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Riot Reports Third Quarter 2022 Financial Results, Current Operational and Financial Highlights

Riot Reports Q3 2022 Results, with $46.3 Million in Total Revenue, 1,042 Bitcoin Produced, $13.1 million in Power Credits, and Record Hash Rate Capacity

CASTLE ROCK, Colo., Nov. 07, 2022 (GLOBE NEWSWIRE) -- **Riot Blockchain, Inc. (NASDAQ: RIOT) ("Riot," or "the Company")**, an industry leader in Bitcoin mining and data center hosting, reported financial results for the three-month period ended September 30, 2022. The unaudited financial statements are available on Riot's website and here.

"Our results this quarter are a strong testament to the benefits of Riot's vertically-integrated and diversified business model, which is further complemented by our conservative financial approach," said Jason Les, CEO of Riot. "Despite rising energy prices, which significantly impacted many Bitcoin miners, Riot was able to leverage our long-term fixed rate power contract to generate significant power credits and in doing so, significantly reduce our operating costs. Additionally, our strong liquidity position has enabled us to remain focused on executing our growth plans and achieving new records in hash rate capacity, as we work towards our goal of becoming the world's leading Bitcoin-driven infrastructure platform."

Third Quarter 2022 Financial Highlights

Key financial highlights for the third quarter include:

- Total revenue of $46.3 million for the three-month period ended September 30, 2022, as compared to $64.8 million for the same three-month period in 2021, primarily driven by lower Bitcoin production from significant curtailment activities associated with the Company's power strategy and a 49% decrease in the market price of Bitcoin.

- Earned $13.1 million in power curtailment credits for the three-month period ended September 30, 2022, equivalent to approximately 760 Bitcoin when calculated using average daily closing Bitcoin prices on a monthly basis, as compared to $2.5 million in power curtailment credits earned for the same three-month period in 2021.

- Produced 1,042 Bitcoin during the three-month period ended September 30, 2022, as compared to 1,292 Bitcoin during the same three-month period in 2021. Lower Bitcoin production was primarily driven by significant curtailment activities this quarter, among other factors.

- Mining revenue of $22.1 million for the three-month period ended September 30, 2022, as compared to $53.6 million for the same three-month period in 2021, primarily driven by lower Bitcoin production as a result of significant curtailment activities and a 49% decrease in the market price of Bitcoin.

- Data center hosting revenue of $8.4 million for the three-month period ended September 30, 2022, as compared to $11.2 million for the same three-month period in 2021, driven by reduced customer billings as a result of significant curtailment activities this quarter and lower revenue share from customers due to decreased Bitcoin prices.

- Engineering revenue of $15.8 million for the three-month period ended September 30, 2022, following the acquisition of ESS Metron in Q4 2021. Total bookings through September 30, 2022 equaled $142.5 million, a 43% increase from total bookings of $99.7 million as of June 30, 2022.

- Maintained industry-leading financial position, with $369.8 million in working capital, including $255.0 million in cash on hand, and 6,766 Bitcoin (unaudited), all of which were produced by the Company's self-mining operations, as of September 30, 2022.

Third Quarter 2022 Financial Results

Mining revenue in excess of mining cost of revenues, was $7.4 million (33% of mining revenue), compared to $40.6 million (76% of mining revenue) for the same three-month period in 2021. Mining cost of revenues increased primarily as a result of increased mining capacity at our Rockdale Facility, which required greater headcount and incurred higher direct costs, while mining revenues decreased due to significantly expanded curtailment activities from the Company's power strategy, which generated record power curtailment credits for Riot but reduced total Bitcoin production, and lower relative Bitcoin prices.

Power curtailment credits received, based on our ability under long-term power agreements, to sell power back to the ERCOT grid at market-driven spot prices, reached an all-time high of approximately $13.1 million for the quarter ended September 30, 2022, compared to $2.5 million during the same three-month period in 2021. If power credits were directly allocated between mining cost of revenues and data center hosting cost of revenues based on proportional power consumption, mining cost of revenues would have decreased by $6.1 million, increasing mining revenue in excess of cost of revenues to $13.5 million (61% of mining revenue) on a non-GAAP basis, while data center hosting cost of revenue would have decreased by $7.0 million, increasing data center hosting revenue in excess of cost of revenues to $1.1 million (13% of data center hosting revenue) on a non-GAAP basis.

Selling, general, and administrative ("SG&A") expenses totaled $16.0 million, as compared to $40.3 million for the same three-month period in 2021. The decrease of $24.3 million is primarily due to a decrease of $29.7 million in compensation-related expense due to the adoption of the Company's performance-based stock plan in August 2021, an increase in audit and consulting fees of $1.9 million resulting primarily from assistance on internal control systems and procedures and information technology projects, and an increase in other general operating costs, including rent, to support the Company's growth.

Net loss for the quarter ended September 30, 2022, was $(36.6) million, or $(0.24) per

share, as compared to a net loss of $(15.3) million, or $(0.16) per share in the same three-month period in 2021. Net loss for the quarter was negatively impacted by an increase of $14.4 million in depreciation and amortization, a $5.9 impairment on Bitcoin, and a $17.7 million decrease in the fair value of our power derivative asset, partially offset by $13.1 million in power curtailment credits.

Non-GAAP Adjusted EBITDA for the quarter ended September 30, 2022 was $0.2 million, as compared to Non-GAAP Adjusted EBITDA of $37.5 million for the same three-month period in 2021. The Company determined, starting in Q4 2021, to exclude impairments and gains or losses on sales or exchanges of Bitcoin from its calculation of Non-GAAP Adjusted EBITDA.

Third Quarter 2022 and Recent Operational Highlights

- As of September 30, 2022, the Company had a deployed fleet of 55,728 miners and achieved an all-time record hash rate capacity of 5.6 EH/s.

- During October 2022, the Company further increased its deployed fleet by 9,788 S19-series miners, with an additional 7,912 miners staged for deployment. Upon deployment of the staged miners, the Company expects to have a total of 73,428 miners deployed with a hash rate capacity of approximately 7.8 EH/s.

- Continued the Company's ongoing 400 megawatt ("MW") expansion at its Rockdale Facility, which is expected to be fully completed in Q1 2023. Building G, Riot's second immersion-cooled building, has been completed, and the proprietary air-cooling rack system has been successfully installed in Building D, the Company's latest air-cooled building, where miner deployments are ongoing.

- Commenced groundbreaking at the Company's 265-acre, 1 gigawatt expansion site in Corsicana, Navarro County, Texas. The first phase of the Corsicana Facility will consist of 400 MW, with Bitcoin mining operations expected to commence by the fourth quarter of 2023.

Hash Rate Growth

By Q1 2023, Riot anticipates a total self-mining hash rate capacity of approximately 12.5 EH/s, assuming full deployment of approximately 115,450 Antminer ASICs and excluding any potential expected incremental productivity gains from the Company's utilization of 200 MW of immersion-cooling infrastructure. Substantially all of the Company's self-mining fleet will consist of the latest generation S19 series miner model.

In addition to the Company's self-mining operations, Riot hosts approximately 200 MW of institutional Bitcoin mining clients.

ATM Offering

As previously disclosed on March 31, 2022, the Company filed a prospectus supplement with the U.S. Securities and Exchange Commission to offer and sell up to $500 million of the Company's common stock from time to time ("ATM Offering"). As of September 30, 2022, the Company had received total net proceeds of approximately $298.4 million on sales of

37.1 million of the Company's common stock, further strengthening Riot's financial position amid challenging market conditions. Net proceeds are anticipated to be used towards financing Riot's ambitious growth opportunities, as well as for general corporate purposes. Subsequent to September 30, 2022, and as of the date of filing, the Company has not received any additional proceeds from sale of the Company's common stock in relation to the ATM Offering.

About Riot Blockchain, Inc.

Riot's (NASDAQ: RIOT) vision is to be the world's leading Bitcoin-driven infrastructure platform.

Our mission is to positively impact the sectors, networks and communities that we touch. We believe that the combination of an innovative spirit and strong community partnership allows the Company to achieve best-in-class execution and create successful outcomes.

Riot is a Bitcoin mining and digital infrastructure company focused on a vertically integrated strategy. The Company has Bitcoin mining data center operations in central Texas, Bitcoin mining operations in central Texas, and electrical switchgear engineering and fabrication operations in Denver, Colorado.

For more information, visit www.riot.inc.

Safe Harbor

Statements in this press release that are not historical facts are forward-looking statements that reflect management's current expectations, assumptions, and estimates of future performance and economic conditions. Such statements rely on the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Words such as "anticipates," "believes," "plans," "expects," "intends," "will," "potential," "hope," and similar expressions are intended to identify forward-looking statements. These forward-looking statements may include, but are not limited to, statements about the benefits of acquisitions, including financial and operating results, and the Company's plans, objectives, expectations, and intentions. Among the risks and uncertainties that could cause actual results to differ from those expressed in forward-looking statements include, but are not limited to: unaudited estimates of Bitcoin production; our future hash rate growth (EH/s); the anticipated benefits, construction schedule, and costs associated with the Navarro site expansion; our expected schedule of new miner deliveries; our ability to successfully deploy new miners; M.W. capacity under development; we may not be able to realize the anticipated benefits from immersion-cooling; the integration of acquired businesses may not be successful, or such integration may take longer or be more difficult, time-consuming or costly to accomplish than anticipated; failure to otherwise realize anticipated efficiencies and strategic and financial benefits from our acquisitions; and the impact of COVID-19 on us, our customers, or on our suppliers in connection with our estimated timelines. Detailed information regarding the factors identified by the Company's management which they believe may cause actual results to differ materially from those expressed or implied by such forward-looking statements in this press release may be found in the Company's filings with the U.S. Securities and Exchange Commission (the "SEC"), including the risks, uncertainties

and other factors discussed under the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as amended, and the other filings the Company makes with the SEC, copies of which may be obtained from the SEC’s website, www.sec.gov. All forward-looking statements included in this press release are made only as of the date of this press release, and the Company disclaims any intention or obligation to update or revise any such forward-looking statements to reflect events or circumstances that subsequently occur, or of which the Company hereafter becomes aware, except as required by law. Persons reading this press release are cautioned not to place undue reliance on such forward-looking statements.

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Non-U.S. GAAP Measures of Financial Performance

In addition to consolidated U.S. GAAP financial measures, we consistently evaluate our use of and calculation of the non-GAAP financial measures, “Adjusted EBITDA” and Adjusted earnings per share (“Adjusted EPS”). Adjusted EBITDA is a financial measure defined as our EBITDA, adjusted to eliminate the effects of certain non-cash and / or non-recurring items, that do not reflect our ongoing strategic business operations. EBITDA is computed as net income before interest, taxes, depreciation, and amortization. Adjusted EBITDA is EBITDA further adjusted for certain income and expenses, which management believes results in a performance measurement that represents a key indicator of the Company’s core business operations of Bitcoin mining. The adjustments include fair value adjustments such as derivative power contract adjustments, equity securities value changes, and non-cash stock-based compensation expense, in addition to financing and legacy business income and expense items. The Company determined to exclude impairments and gains or losses on sales or exchanges of Bitcoin from our calculation of Adjusted Non-GAAP EBITDA for all periods presented.

Adjusted EPS is a financial measure defined as our EBITDA divided by our diluted weighted-average shares outstanding, adjusted to eliminate the effects of certain non-cash and / or non-recurring items, that do not reflect our ongoing strategic business operations. EBITDA is computed as net income before interest, taxes, depreciation, and amortization. Adjusted EPS is EBITDA further adjusted for certain income and expenses, which management believes results in a performance measurement that represents a key indicator of the Company’s core business operations of Bitcoin mining. The adjustments include fair value adjustments such as derivative power contract adjustments, equity securities value changes,

and non-cash stock-based compensation expense, in addition to financing and legacy business income and expense items. The Company determined to exclude impairments and gains or losses on sales or exchanges of Bitcoin from our calculation of Adjusted Non-GAAP EPS for all periods presented.

We believe Adjusted EBITDA and Adjusted EPS can be important financial measures because they allow management, investors, and our board of directors to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making such adjustments.

Adjusted EBITDA and Adjusted EPS are provided in addition to and should not be considered to be a substitute for, or superior to net income, the comparable measure under U.S. GAAP. Further, Adjusted EBITDA and Adjusted EPS should not be considered as an alternative to revenue growth, net income, diluted earnings per share or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity.

Adjusted EBITDA and Adjusted EPS have limitations as analytical tools, and you should not consider such measures either in isolation or as substitutes for analyzing our results as reported under U.S. GAAP.

Reconciliations of Adjusted EBITDA and Adjusted EPS to the most comparable U.S. GAAP financial metrics for historical periods are presented in the tables below:

Reconciliation of GAAP and Non-GAAP Financial Information

Non-GAAP Adjusted EBITDA	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net income (loss)	$ (36,569)	$ (15,343)	$ (353,774)	$ 11,524
Interest (income) expense	(348)	(40)	9	(295)
Income tax expense (benefit)	(2,952)	—	(8,839)	3,730
Depreciation and amortization	26,559	12,207	61,366	20,791
EBITDA	(13,310)	(3,176)	(301,238)	35,750
Adjustments:				
Non-cash/non-recurring operating expense:				
Stock-based compensation expense	3,561	36,023	7,304	37,928
Acquisition-related costs	—	552	78	18,894
Change in fair value of derivative asset	17,749	(7,413)	(86,865)	(23,806)
Change in fair value of contingent consideration	—	259	176	444
Realized loss on sale of marketable equity securities	—	—	1,624	—
Unrealized loss (gain) on marketable equity securities	(142)	11,151	6,306	10,812

Realized gain on sale/exchange of long-term investment	—	—	—	(26,260)
Gain on exchange of equipment	(7,667)	—	(16,281)	—
Impairment of goodwill	—	—	335,648	—
Other (income) expense	—	85	59	(1,425)
Other revenue, (income) expense items:				
License fees	(25)	(25)	(73)	(73)
Adjusted EBITDA	$ 166	$ 37,456	$ (53,263)	$ 52,264

Non-GAAP Adjusted EPS	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
Diluted net income (loss) per share	$ (0.24)	$ (0.16)	$ (2.64)	$ 0.13
Interest (income) expense	—	—	—	—
Income tax expense (benefit)	(0.02)	—	(0.07)	0.04
Depreciation and amortization	0.17	0.13	0.46	0.23
EBITDA	(0.09)	(0.03)	(2.25)	0.40
Adjustments:				
Non-cash/non-recurring operating expense:				
Stock-based compensation expense	0.02	0.37	0.05	0.42
Acquisition-related costs	—	0.01	—	0.21
Change in fair value of derivative asset	0.12	(0.08)	(0.65)	(0.26)
Change in fair value of contingent consideration	—	—	—	—
Realized loss on sale of marketable equity securities	—	—	0.01	—
Unrealized loss (gain) on marketable equity securities	—	0.12	0.05	0.12
Realized gain on sale/exchange of long-term investment	—	—	—	(0.29)
Gain on exchange of equipment	(0.05)	—	(0.12)	—
Other (income) expense	—	—	—	(0.02)
Impairment of goodwill	—	—	2.51	—
Other revenue, (income) expense items:				
License fees	—	—	—	—

Adjusted EPS	$ —	$ 0.39	$ (0.40)	$ 0.58
Diluted weighted average number of shares outstanding	153,895,123	96,064,036	133,894,338	89,896,374

In addition to the non-GAAP financial measures of Adjusted EBITDA and Adjusted EPS described above, we believe “Mining revenue in excess of cost of revenues, net of power curtailment credits”, “Data Center Hosting revenue in excess of cost of revenues, net of power curtailment credits”, “Cost of revenues – Mining, net of power curtailment credits” and “Cost of revenues – Data Center Hosting, net of power curtailment credits” are additional performance measurements that represent a key indicator of the Company’s core business operations of both Bitcoin mining and Data Center Hosting.

We believe our ability to sell power back to the grid at market-driven spot prices, thereby reducing our operating costs, is integral to our overall strategy, specifically our power management strategy and our commitment to supporting the ERCOT grid. While participation in various grid demand response programs may impact our Bitcoin production, we view this as an important part of our partnership-driven approach with ERCOT and our commitment to being a good corporate citizen in our communities.

We believe netting the power sales against our costs can be an important financial measure because it allows management, investors, and our board of directors to evaluate and compare our operating results, including our operating efficiencies, from period-to-period by making such adjustments. We have allocated the benefit of the power sales to our Data Center Hosting and Mining segments based on their proportional power consumption during the periods presented.

Mining revenue in excess of cost of revenues, net of power curtailment credits, Data Center Hosting revenue in excess of cost of revenues, net of power curtailment credits, Cost of revenues – Mining, net of power curtailment credits and Cost of revenues – Data Center Hosting, net of power curtailment credits are provided in addition to and should not be considered to be a substitute for, or superior to Revenue – Mining, Revenue – Data Center Hosting, Cost of revenues – Mining or Cost of revenues – Data Center Hosting as presented in our consolidated statements of operations.

Reconciliations of these measurements to the most comparable U.S. GAAP financial metrics for historical periods are presented in the table below:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
Mining:				
Revenue	$ 22,070	$ 53,590	$126,166	$108,213
Cost of revenues	14,677	13,034	51,766	29,893

Power curtailment credits	(6,104)	—	(8,175)	—
Cost of revenues, net of power curtailment credits	$ 8,573	$ 13,034	$ 43,591	$ 29,893
Mining revenue in excess of cost of revenues, net of power curtailment credits	$ 13,497	$ 40,556	$ 82,575	$ 78,320
Mining revenue in excess of cost of revenues, net of power curtailment credits as a percentage of revenue	61.2%	75.7%	65.4%	72.4%
Data Center Hosting:				
Revenue	$ 8,371	$ 11,193	$ 27,899	$ 14,067
Cost of revenues	14,223	$ 12,581	$ 44,392	$ 16,317
Power curtailment credits	(6,996)	(2,507)	(13,153)	(3,650
Cost of revenues, net of power curtailment credits	7,257	10,074	31,239	12,667
Data Center Hosting revenue in excess of cost of revenues, net of power curtailment credits	$ 1,114	$ 1,119	$ (3,340)	$ 1,400
Data Center Hosting revenue in excess of cost of revenues, net of power curtailment credits as a percentage of revenue	13.3%	10.0%	(12.0)%	10.0%
Total power curtailment credits	$ (13,070)	$ (2,507)	$ (21,328)	$ (3,650)

Source: Riot Blockchain Inc.