

Riot Blockchain, Inc. (RIOT) Case Study

RIOT was a holding in **The Valkyrie Bitcoin Mining ETF (Nasdaq: WGMI)** as of 2/7/2022.

VBB is an actively managed ETF available through Nasdaq that invests in innovative public companies with exposure to bitcoin. Ask your financial advisor or search your online account for "VBB".

Business Model

The core business of Riot Blockchain, Inc. is the mining of cryptocurrency. After earning block rewards, the compensation for mining cryptocurrency, Riot seeks to hold the cryptocurrency that is earned in excess of their capital expenditure needs. If Riot succeeds in their goal of holding rather than selling a substantial portion of their cryptocurrency income, we expect the stock to have an increasing sensitivity to the price of bitcoin.

Riot's key goals are stated in terms of the installed capacity for bitcoin mining, with 30,000 Bitmain miners deployed and another 50,000 on order. Delivery is expected throughout 2022. Riot is in a substantial growth phase, mining 491 bitcoin in Q1 2021 and 1,292 BTC in Q3 2021.

In the nine months ending September 30, 2021, Riot reported \$108.2 million in revenue from bitcoin mining which resulted in \$0.13 per share in net income.

Mining Operations/ Hash Rate

Riot has located their mining operations in Rockdale, Texas, and Massena, New York. As of February 2022, Riot's mining rigs produced 3.4 exahashes¹ per second, or 3.4 quintillion hashes per second. With a global hash rate of 200 exahashes per second, Riot controls 1.7% of the global bitcoin mining capacity. Riot has ordered additional mining equipment that could increase their hash rate to over 12 exahashes per second in 2022.² While this could increase Riot's share of the global bitcoin mining market, it is unclear by how much, as other miners may also be simultaneously adding capacity.

SHARE PRICE	19.53*
MKT CAP	2.29 billion*
BTC HOLDINGS	5,347
BTC HOLDINGS VALUE	223,509,947
BTC % MKT CAP	9.8%
LOCATION	CASTLE ROCK, CO
CEO	JASON LES
FOUNDED	2000
IPO DATE	JANUARY 2003
URL	www.riotblockchain.com

*data as of 3/18/22

¹ An exahash is one quintillion hash calculations

² <https://www.riotblockchain.com/>

Sustainability

"In Texas, bitcoin miners act as a shock absorber for new green power, buying energy when it's not needed and shutting their rigs when demand surges."³

While the world is seeking to deploy more renewable energy, solar and wind technologies do not provide constant electrical power. These renewable sources produce more energy when the wind blows and the sun shines, while changes in weather can substantially reduce this output. Bitcoin miners like Riot can stabilize the energy grid by increasing electrical consumption during times of stronger renewable energy production and reducing consumption during times of weaker renewable energy production. In order to reduce electricity consumption in Texas during winter storms, Riot voluntarily ceased bitcoin mining, which further stabilized the power grid.⁴ This flexibility in energy use can lead to increased stability of the power grid and help finance new installations of renewable energy infrastructure.

A key factor in the profitability of bitcoin mining is the cost of electricity. Riot's Whinstone facility in Rockland, Texas, is the largest bitcoin mining facility in North America.⁵ The mining facility is able to access electricity at a rate of 2.5 cents per kilowatt hour, which includes a 0.5 cent credit for reducing consumption during times of peak demand.

Riot uses immersion cooling technology that can reduce the operating temperature of mining rigs, prolong their useful life, and increase their hash rate.⁶ The immersion cooling technology can reduce the usage of air conditioning in Riot's mining facilities.



3 <https://www.forbes.com/sites/christopherhelman/2021/08/02/green-bitcoin-mining-the-big-profits-in-clean-crypto/?sh=5108de2134ce>

4 <https://markets.businessinsider.com/news/currencies/riot-blockchain-shut-down-winter-weather-texas-crypto-bitcoin-abbott-2022-2>

5 <https://www.riotblockchain.com/bitcoin-mining/whinstone-u-s>

6 https://d1io3yog0oux5.cloudfront.net/_f380ae3466e909021a4ffb0240eec459/riotblockchain/db/447/4156/pdf/RIOT+Corporate+Deck+011421.pdf



Disclosures

The Valkyrie Balance Sheet Opportunities ETF is an actively managed ETF. The Fund seeks to provide investors with capital appreciation. There can be no assurance that the Fund will achieve its investment objective.

This document does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial advisor/financial consultant before making any investment decisions.

Investing involves risks. The loss of principal is possible. The Fund investment objectives, risks, charges and expenses should be considered before investing. The fund may not be suitable for all investors. The prospectus contains this and other important information, and it may be obtained at <https://valkyrie-funds.com/>. Read it carefully before investing

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Any applicable brokerage fees and commissions will reduce returns.

VBB is indirectly exposed to the risks of investing in bitcoin through its investments in companies with exposure to bitcoin. Bitcoin is a new and highly speculative investment

Bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. The value of an investment in the Fund could decline significantly and without warning, including to zero. You should be prepared to lose your entire investment.

The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.

The Fund is distributed by ALPS Distributors, Inc. Valkyrie Investments and ALPS Distributors, Inc. are not affiliates.

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This is a new ETF with limited operating history.

