience the adoption of cryptocurrencies, The Anderson reports team attempted to buy a beer with bitcoin. Initial searches populated two Bars within 45 minutes from Denver that accept Bitcoin as payment. Upon arrival, the team found a nearby Bitcoin ATM (BATM), allowing two-way transactions for bitcoin exchange. However, after discussing the steps to download a wallet application and purchase the bitcoin to store in the wallet, the team opted out. The transaction was inconvenient, demanded high exchange fees, and was subject to volatility. After driving 45 minutes, the team concluded that the option to purchase beer with bitcoin is more of a gimmick designed to attract crypto-crazed customers looking to endorse the new financial technology. We concluded that Bitcoin's hold proposition seems more attractive than using it as currency and instead decided to use cash for our celebratory beer.

Nonetheless, the market is evolving. Within the 2022 Q3 or Q4, Bitcoin might be adopted as a favorable tender in retailers across the US and global participants. See Strike section above pg 9.

Figure 23: Castle Rock Site Visit and Management Interview



Pictured left to right: Jennifer V., Kurt G., Tess M., CFO Jeff M., Amy G., Carson C., & Kevin M.

Riot Blockchain, Inc.
Quarterly and Annual Earnings

In thousands

	2018 A	2019 A	2020 A	2021 A				2021 A	2022 E	2023 E	2024 E	2025 E	2026 E
				30-Mar-21 A	29-Jun-21 A	29-Sep-21 A	30-Dec-21 E						
Total revenue	\$ 7,845	\$ 6,837	\$ 12,081	\$ 23,197	\$ 34,348	\$ 64,808	\$ 90,890	\$ 213,243	\$ 538,945	\$ 1,053,589	\$ 1,059,743	\$ 1,759,423	\$ 2,261,210
Revenues - data center hosting	-	-	-	-	2,874	11,193	10,479	24,546	59,284	115,895	116,572	193,537	248,733
Other revenue - fee (Note 9)	96	96	97	24	24	25	24	97	142	278	280	465	597
Revenues - Engineering	-	-	-	-	-	-	4,178	4,178	48,505	94,823	95,377	158,348	203,509
Revenues - Crypto-currency mining	7,749	6,741	11,984	23,173	31,450	53,590	76,209	184,422	431,156	842,871	847,794	1,407,538	1,808,968
T. Cost of revenues (exclusive of depreciation and amortization show	5,820	6,097	6,251	7,534	13,061	25,615	35,883	82,093	207,480	158,038	105,974	175,942	226,121
Cost of Revenues from Crypto mining	-	-	-	-	9,325	13,034	23,154	45,513	133,005	260,012	261,531	434,203	558,038
Cost of Revenues from Data Center Hosting	-	-	-	-	3,736	12,581	16,681	32,998	32,889	(183,270)	(237,328)	(394,020)	(506,395)
Cost of Revenues from Engineering	-	-	-	-	-	-	3,582	3,582	41,586	81,296	81,771	135,759	174,478
Acquisition-related costs	-	-	-	-	17,032	552	3,614	21,198	-	-	-	-	-
Gross profit	2,025	740	5,830	15,663	4,255	38,641	55,007	131,150	331,465	895,551	953,769	1,583,481	2,035,089
Operating expenses													
Selling, general and administrative expenses	20,858	9,159	10,251	5,462	3,512	40,307	38,148	87,429	172,463	316,077	296,728	457,450	565,303
Depreciation and amortization	5,267	119	4,494	2,846	5,738	12,207	5,533	26,324	118,067	388,870	628,804	715,590	430,618
Change in fair value of derivative asset	-	-	-	-	(17,536)	(9,920)	-	(18,626)	-	-	-	-	-
Change in fair value of contingent consideration	-	-	-	-	185	259	531	975	-	-	-	-	-
Impairment of goodwill	1,186	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of property and equipment	29,238	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of intangible rights acquired	1,341	700	-	-	-	-	-	-	-	-	-	-	-
Impairment of long-term investment	-	-	9,413	-	-	-	-	-	-	-	-	-	-
Impairment of digital currencies	3,501	844	989	-	17,507	-	16,955	34,462	-	-	-	-	-
Change in fair value of digital currencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain on sale/exchange of cryptocurrencies	26	665	5,184	-	29	65	-	(253)	-	-	-	-	-
Loss on sale of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	67,211	16,919	31,398	15,842	39,499	69,085	43,681	235,602	290,530	704,946	925,532	1,173,040	995,920
Operating income (loss)	(59,366)	(10,082)	(19,317)	7,355	(5,151)	(4,277)	11,326	(104,452)	40,935	190,604	28,237	410,441	1,039,169
Other income (expense):													
Total other income (expense)	(1,642)	(10,364)	1,466	175	28,218	(11,196)	-	14,687	-	-	-	-	-
Income (loss) before income taxes	(61,008)	(20,446)	(17,851)	7,530	19,337	(15,343)	(113)	(7,926)	40,935	190,604	28,237	410,441	1,039,169
Deferred income tax benefit	699	143	\$0	-	(3,730)	-	-	(254)	-	-	-	-	-
Net income (loss)	\$ (60,309)	\$ (20,303)	\$ (12,667)	\$ 7,530	\$ 19,337	\$ (15,343)	\$ (113)	\$ (7,926)	\$ 40,935	\$ 190,604	\$ 28,237	\$ 410,441	\$ 1,039,169
Basic and Diluted Net income (loss) per common share:	\$ (4.34)	\$ (1.02)	\$ (0.30)	\$ 0.09	\$ 0.22	\$ (0.16)	\$ (0.00)	\$ (0.08)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Basic and Diluted weighted average shares outstanding:	13,403,846	19,597,977	41,976,704	83,163,400	88,681,338	96,064,036	96,064,036	93,452,764	93,452,764	93,452,764	93,452,764	93,452,764	93,452,764

Riot Blockchain, Inc.

SELECTED COMMON-SIZE AMOUNTS	2018 A	2019 A	2020 A	2021				2021 A	2022 E	2023 E	2024 E	2025 E	2026 E
				30-Mar-21 A	29-Jun-21 A	29-Sep-21 A	30-Dec-21 A						
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenues- data center hosting	0%	0%	0%	0%	8%	17%	12%	12%	11%	11%	11%	11%	11%
Other revenue - fee (Note 9)	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Revenues - Crypto-currency mining	99%	99%	99%	100%	92%	83%	84%	86%	80%	80%	80%	80%	80%
T. Cost of revenues (exclusive of depreciation and a	74%	89%	52%	32%	38%	40%	39%	38%	38%	15%	10%	10%	10%
Cost of Revenues from Crypto mining	0%	0%	0%	0%	27%	20%	25%	21%	25%	25%	25%	25%	25%
Cost of Revenues from Data Center Hosting	0%	0%	0%	0%	11%	19%	18%	15%	6%	-17%	-22%	-22%	-22%
Acquisition-related costs	0%	0%	0%	0%	50%	1%	4%	10%	0%	0%	0%	0%	0%
Gross profit	26%	11%	48%	68%	12%	60%	61%	62%	62%	85%	90%	90%	90%
Selling, general and administrative expenses	266%	134%	85%	24%	10%	62%	42%	41%	32%	30%	28%	26%	25%
Depreciation and amortization	67%	2%	37%	12%	17%	19%	6%	12%	22%	37%	59%	41%	19%
Total operating expenses	857%	247%	260%	68%	115%	107%	48%	110%	54%	67%	87%	67%	44%
Operating income (loss)	-757%	-147%	-160%	32%	-15%	-7%	12%	-49%	8%	18%	3%	23%	46%
Total other income (expense)	-21%	-152%	12%	1%	82%	-17%	0%	7%	0%	0%	0%	0%	0%
Income (loss) before income taxes	-778%	-299%	-148%	32%	0%	-24%	0%	-4%	8%	18%	3%	23%	46%
Net income (loss)	-769%	-297%	-105%	32%	56%	-24%	0%	-4%	8%	18%	3%	23%	46%

YEAR TO YEAR CHANGE	2018 A	2019 A	2020 A	30-Mar-21 A	29-Jun-21 A	29-Sep-21 A	30-Dec-21 A	2021 A	2022 E	2023 E	2024 E	2025 E	2026 E
Total revenue	2809%	-13%	77%	338%	48%	89%	40%	1665%	153%	95%	1%	66%	29%
Revenues- data center hosting	0%	0%	0%			289%	-6%	0%	142%	95%	1%	66%	29%
Other revenue - fee (Note 9)	-1%	0%	1%	0%	0%	4%	-4%	0%	47%	95%	1%	66%	29%
Revenues - Crypto-currency mining	4380%	-13%	78%	340%	36%	70%	42%	1439%	134%	95%	1%	66%	29%
T. Cost of revenues (exclusive of depreciation and a	23008%	5%	3%	258%	73%	96%	40%	1213%	153%	-24%	-33%	66%	29%
Cost of Revenues from Crypto mining	0%	0%	0%			40%	78%	0%	192%	95%	1%	66%	29%
Cost of Revenues from Data Center Hosting	0%	0%	0%			237%	33%	0%	0%	-657%	29%	66%	29%
Acquisition-related costs	0%	0%	0%			-97%	555%	0%	-100%	0%	0%	0%	0%
Gross profit	728%	-63%	688%	391%	-73%	808%	42%	2150%	153%	170%	7%	66%	29%
Selling, general and administrative expenses	185%	-56%	12%	139%	-36%	1048%	-5%	753%	97%	83%	-6%	54%	24%
Depreciation and amortization	491%	-98%	3676%	64%	102%	113%	-55%	486%	349%	229%	62%	14%	-40%
Total operating expenses	401%	-75%	86%	176%	149%	75%	-37%	650%	23%	143%	31%	27%	-15%
Operating income (loss)	351%	-83%	92%		-170%	-17%	-365%	441%	-139%	366%	-85%	1354%	153%
Total other income (expense)	-66%	531%	-114%	224%	16025%	-140%	-100%	902%	-100%	0%	0%	0%	0%
Income (loss) before income taxes	238%	-66%	-13%		-100%		-99%	-56%	-616%	366%	-85%	1354%	153%
Income tax provision (benefit)	-57%	-80%	-100%					0%	-100%	0%	0%	0%	0%
Net income (loss)	267%	-66%	-38%	-171%	157%	-179%	-99%	-37%	-616%	366%	-85%	1354%	153%

Riot Blockchain, Inc.
Quarterly and Annual Balance Sheets

In thousands

	2018A	2019 A	2020 A	2021				2021A	2022 E	2023 E	2024 E	2025 E	2026 E
				2021 Q1	2021 Q2	2021 Q3	2021 Q4						
Cash and cash equivalents	\$ 225	\$ 7,440	\$ 223,382	\$ 241,012	\$ 147,183	\$ 57,880	\$ 312,315	\$ 312,315	\$ 218,302	\$ 132,736	\$ 75,341	\$ 17,158	\$ 36,197
Accounts receivable	-	-	-	-	27	3,632	15,398	15,398	57,586	112,575	113,233	187,993	241,609
Prepaid expenses and other current assets	1,379	1,349	1,257	629	1,060	1,552	7,135	7,135	8,798	21,349	28,029	35,524	30,161
Costs and estimated earnings in excess of b	-	-	-	-	-	-	9,862	9,862	9,862	9,862	9,862	9,862	9,862
Cryptocurrencies	707	3,839	11,626	34,567	48,254	102,313	159,544	159,544	215,578	421,436	127,169	211,131	1,085,381
Investments in marketable equity securities,	-	-	-	-	-	-	-	10,804	10,804	10,804	10,804	10,804	10,804
Future power credits, current portion	-	-	-	-	-	-	58,481	58,481	58,481	58,481	58,481	58,481	58,481
Total current assets	2,311	12,628	236,265	276,208	196,524	165,377	562,735	573,539	579,411	767,243	422,918	530,953	1,472,494
Property and equipment, net	26	5,051	10,143	28,306	128,815	200,751	262,980	262,980	379,601	533,782	927,897	1,408,798	1,604,727
Deposits	-	1,449	33,093	70,730	78,861	94,416	266,170	266,170	266,170	266,170	266,170	266,170	266,170
Security deposits	703	703	-	-	-	-	-	-	-	-	-	-	-
Long-term investments	9,413	9,723	310	310	310	310	310	310	310	310	310	310	310
Intangible rights acquired	700	-	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	367	-	-	6,440	6,692	13,189	13,189	13,189	13,189	13,189	13,189	13,189
Other long-term assets, net:	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative asset	-	-	-	-	30,360	37,773	26,079	26,079	26,079	26,079	26,079	26,079	26,079
Patents, net	507	459	-	351	-	-	-	-	-	-	-	-	-
Intangible assets, net	-	-	336	-	89,713	84,807	14,162	14,162	12,716	11,270	9,824	8,378	6,932
Goodwill	-	-	-	-	267,409	267,237	349,063	349,063	349,063	349,063	349,063	349,063	349,063
Future power credits	-	-	-	-	83,138	83,397	25,447	25,447	25,447	25,447	25,447	25,447	25,447
Convertible note and accrued interest	200	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of discontinued operations (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 13,860	\$ 30,380	\$ 280,147	\$ 375,905	\$ 881,570	\$ 940,760	\$1,530,939	\$1,530,939	\$1,651,987	\$ 1,992,553	\$ 2,040,897	\$ 2,628,387	\$ 3,764,411

Riot Blockchain, Inc.
Quarterly and Annual Balance Sheets

In thousands

	2018A	2019 A	2020 A	2021				2021A	2022 E	2023 E	2024 E	2025 E	2026 E
				2021 Q1	2021 Q2	2021 Q3	2021 Q4						
Current liabilities:													
Accounts payable	3,829	717	718	2,904	28,607	14,651	20,037	20,037	24,675	59,872	78,607	99,628	84,585
Accrued expenses	1,532	2,187	1,582	4,432	4,464	7,252	22,071	22,071	55,782	109,048	109,685	182,103	234,039
Billings in excess of costs and estimated earnings	-	-	-	-	-	-	5,264	5,264	5,264	5,264	5,264	5,264	5,264
Deferred revenue, current portion	97	97	97	97	2,724	2,546	2,843	2,843	7,185	14,047	14,129	23,457	30,147
Operating lease liability, current portion	-	368	-	-	1,680	1,125	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Deferred purchase price - BMSS	1,200	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	6,658	3,369	2,397	7,433	37,475	25,574	109,878	109,878	152,569	247,894	267,348	370,115	413,698
Notes payable	1,696	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue, less current portion	872	776	679	655	20789	20256	19,796	19,796	57,217	111,854	112,508	186,789	240,062
Operating lease liability, less current portion	-	-	-	-	6620	7254	12,257	12,257	12,257	12,257	12,257	12,257	12,257
Contingent consideration liability - future power credits	-	-	-	-	-	-	-	25,447	25,447	25,447	25,447	25,447	25,447
Other long-term liabilities	143	-	-	-	2693	6120	6,241	6,241	6,241	6,241	6,241	6,241	6,241
Total liabilities	9,369	4,145	3,076	8,088	109,068	100,695	173,619	173,619	253,731	403,693	423,800	600,850	697,705
Stockholders' equity:													
Common stock	202,917	243,458											
Accumulated deficit	(197,199)	(217,238)					(218,388)	-	40,935	231,540	259,777	670,218	1,709,387
Total Riot Blockchain stockholders' equity	5,787	26,242	506,961	590,188	917,197	988,692	1,595,147	1,595,147	1,595,147	1,595,147	1,595,147	1,595,147	1,595,147
Non-controlling interest	(1,296)	(7)	(229,912)	(222,382)	(203,045)	(218,388)	(237,838)	(237,838)	(237,838)	(237,838)	(237,838)	(237,838)	(237,838)
preferred stock			22	11	11	11	11	11	11	11	11	11	11
Total stockholders' equity	4,491	26,235	277,071	367,817	714,163	770,315	1,357,320	1,357,320	1,398,255	1,588,860	1,617,097	2,027,538	3,066,707
Total liabilities and stockholders' equity	\$ 13,860	\$ 30,380	\$ 280,147	\$ 375,905	\$ 823,231	\$ 954,407	\$ 1,530,939	\$ 1,530,939	\$ 1,651,987	\$ 1,992,553	\$ 2,040,897	\$ 2,628,387	\$ 3,764,411

Riot Blockchain, Inc.

SELECTED COMMON SIZE BALANCE SHEET AMOUNTS (% of net sales)	2018A	2019 A	2020 A	2021				2021A	2022 E	2023 E	2024 E	2025 E	2026 E
				2021 Q1	2021 Q2	2021 Q3	2021 Q4						
Cash and cash equivalents	1.62%	24.49%	79.74%	64.12%	16.70%	6.15%	20.40%	20.40%	13.21%	6.66%	3.69%	0.65%	0.96%
Accounts receivable	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	1.01%	1.01%	3.49%	5.65%	5.55%	7.15%	6.42%
Prepaid contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prepaid expenses and other current assets	9.95%	4.44%	0.45%	0.17%	0.12%	0.16%	0.47%	0.47%	0.53%	1.07%	1.37%	1.35%	0.80%
Costs and estimated earnings in excess of billings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.64%	0.64%	0.60%	0.49%	0.48%	0.38%	0.26%
Cryptocurrencies	5.10%	12.64%	4.15%	9.20%	5.47%	10.88%	10.42%	10.42%	13.05%	21.15%	6.23%	8.03%	28.83%
Investments in marketable equity securities, at fair value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.71%	0.65%	0.54%	0.53%	0.41%	0.29%
Current assets of discontinued operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Future power credits, current portion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.82%	3.82%	3.54%	2.93%	2.87%	2.22%	1.55%
Total current assets	16.67%	41.57%	84.34%	73.48%	22.29%	17.58%	36.76%	37.46%	35.07%	38.51%	20.72%	20.20%	39.12%
Property and equipment, net	0.19%	16.63%	3.62%	7.53%	14.61%	21.34%	17.18%	17.18%	22.98%	26.79%	45.47%	53.60%	42.63%
Deposits	0.00%	4.77%	11.81%	18.82%	8.95%	10.04%	17.39%	17.39%	16.11%	13.36%	13.04%	10.13%	7.07%
Security deposits	5.07%	2.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term investments	67.91%	32.00%	0.11%	0.08%	0.04%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%
Intangible rights acquired	5.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Right of use assets	0.00%	1.21%	0.00%	0.00%	0.73%	0.71%	0.86%	0.86%	0.80%	0.66%	0.65%	0.50%	0.35%
Other long-term assets, net:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Derivative asset	0.00%	0.00%	0.00%	0.00%	3.44%	4.02%	1.70%	1.70%	1.58%	1.31%	1.28%	0.99%	0.69%
Patents, net	3.66%	1.51%	0.00%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intangible assets, net	0.00%	0.00%	0.12%	0.00%	10.18%	9.01%	0.93%	0.93%	0.77%	0.57%	0.48%	0.32%	0.18%
Goodwill	0.00%	0.00%	0.00%	0.00%	30.33%	28.41%	22.80%	22.80%	21.13%	17.52%	17.10%	13.28%	9.27%
Future power credits	0.00%	0.00%	0.00%	0.00%	9.43%	8.86%	1.66%	1.66%	1.54%	1.28%	1.25%	0.97%	0.68%
Convertible note and accrued interest	1.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Noncurrent assets of discontinued operations (Note 10)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Riot Blockchain, Inc.

SELECTED COMMON SIZE BALANCE SHEET AMOUNTS (% of net sales)	2018A	2019 A	2020 A	2021				2021A	2022 E	2023 E	2024 E	2025 E	2026 E
				2021 Q1	2021 Q2	2021 Q3	2021 Q4						
Current liabilities:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts payable	27.63%	2.36%	0.26%	0.77%	3.25%	1.56%	1.31%	1.31%	1.49%	3.00%	3.85%	3.79%	2.25%
Accrued expenses	11.05%	7.20%	0.56%	1.18%	0.51%	0.77%	1.44%	1.44%	3.38%	5.47%	5.37%	6.93%	6.22%
Billings in excess of costs and estimated earnings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.34%	0.32%	0.26%	0.26%	0.20%	0.14%
Deferred revenue, current portion	0.70%	0.32%	0.03%	0.03%	0.31%	0.27%	0.19%	0.19%	0.43%	0.70%	0.69%	0.89%	0.80%
Operating lease liability, current portion	0.00%	1.21%	0.00%	0.00%	0.19%	0.12%	0.08%	0.08%	0.07%	0.06%	0.06%	0.04%	0.03%
Notes and other obligations, current	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Demand note	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred purchase price - BMSS	8.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current liabilities of discontinued operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	48.04%	11.09%	0.86%	1.98%	4.25%	2.72%	7.18%	7.18%	9.24%	12.44%	13.10%	14.08%	10.99%
Notes payable	12.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred revenue, less current portion	6.29%	2.55%	0.24%	0.17%	2.36%	2.15%	1.29%	1.29%	3.46%	5.61%	5.51%	7.11%	6.38%
Operating lease liability, less current portion	0.00%	0.00%	0.00%	0.00%	0.75%	0.77%	0.80%	0.80%	0.74%	0.62%	0.60%	0.47%	0.33%
Contingent consideration liability - future power credits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.66%	1.54%	1.28%	1.25%	0.97%	0.68%
Deferred tax liability	0.00%	0.00%	0.00%	0.00%	4.71%	4.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other long-term liabilities	1.03%	0.00%	0.00%	0.00%	0.31%	0.65%	0.41%	0.41%	0.38%	0.31%	0.31%	0.24%	0.17%
Demand note, Tess subsidiary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total liabilities	67.60%	13.64%	1.10%	2.15%	12.37%	10.70%	11.34%	11.34%	15.36%	20.26%	20.77%	22.86%	18.53%
Stockholders' equity:													
Common stock	1464.05%	801.38%				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accumulated deficit	-1422.79%	-715.07%	0.00%	0.00%	0.00%	-23.21%	0.00%	0.00%	2.48%	11.62%	12.73%	25.50%	45.41%
Total Riot Blockchain stockholders' equity	41.75%	86.38%	180.96%	157.00%	104.04%	105.10%	104.19%	104.19%	96.56%	80.06%	78.16%	60.69%	42.37%
Non-controlling interest preferred stock	-9.35%	-0.02%	-82.07%	-59.16%	-23.03%	-23.21%	-15.54%	-15.54%	-14.40%	-11.94%	-11.65%	-9.05%	-6.32%
0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Total stockholders' equity	32.40%	86.36%	98.90%	97.85%	81.01%	81.88%	88.66%	88.66%	84.64%	79.74%	79.23%	77.14%	81.47%
Total liabilities and stockholders' equity	100.00%	100.00%	100.00%	100.00%	93.38%	101.45%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Riot Blockchain, Inc.
Quarterly and Annual Statements of Cash Flows

In thousands

	2021							2021 A	2022 E	2023 E	2024 E	2025 E	2026 E
	2018 A	2019 A	2020 A	30-Mar-21 A	29-Jun-21 A	29-Sep-21 A	30-Dec-21 A						
Cash Flow From Operations:													
Net income	\$ (60,309)	\$ (20,303)	\$ (12,667)	\$ 7,530	\$ 19,337	\$ (15,325)		\$ (7,926)	\$ 40,935	\$ 190,604	\$ 28,237	\$ 410,441	\$ 1,039,169
Adjustments to reconcile net loss to net cash used in operating activities:													
Stock-based compensation	4,660	745	3,407	936	969	36,023		68,491					
Depreciation and amortization	5,267	119	4,494	2,846	5,738	12,207		26,324	118,067	388,870	628,804	715,590	430,618
Change in current assets									(99,886)	(273,397)	286,929	(166,217)	(922,502)
Change in current Liabilities									42,691	95,325	19,454	102,768	43,583
Net cash provided by (used in) operating activities	(19,052)	(15,415)	(11,147)	(5,989)	(26,411)	(57,259)	(79)	(86,377)	101,809	401,402	963,423	1,062,581	590,867
Cash flows from investing activities													
Purchase of property and equipment	(20,195)	(4,958)	(8,139)					(147,116)	(233,243)	(541,604)	(1,021,472)	(1,195,045)	(625,101)
Acquisition of Whinestone								(40,879)					
Acquisition of ESS Metron								(29,567)					
Net cash used in investing activities	(24,862)	(3,249)	(32,832)	-	-	-	-	(490,330)	(233,243)	(541,604)	(1,021,472)	(1,195,045)	(625,101)
Cash flows from financing activities													
Payments under lines of credit		(950)											
Other Long Term Liabilities									37,421	54,637	653	74,282	53,272
Proceeds from the issuance of common stock		24,825	264,727					684,817	-	-	-	-	-
Net cash provided by (used in) financing activities	2,487	25,879	259,921	-	-	-	-	665,640	37,421	54,637	653	74,282	53,272
Increase (decrease) in cash and cash equivalents	(41,427)	7,215	215,942	(5,989)	(26,411)	(57,259)	(79)	88,933	(94,013)	(85,565)	(57,396)	(58,183)	19,039
Cash and cash equivalents at beginning of year	41,652	225	7,440	223,382	217,393	190,982	133,723	223,382	312,315	218,302	132,736	75,341	17,158
Cash and cash equivalents at end of year	\$ 225	\$ 7,440	\$ 223,382	\$ 217,393	\$ 190,982	\$ 133,723	\$ 133,644	\$ 312,315	\$ 218,302	\$ 132,736	\$ 75,341	\$ 17,158	\$ 36,197

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