

## Stronghold Investor Presentation

September 2022

Pictured: Actual Reclaimed Waste Coal Site in Russellton, PA



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# Stronghold's Differentiated Business Model

## The value of vertical integration



1

### Own and Operate Power Generation Assets

- Maximizes efficiency and reduces costs
- Provides downside protection and ability to sell to grid (improving grid stability)
- Currently similar or better economics selling power to grid than mining BTC

2

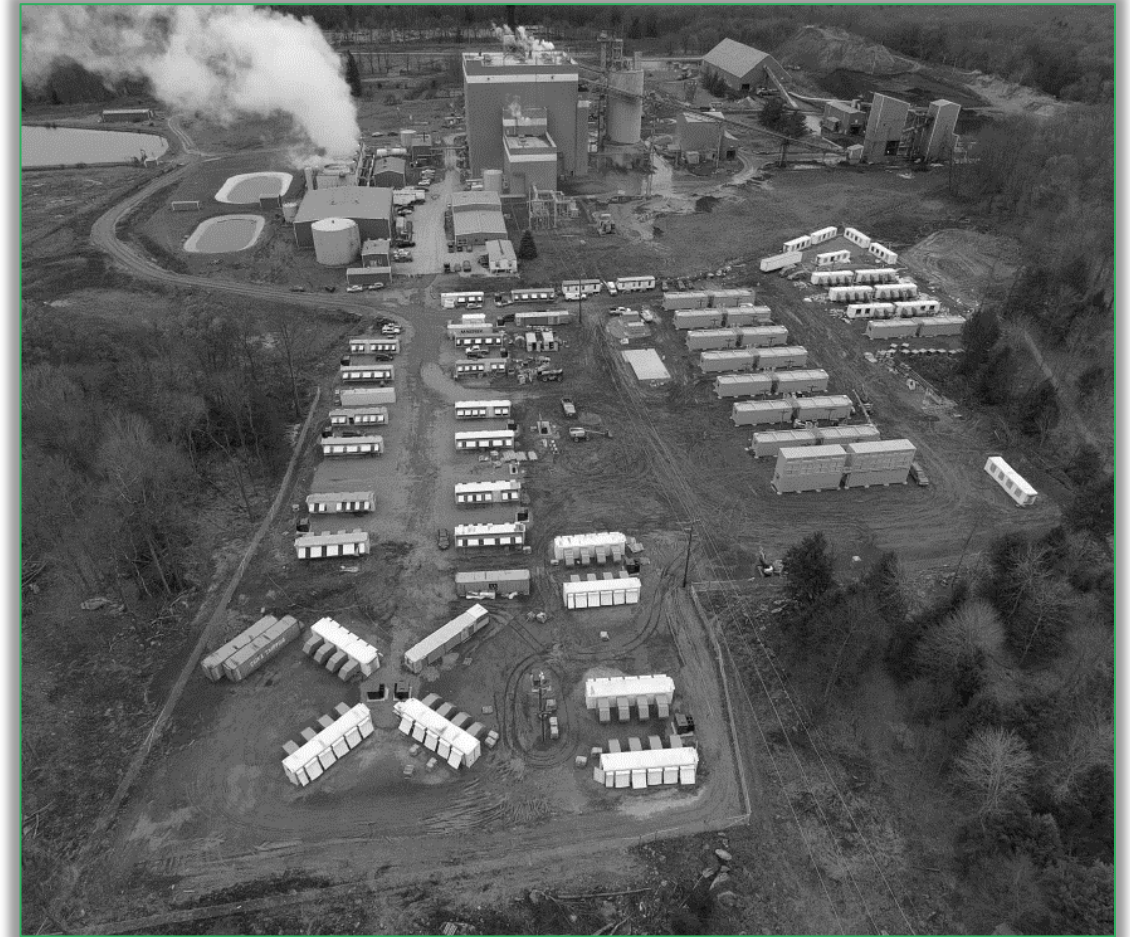
### Own, Develop, and Operate Datacenters

- Helps reduce costs (capex & opex)
- Minimizes supply-chain risk and counterparty risk
- Improves operational control

3

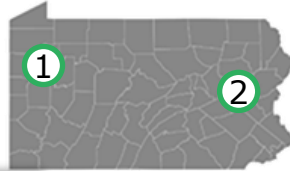
### Own and Operate Bitcoin Miners

- Stronghold is a reliable partner to manufacturers and other suppliers of miners



# Stronghold's Power Assets

Own and operate two power generation assets



## Scrubgrass Reclamation Facility

- 85 MW specialized waste coal reclamation plant
- Established maximum achievable control technology standards
- Capacity for >20,000 miners with ~2 EH/s



## Panther Creek Reclamation Facility

- 80 MW specialized waste coal reclamation plant
- Closed on acquisition in November 2021
- Capacity for >20,000 miners with ~2 EH/s



# Datacenter Manufacturing, Development, and Management



## StrongBox Manufacturing

- ~100 MW of modular datacenter containers constructed and installed
- Helps reduce costs and mitigate impact of supply-chain constraints



## Development and Management

- Increases operational control and accelerates hashing



# ESG Leader through Coal Refuse Reclamation



## Before



## Reclamation Process

1. Remove coal refuse from environment
2. Generate energy from coal refuse in an emissions-controlled manner
  - Eliminates ~90% of NOx emissions
  - Eliminates ~98% of SO2 emissions
  - Eliminates ~99.9% of particle emissions
  - Eliminates ~99.9% of mercury emissions
3. Utilize beneficial in reclamation projects, cement, fertilizer, and filler

## After



**~840 piles with  
potentially billions of  
tons of coal refuse**



**Stronghold has already  
reclaimed ~1,000 acres  
of previously unusable  
land**



**Eliminate coal refuse  
from environment with  
each Bitcoin mined**

# Recap of Recent Deleveraging Transactions: What We Did



Announced restructuring of all material financing agreements on August 16<sup>th</sup>

## NYDIG Restructuring

- Strategically approached NYDIG to restructure equipment financing in July given decline in collateral value
- **Eliminated ~\$67.4mm of outstanding principal** in exchange for returning NYDIG-financed miners (~2.5 EH/s of YE 2022E hash rate capacity)
- Financing was non-recourse to Stronghold, which enabled the proactive restructuring

## WhiteHawk Restructuring

- Received binding commitment letter to restructure financing, subject to closing of NYDIG restructuring
- Replacing existing equipment financing with a **36-month** secured note at SOFR+10%
  - **More than 2x the weighted-average term of existing financing**
- **\$20mm additional commitment** to purchase miners

## Convertible Notes Restructuring

- Amended documents to allow for **complete equityization** of principal, at our option
- **Principal amount reduced by \$11.25mm** in exchange for reducing strike price on ~6.3mm warrants from \$2.50/share to \$0.01/share
- Remaining \$22.5mm of principal amount outstanding can be **repaid with common stock or cash over next few quarters**



# Recap of Recent Deleveraging Transactions: Why We Did It

Transactions will improve capitalization, liquidity position, and long-term shareholder value



## Shift value from debt to equity

- Eliminating ~\$67mm of debt in exchange for assets with estimated market value of ~\$40-50mm
  - Effectively transferring ~\$17-27mm of value to shareholders

## Enhance capital structure

- ~\$79mm reduction in principal amount outstanding (>\$100mm reduction with convertible notes equitized)
  - By end of Q1 2023, expect debt outstanding to be ~66% lower than pre-restructuring
- Our strategy has not changed; we plan to achieve the same hash rate, just with significantly less debt

## Dramatically improve liquidity profile

- Cash principal and interest payments reduced by ~\$113mm through YE 2023



# Path to Generate Improved Shareholder Value

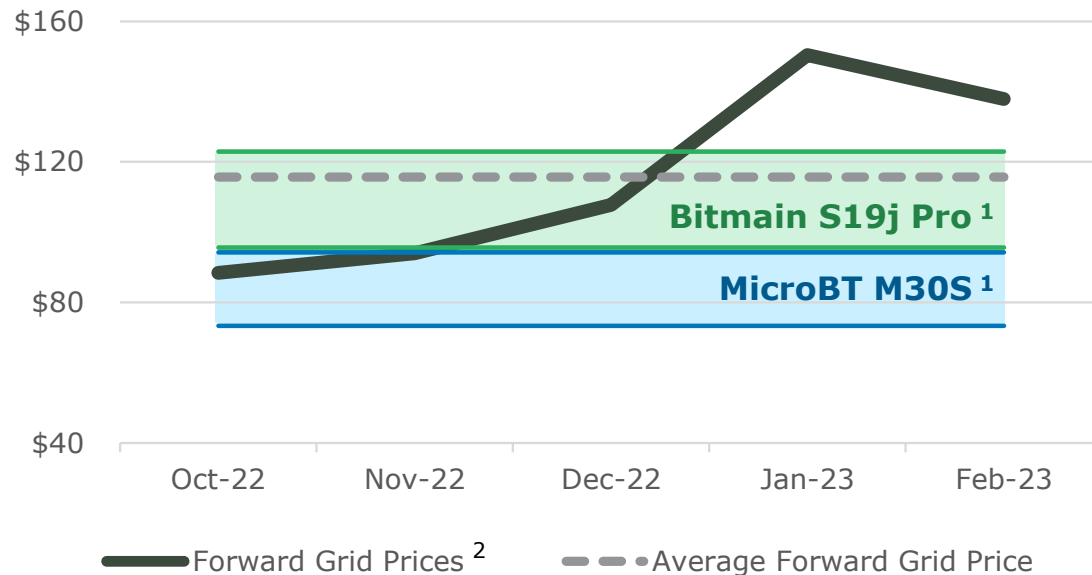


Take advantage of historically high grid prices and opportunistically fill mining capacity

## Sell to Grid in Near-term

- Vertical integration provides opportunity to sell power into historically tight power market
- Combination of high power prices and low BTC prices means we would likely be directing power to the grid through the winter anyway

## Grid Prices and Mining Revenue (\$/MWh)



## Fill Mining Capacity in Coming Quarters

- Strategy unchanged in medium- and long-term
- Bitcoin mining remains our core business
  - ~227 BTC mined in August
- Will opportunistically purchase miners in depressed equipment market
  - Facilitated by improved liquidity position
  - Will be very disciplined – no rush to replace miners given attractive grid prices
- Own at least 4 EH/s of finished, energized datacenter slots
  - Plan to start filling capacity immediately and complete by 1H 2023
  - MinerVa recently agreed to supply additional 500 Bitmain S19j Pros and 680 Bitmain T19s in place of MinerVa miners (1-for-1 hash rate swap) under 2021 miner purchase agreement

1. Revenue range for miners based on a Bitcoin price range of \$17,500 to \$22,500 and a 225 EH/s network hash rate

2. Average of around-the-clock forward prices for the Penelec and PPL PJM zones, per Priority Power as of 9/9/22

# Path to Generate Improved Shareholder Value (cont.)



Reduce cost structure and optimize plant operations

## Reduce Annual Expenses by ~\$8-11mm <sup>1</sup>

### Breakdown of Expected Cash Savings

(\$ in millions)

	Complete	Planned	Subtotal	Under Review	Total
Organizational Setup Consulting	\$1.2	\$0.5	<b>\$1.6</b>	–	<b>\$1.6</b>
Insourcing Accounting / Tech / BI	\$0.5	\$0.2	<b>\$0.8</b>	\$0.3	<b>\$1.0</b>
Extraordinary Legal Fees	\$0.2	\$0.6	<b>\$0.9</b>	–	<b>\$0.9</b>
Workforce Reduction	\$0.6	–	<b>\$0.6</b>	–	<b>\$0.6</b>
CEO Salary Reduction	–	\$0.6	<b>\$0.6</b>	–	<b>\$0.6</b>
Plant Upgrades	–	\$2.9	<b>\$2.9</b>	–	<b>\$2.9</b>
Other Consulting	–	\$1.0	<b>\$1.0</b>	\$1.8	<b>\$2.8</b>
Unnecessary Leases	–	\$0.1	<b>\$0.1</b>	\$0.5	<b>\$0.6</b>
<b>Total Annual Savings</b>	<b>\$2.5</b>	<b>\$5.9</b>	<b>\$8.5</b>	<b>\$2.5</b>	<b>\$10.9</b>

## Complete Plant Upgrades in <1 Month <sup>1</sup>

- Nearing completion of Scrubgrass investment cycle
- Expect both plants to be down 1-2 weeks in late September / early October for maintenance
  - All long-lead items have been procured, with installation expected during downtime
- Following downtime, higher uptime and consistency are anticipated, with an all-in net cost of power of ~\$40-50/MWh by Q1 2023

1. Reflects Company's go-forward plans