ARKOSE

OTC: RKOS
August 2021

Pioneers of the Digital Energy Revolution

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Mission Statement

Building a scalable and vertically integrated cryptocurrency mining operation focused on efficiency through ownership of the value chain

Arkose Snapshot

Control mining costs through vertical integration

↓

Supported by fundamental energy reserves

↓

Sustainable and scalable margins through control / ownership of power

↓

Downside price protection and resilience from top-percentile position on cost curve

↓

Drilling and power generation experts within core team

ARKOSE

Corporate location: Katy, Texas

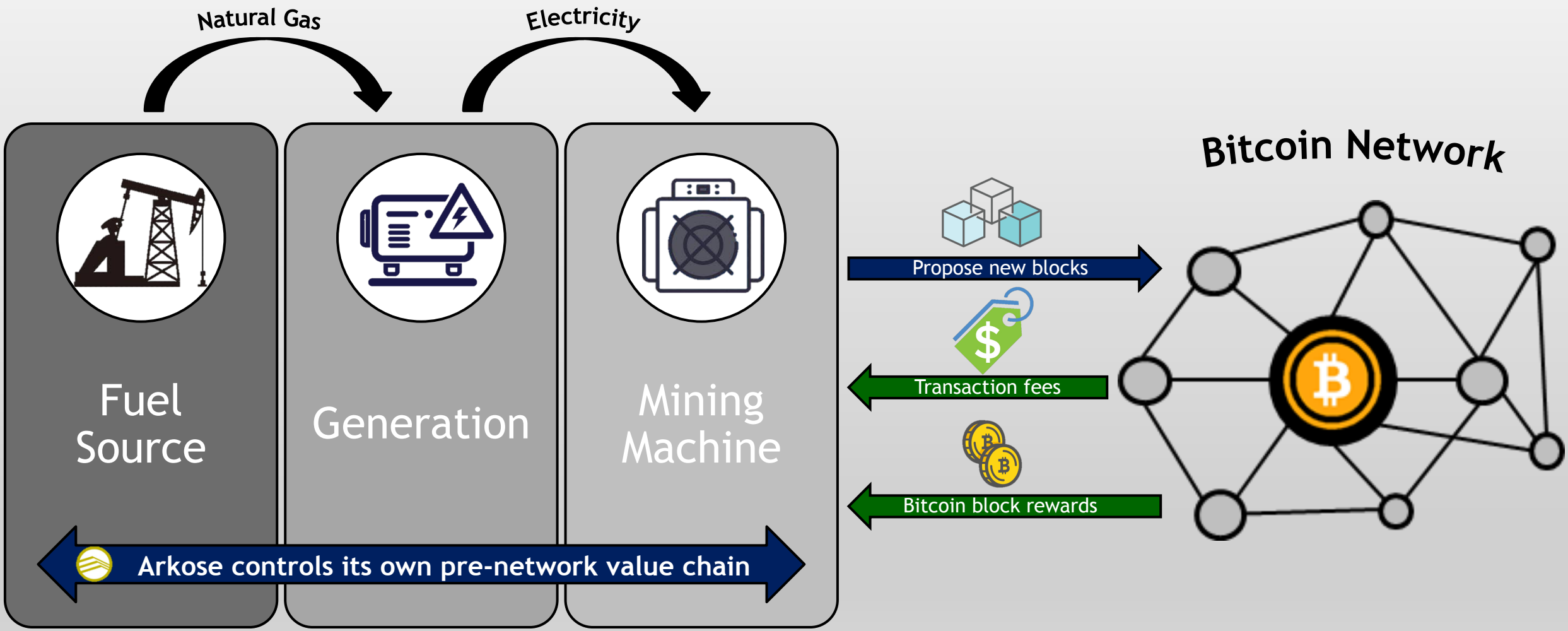
Website: *www.arkoseenergy.com*

Key Stats

- ✓ *Electricity costs ~ $0.0155/kWh*[1]
- ✓ *Long term power generation capacity of 125 MW*[2]
- ✓ *Reporting company on exchange (OTC PINK)*
- ✓ *Common shares outstanding ~ 46,198,020*[3]

Note:
(1) Based on pilot project generator specifications, lifting costs and net sales
(2) Based on reserve report as of 12/31/2020
(3) Based on company financials as of 3/31/2021

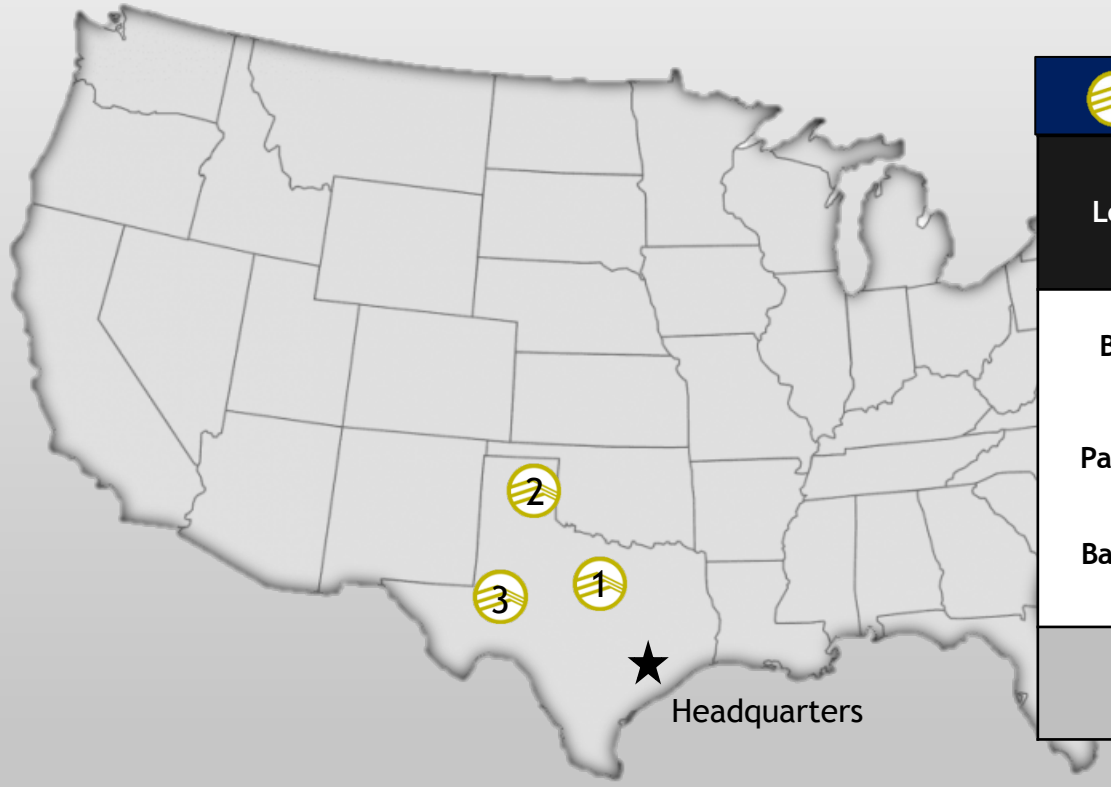
Arkose Business Model - *a differentiated miner*



Arkose Opportunity

Assets[1]

1. Barnett Shale
   - 6,100 Net Acres
   - 60 well bores
   - **2MW Capacity currently flowing**
2. Panhandle
   - 24,000 net acres
   - 167 well bores
   - **1MW Capacity currently flowing**
3. Ballinger /Other
   - 2,460 net acres
   - 58 well bores
   - **0.20 MW Capacity currently flowing**



Asset Power Generation Summary

Location	Current Capacity (MW)	Planned Near-Term Capacity (MW)	Reserve Base Long term Capacity [2] (MW)
Barnett	2	5	20
Panhandle	1	5	100
Ballinger / Other	0.2	1	5
Total	3.2	11	125

Arkose owned energy assets provide ability to scale power generation for mining operations

Note:
(1) As of December 31, 2020
(2) Management calculation based on reserve report as of 12/31/2020

Arkose vs. The Mining Network

Category	Arkose $ / kWh (1)	Arkose $ / MWh
Lifting Costs (1)	$0.010	$10.9
Power Generation (1)	$0.005	$4.6
Total	**$0.0155**	**$15.5**

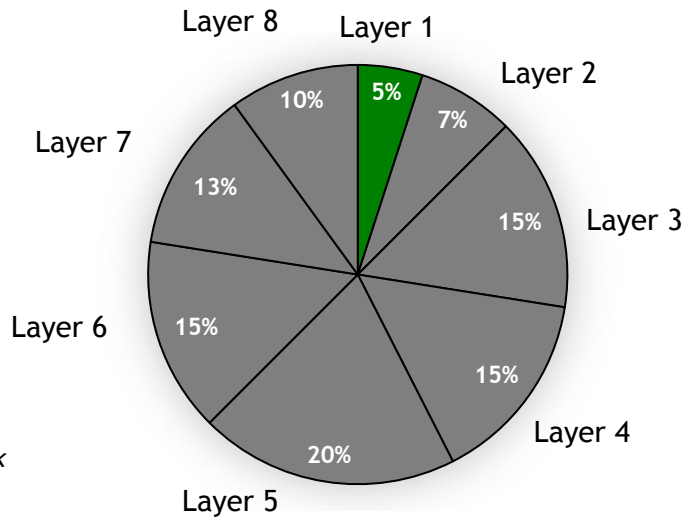
Arkose is in the top layer of the mining network

The chart on the right illustrates the Miner Electricity Rate and the total hash power percentage controlled by layer of miners on the BTC Network.

ARKOSE

Layer 1 - Below $0.025 kWh:	*5% of the Network*
Layer 2 - $0.03 kWh:	*7.5% of the Network*
Layer 3 - $0.04 kWh:	*15% of the Network*
Layer 4 - $0.05 kWh:	*15% of the Network*
Layer 5 - $0.055 kWh:	*20% of the Network*
Layer 6 - $0.06 kWh:	*15% of the Network*
Layer 7 - $0.065 kWh:	*12.5% of the Network*
Layer 8 - Above $0.07 kWh:	*10% of the Network*

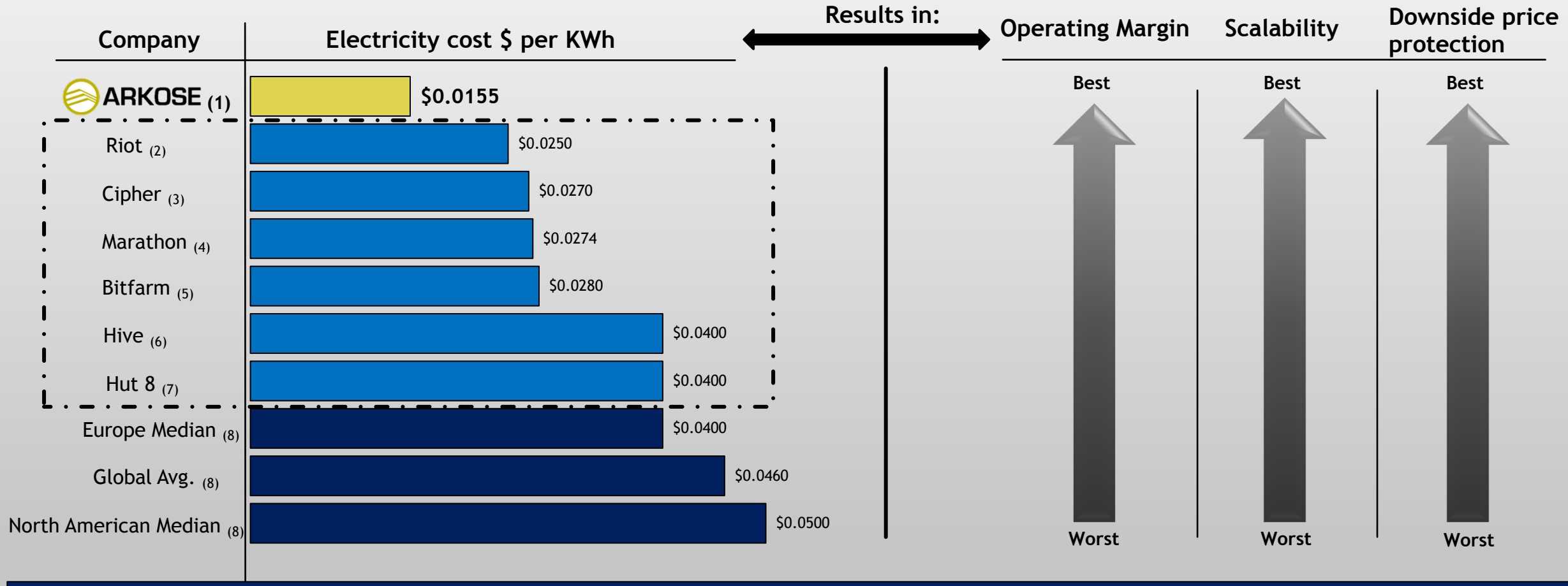
(3)Miner Electricity Rate Distribution $kWh



Arkose is able to operate at high margins through integration and ownership of the value chain

Notes:
(1) Based on Arkose pilot project
(2) Blockware Solutions 'Understanding Bitcoin Market Participants'

Cost Curve Positioning



Arkose has the ability to operate at industry leading electricity costs

Notes:
(1) Based on Arkose pilot project
(2) Company presentation as of 5/27/2021
(3) Company presentation as of January 2021
(4) Company presentation as of 3/16/2021
(5) Company Presentation as of June 2021
(6) Energy price for HIVE's 30 MW Quebec Facility
(7) Based on Company Q1 2021 MDA Filings
(8) Average of Wall Street research estimate range; Based on '3rd Global Cryptoasset Benchmarking Study' (September 2020) from Cambridge Centre for Alternative Finance

Mining Variables

Annual Mining Profitability

$$= \left[\frac{\text{Arkose Hash Rate}}{\text{Network Hash Rate}} \times \text{Price of BTC} \times \text{6.25 Block Reward} \times \text{Transaction Premium} \times \text{52,560 Blocks per Year} \right] - \left[\text{Price of Miners} \times \text{Cost of Electricity} \times \text{Arkose's Corporate Expenses} \right]$$

Variables other Miners Control	Variables other Miners Don't Control
1) Hash Rate	1) Bitcoin Price
2) Electricity Source	2) Hardware Expense
3) Data Center	3) Network Difficulty
	4) Regulation
	5) Electricity Price

Arkose controls its electricity price through ownership of the power generation value chain

Sensitivity Analysis

Assumptions	
BTC Price[5]	$37,500
MW Operating Capacity	10 MW
$ cost per kWh[1]	$0.015
# of S19 Pro miners[2]	3,076
Price/Terahash ($5,500/each)	$50
S19 Pro Terahash per second[6]	110 TH/s

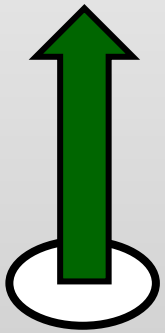
Single Miner Economics	
Machine only payback (years)	1.008
Operating Breakeven	**$2,894**
Annual Revenue [3]	$16,792,009
Annual Gross Profit [4]	$15,496,009

BTC Price	Revenue [3]	Gross Profit [3]
$10,000	$4,477,869	$3,181,869
$20,000	$8,955,738	$7,659,738
$30,000	$15,672,542	$14,376,542
$40,000	$17,911,476	$16,615,476
$50,000	$22,389,345	$21,093,345
$60,000	$26,867,214	$25,571,214
$70,000	$31,345,083	$30,049,083

Notes:
(1) Based on current management expectations and pilot project
(2) Based on max available capacity for 10MW operation
(3) Based on static BTC network hashrate
(4) Gross profit defined as Mining Revenue – Electricity Costs
(5) BTC:USD price as of 7/30/2021
(6) Per Bitmain miner specifications

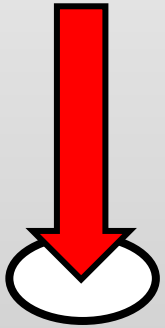
Growth Strategy

Arkose Current Strategy



Power Output

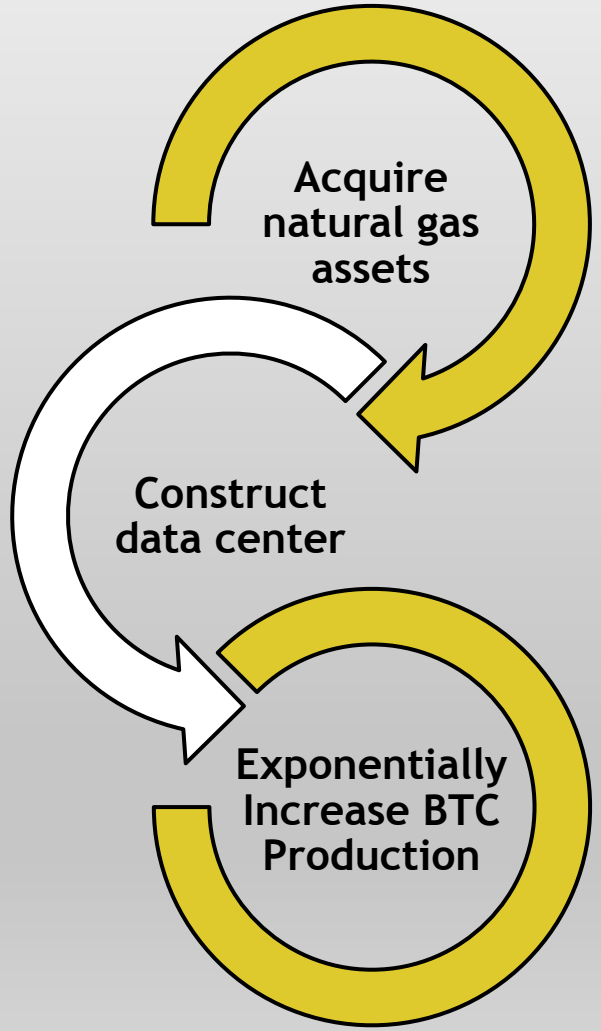
- Increase mining efficiency
- Increase overall hashrate
- Generate commodity cash flows to increase mining fleet



BTC Production Costs

- Decrease miner downtime
- Reduce risk to Bitcoin price volatility through electricity costs

Arkose Future Strategy



Arkose ESG Initiative

Arkose is pursuing development of a carbon emissions tracking and reporting system with Envision Blockchain

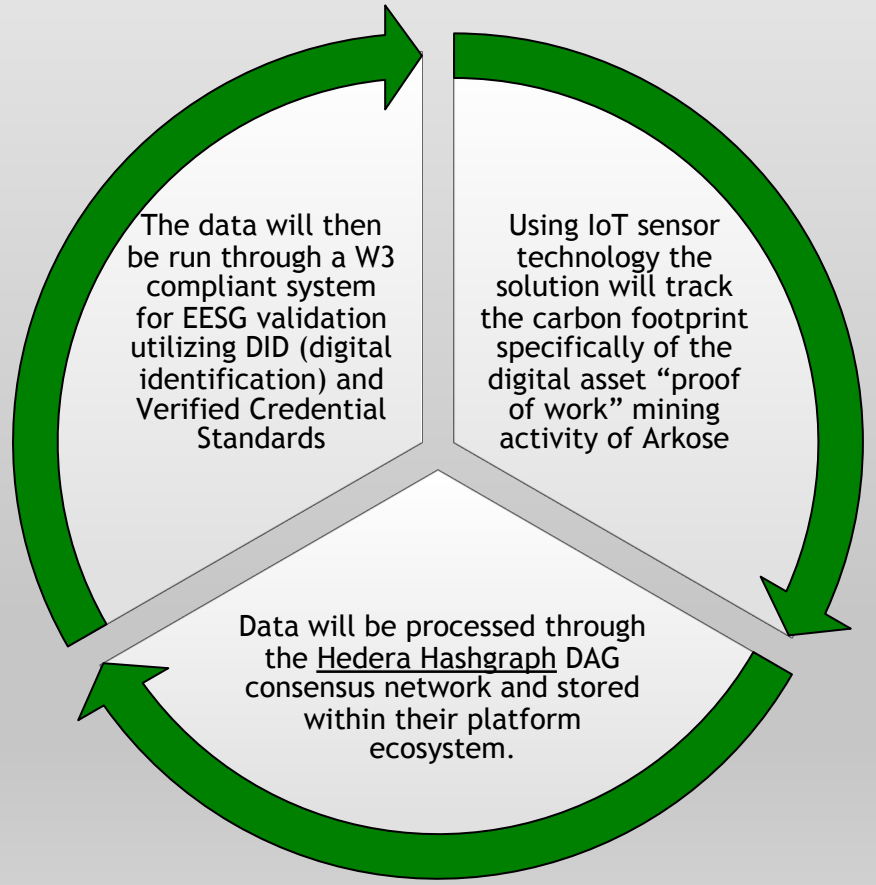
Tracking and Reporting System Purpose

Report ESG standard information to determine a baseline operating carbon footprint under the current operation to obtain ESG compliance per company goals

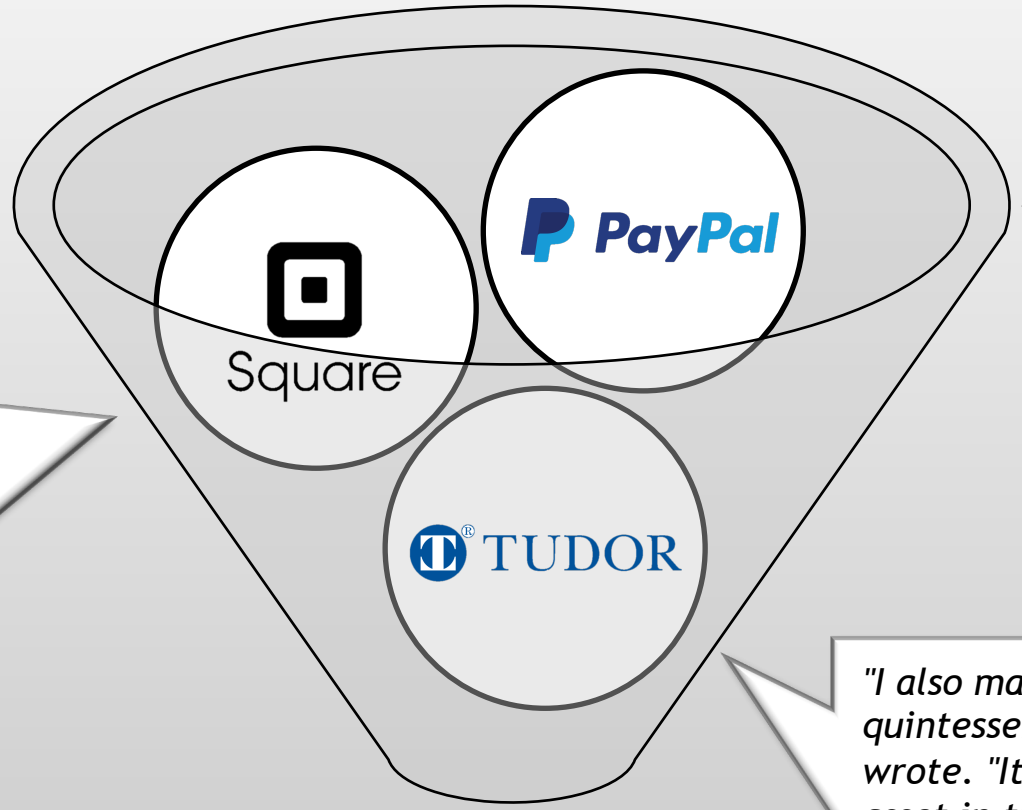
Invest in additional processes to capture and dispose of the carbon emissions while reporting the decrease through the system, also qualifying Arkose to receive carbon credits.

Deployment of MRV solution for tracking, tracing, and voluntary offset of carbon emissions with roadmap to capture and sequester.

Tracking and Reporting System Process



Increasing Institutional Entrenchment



"We think it is a transitional point where cryptocurrencies move from being predominantly an asset class that you buy, hold and or sell to now becoming a legitimate funding source to make transactions in the real world at millions of merchants,"

- Dan Schulman, PayPal CEO

"Square believes that cryptocurrency is an instrument of economic empowerment, providing a way for individuals to participate in a global monetary system and secure their own financial future."

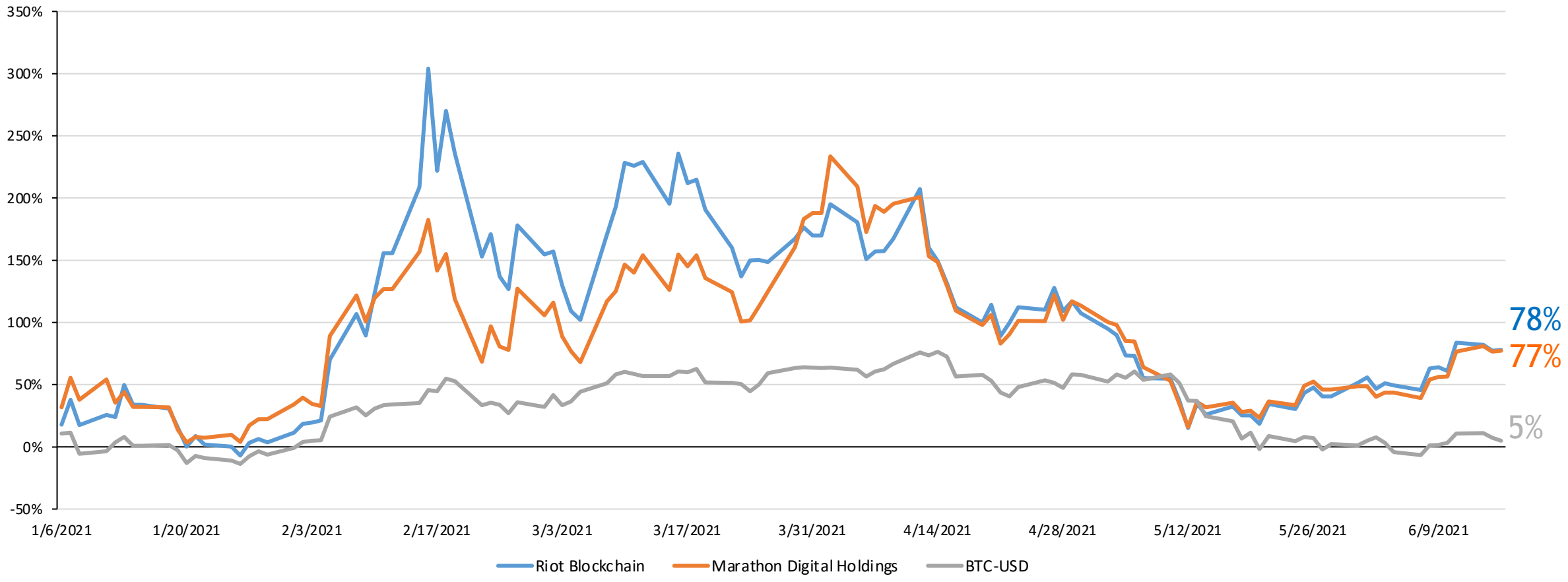
- Square, Inc.

"I also made the case for owning Bitcoin, the quintessence of scarcity premium," Jones wrote. "It is literally the only large tradeable asset in the world that has a known fixed maximum supply. By its design, the total quantity of Bitcoins (including those not yet mined) cannot exceed 21 million."

- Paul Tudor Jones

Sources: Bloomberg.com, Forbes.com

Opportunity for Alpha



Bitcoin Mining is a levered play on crypto with potential for greater returns than the asset itself

Sources: Bloomberg

Appendix

Management

Daniel (Bo) Lee Ritz, Jr.

Chief Executive Officer

Prior to Arkose, Bo maintained a business and engineering consulting practice, served as a production and completions engineer with Texas Oil and Gas Inc, and reservoir engineer for numerous companies on the buy and sell side.

30+ years of experience within the Investment Banking and O&G industries.

B.S. and MS in Petroleum Engineering from Texas A&M University

Richard D. Dwelle

Chief Operating Officer

Prior to Arkose, Richard served as the Country Manager and Chairman of Wood International, Vice President of Business Development at Wood International, and various executive positions at National Petroleum and Energy

20+ years of O&G experience, and currently serves as the Chairman of the Board of Directors of Wood International

B.S. in Business Administration from Texas Christian University

The encouraging ₿ mining environment of Texas

Government

- State legislation passed in 2021 **regulating legal status of virtual currencies** under Texas' UCC [1]
- Arkose is a member of the *Texas Blockchain Council*, which was formed in 2020 to work with government around blockchain legislature

Resources

- Texas produces **23.9%** of yearly natural gas production in the United States [2]
- Texas operates **25.0%** of natural gas producing wells in the U.S. with **122,879 wells** [2]

Benefits

- Stable mining **regulatory environment**
- Abundance of **energy resources**
- Industry associations work together to make Texas the place for **blockchain innovation**

"Count me in as a crypto law proposal supporter. It is increasingly being used for transactions and is beginning to go mainstream as an investment. Texas should lead on this like we did with a gold depository"
- Governor Greg Abbott

Texas is becoming the global bitcoin mining capital as hashrate shifts away from China due to government ban

Source: Cointelegraph.com, EIA.gov, texasblockchaincouncil.org
Notes:
(1) UCC denotes Uniform Commercial Code
(2) Per EIA state energy profile updated 7/15/2021

Mining Process

Bitcoin Miner	Mining System
Is a computer designed with a software to solve complex cryptographic mathematical algorithms	A system that provides security and adds transactions to the blockchain to validate new bitcoin entering the market.

How it works

A transaction is made with a fee attached to it for Bitcoin miners to validate the transaction

That transaction is bundled together with other transactions to form a block and is broadcasted to all bitcoin mining nodes on the network

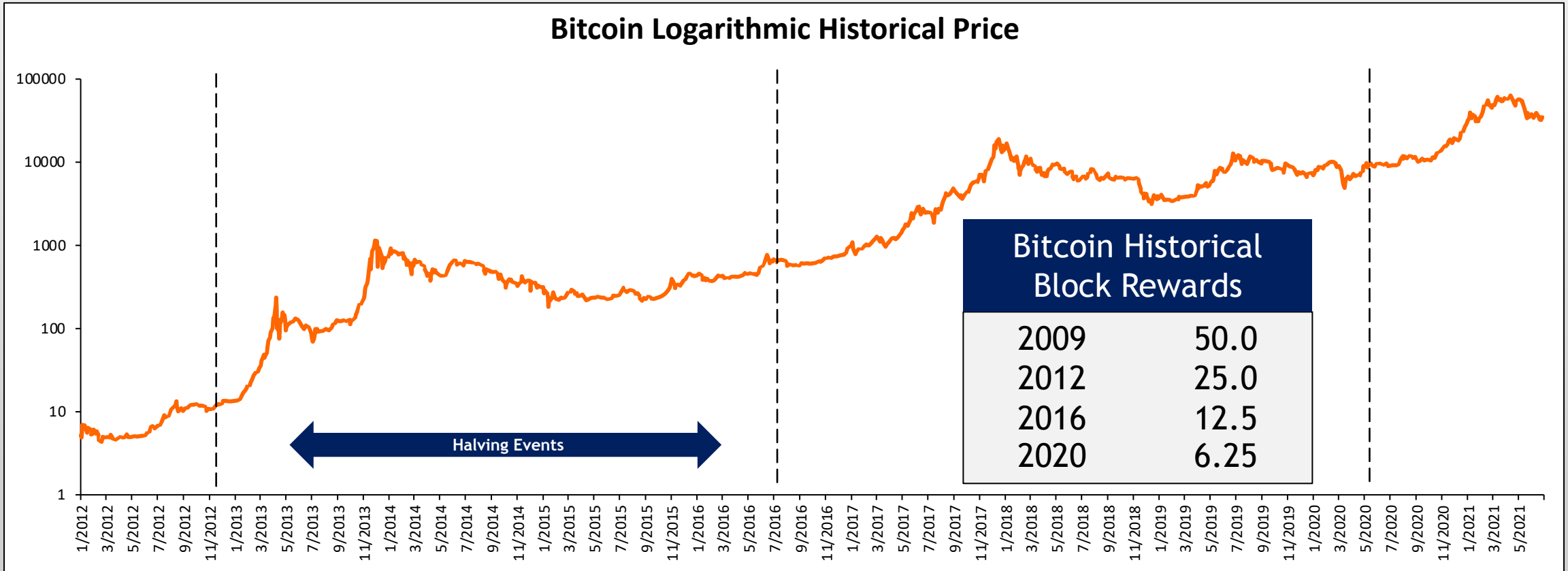
The Bitcoin miners then validate the block through solving complex mathematical algorithms

That solved block is added to the Blockchain and rewards of Bitcoin + transaction fees are given to the miner for solving the block.

Current bitcoin reward is 6.25 BTC/block with 10 min solving time on avg.

Halving Events

There is a Halving Event each time 210,000 blocks are mined, which has historically been every 4 years. During a Halving Event the block reward given to miners for successfully processing transactions is cut in half. This is done to decrease the issuance of BTC per block as it approaches maximum supply of 21 million. The block reward currently is 6.25 BTC.



Bitcoin Historical Block Rewards	
2009	50.0
2012	25.0
2016	12.5
2020	6.25

Arkose is positioned to benefit from halving events unlike the market. As halving events decrease profitability and the overall network hashrate, market competitors will likely choose to take miners offline due to higher costs and lower returns allowing Arkose to increase market share and overall production.

Source: Bloomberg