



Cipher Mining

August 2022



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Cipher Mining

Highlights

- Continued timely deployment of new bitcoin mining data centers – Alborz completed
 - First 1.3 EH/s deployed, implying mining capacity of up to ~5.7 bitcoin per day⁽¹⁾
- Industry-leading bitcoin mining economics from disciplined pursuit of low-cost structure, and no debt overhang
- Resilient business model for profitability during downturns in bitcoin mining environment

Unique Low-Cost Structure for Large Scale Mining



Low-Cost



Scale



~\$34.96 average price per TH/s, with ~32.1 J/TH average efficiency⁽¹⁾



Equipment



Up to ~6.9 EH/s expected capacity deployment by early 2023



5-year+ PPAs with average power price of ~2.73 c/kWh⁽²⁾



Power



Multiple relationships with top-tier power companies



~\$450k anticipated infrastructure capex / MW for current sites⁽³⁾



Operations



1st of 4 data centers completed with total expected capacity of ~265 MW in early 2023

Source: Cipher Mining management

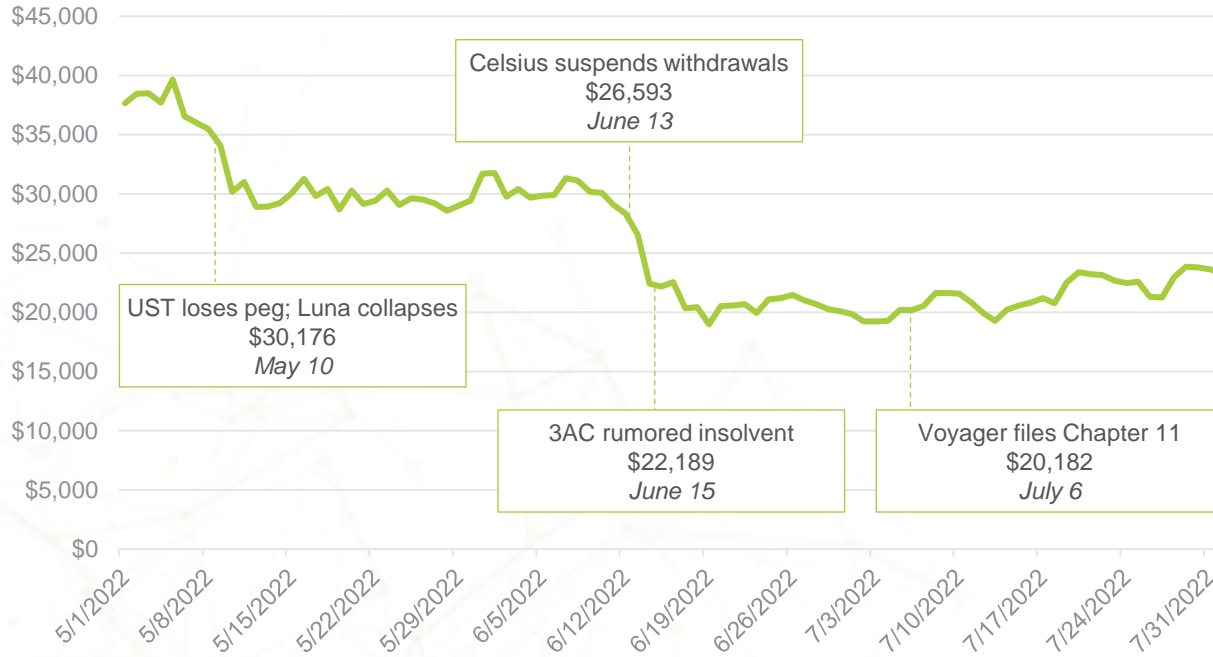
⁽¹⁾ Includes Bitmain and MicroBT contracts, net of contribution to joint venture partner

⁽²⁾ Represents the expected weighted average power price across sites currently under contract. This calculation excludes potential deals under non-binding term sheets

⁽³⁾ Preliminary estimate of non-miner infrastructure capex based on the current market environment (subject to change)



Bitcoin Price (\$USD)⁽¹⁾



Implications

- 1 Machine Prices Substantially Reduced**
 - Secondary transactions at scale reported in ~\$20s and \$30s per TH/s range
- 2 Financing Market Update**
 - Lenders halted loan originations
 - Existing loans with fast amortization punishing bitcoin miners
- 3 BTC Sales**
 - Miners liquidating BTC treasuries to meet debt obligations

Advantages



1 Best-in-class power and machine contracts

2 Flexibility to sell power hedges exposure to falling bitcoin price or growing network hash rate

Source: Cipher Mining management

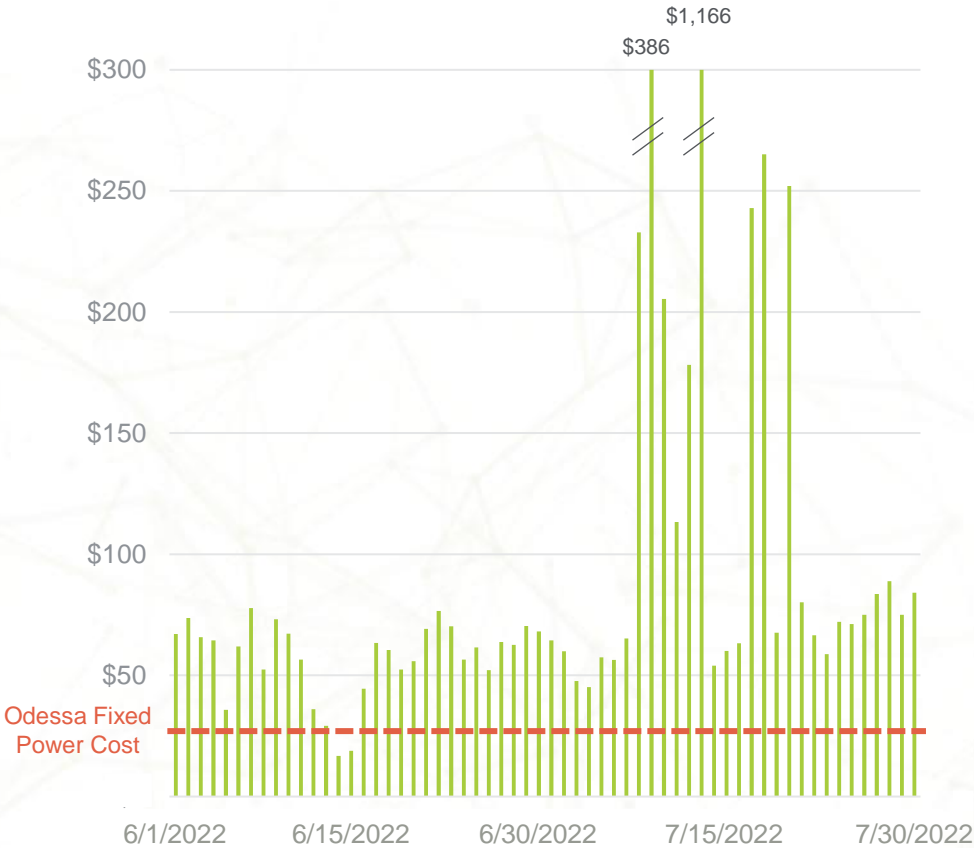
⁽¹⁾ Represents average USD market price across major Bitcoin exchanges from May 1, 2022, to August 1, 2022, per Blockchain.com

Unit Economics



 CIPHER Mining has among the strongest unit economics in bitcoin mining

Prices per MWh in Texas⁽¹⁾



Revenue per MWh⁽²⁾

		Network Hash Rate	
		200 EH/s	225 EH/s
BTC Price	\$20k	\$99	\$88
	\$25k	\$123	\$110

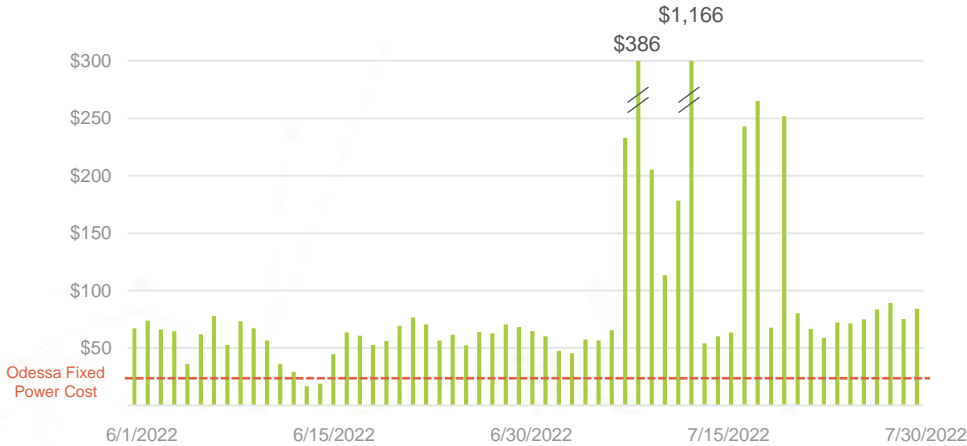
Source: Cipher Mining management

⁽¹⁾ Historical ERCOT RTM West Hub Prices (average daily price)

⁽²⁾ Assumes S19j Class from BitOoda report dated June 17, 2022

Unit Economics

Prices per MWh in Texas⁽¹⁾



Revenue per MWh⁽²⁾

		Network Hash Rate	
		200 EH/s	225 EH/s
BTC Price	\$20k	\$99	\$88
	\$25k	\$123	\$110

Cipher Mining

- ✓ Pay ~\$27 per MWh with the ability to sell power when more profitable than BTC mining
- ✓ New rigs acquired for ~\$34.96 per TH/s
- ✓ No corporate debt; ~\$11 million of low-LTV debt at Alborz JV with 21 months remaining on repayment terms
- ✓ **Cipher Mining has among the strongest unit economics in bitcoin mining**

Other BTC Miners

- Pay high energy or hosting costs
- Older fleet of less efficient rigs
- Paid top-of-market \$/TH/s for rigs
- Onerous debt repayment terms
 - Short amortization period before 2024 halving
- **Monthly obligations may exceed bitcoin production**

Source: Cipher Mining management

⁽¹⁾ Historical ERCOT RTM West Hub Prices (average daily price)

⁽²⁾ Assumes S19j Class from BitOoda report dated June 17, 2022



Cipher Mining has best-in-class data centers, construction processes and team members

Data Center Completion

- Alborz completed with ~1.3 EH/s installed (~0.64 EH/s self-mining)
- Bear and Chief nearing completion with all mining rigs en route to sites (~0.65 EH/s total with ~0.32 EH/s of self-mining)

- Odessa scheduled to deploy throughout 2H 2022
- Next generation data center design underway, evaluating immersion and liquid cooling designs

Construction

Team

- 20 senior team members, with new executives from Alphabet, Amazon, Meta, Morgan Stanley, Point72 Asset Management and Scotiabank overseeing a total workforce at sites of ~180 people
- Data science team building predictive wind models to enhance operations and potentially offer services to third parties

Implementation Plan & Strategy



2022 Updated Site Forecast

Site name	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Alborz – 40 MW	[Green bar]			
Bear – 10 MW			[Blue bar]	
Chief – 10 MW			[Orange bar]	
Odessa – 205 MW			[Yellow bar]	

2023 Deployment Focus

- 1 **Andrews**
(200 MW)⁽¹⁾
- 2 **WindHQ Sites**
(Up to 200+ MW)⁽²⁾

Source: Cipher Mining management

⁽¹⁾ Pending final documentation with Luminant

⁽²⁾ Pending final interconnection agreements and Onco's planning

Implementation – Completion of Alborz



Implementation – Infrastructure Deployed at Bear + Chief



Bear

Chief



Implementation – Odessa Nearing Completion





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Key Statistics

~\$34.96 Anticipated Weighted Average Cost for Mining Rigs (\$/TH/s)⁽¹⁾

~32.1 Anticipated Weighted Average Mining Rig Efficiency (J/TH)⁽¹⁾

~2.73c Anticipated Weighted Average Power Price (c/kWh)⁽²⁾

~\$450k Anticipated Infrastructure Capex Costs per MW (\$)⁽³⁾

Cipher Mining

Liquidity Profile

- ~\$30 million of cash and ~\$9 million of receivables from JV partner as of August 1st, 2022
- Adequate capital to complete infrastructure buildout at all initial data centers
- No corporate debt
- Bitmain contract – fully paid
- MicroBT contract:
 - ~\$101mm of estimated ~\$200mm total paid
 - Optimizing payment and delivery schedule to match data center deployment
 - ~\$9mm of ~\$101mm already paid is the deposit to secure future deliveries

Consolidated Balance Sheets



	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 37,042	\$ 209,841
Receivables, related party	467	-
Prepaid expenses and other current assets	9,554	13,819
Cryptocurrencies	787	-
Total current assets	47,850	223,660
Deposits on equipment	196,707	114,857
Property and equipment, net	23,637	5,124
Security deposits	11,417	10,352
Investment in equity investee	56,828	-
Right-of-use asset	5,512	-
Deferred investment costs	-	174
Total assets	<u>\$ 341,951</u>	<u>\$ 354,167</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,739	\$ 242
Accounts payable, related party	12,038	-
Operating lease liability, current portion	975	-
Accrued expenses	5,811	257
Total current liabilities	23,563	499
Operating lease liability, net of current portion	5,023	-
Warrant liability	26	137
Total liabilities	<u>28,612</u>	<u>636</u>
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, <u>none issued</u> and outstanding as of June 30, 2022 and December 31, 2021	-	-
Common stock, \$0.001 par value, 500,000,000 shares authorized, 251,001,072 and 252,131,679 shares issued as of June 30, 2022 and December 31, 2021, respectively, and 247,489,582 and 249,279,420 shares outstanding as of June 30, 2022 and December 31, 2021, respectively	251	252
Additional paid-in capital	431,966	425,438
Treasury stock, at par, 3,511,490 and 2,852,259 shares at June 30, 2022 and December 31, 2021, respectively	(4)	(3)
Accumulated deficit	(118,874)	(72,156)
Total stockholders' equity	<u>313,339</u>	<u>353,531</u>
Total liabilities and stockholders' equity	<u>\$ 341,951</u>	<u>\$ 354,167</u>

Consolidated Statement of Operations



	Three Months Ended		Six Months Ended	Five Months Ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Costs and expenses				
General and administrative	\$ 16,704	\$ 546	\$ 34,094	\$ 659
Depreciation	8	1	15	1
Impairment of cryptocurrencies	535	-	539	-
Equity in loss of equity investment	12,079	-	12,232	-
Total costs and expenses	29,326	547	46,880	660
Operating loss	(29,326)	(547)	(46,880)	(660)
Other income (expense)				
Interest income	44	-	51	-
Interest expense	-	(1)	-	(1)
Change in fair value of warrant liability	63	-	111	-
Total other income (expense)	107	(1)	162	(1)
Net loss	\$ (29,219)	\$ (548)	\$ (46,718)	\$ (661)
Basic and diluted net loss per share	\$ (0.12)	\$ -	\$ (0.19)	\$ -
Basic and diluted weighted average number of shares outstanding	247,730,410	200,000,000	248,945,581	200,000,000

Non-GAAP Measures



The following is a reconciliation of our non-GAAP loss from operations, which excludes the impact of (i) depreciation of fixed assets and (ii) stock compensation expense, to its most directly comparable GAAP measure for the periods indicated:

	Three Months Ended		Six Months Ended	Five Months Ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Reconciliation of non-GAAP loss from operations:				
Operating loss	\$ (29,326)	\$ (547)	\$ (46,880)	\$ (660)
Depreciation	8	1	15	1
Stock compensation expense	10,064	-	19,578	-
Non-GAAP loss from operations	<u>\$ (19,254)</u>	<u>\$ (546)</u>	<u>\$ (27,287)</u>	<u>\$ (659)</u>

The following are reconciliations of our non-GAAP net loss and non-GAAP basic and diluted net loss per share, in each case excluding the impact of (i) depreciation of fixed assets (ii) change in fair value of warrant liability and (iii) stock compensation expense, to the most directly comparable GAAP measures for the periods indicated:

	Three Months Ended		Six Months Ended	Five Months Ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Reconciliation of non-GAAP net loss:				
Net loss	\$ (29,219)	\$ (548)	\$ (46,718)	\$ (661)
Non-cash adjustments to net loss:				
Depreciation	8	1	15	1
Change in fair value of warrant liability	63	-	111	-
Stock compensation expense	10,064	-	19,578	-
Total non-cash adjustments to net loss	<u>10,135</u>	<u>1</u>	<u>19,704</u>	<u>1</u>
Non-GAAP net loss	<u>\$ (19,084)</u>	<u>\$ (547)</u>	<u>\$ (27,014)</u>	<u>\$ (660)</u>
Reconciliation of non-GAAP basic and diluted net loss per share:				
Basic and diluted net loss per share	\$ (0.12)	\$ -	\$ (0.19)	\$ -
Depreciation of fixed assets (per share)	-	-	-	-
Change in fair value of warrant liability (per share)	-	-	-	-
Stock compensation expense (per share)	0.04	-	0.08	-
Non-GAAP basic and diluted net loss per share	<u>\$ (0.08)</u>	<u>\$ -</u>	<u>\$ (0.11)</u>	<u>\$ -</u>

Appendix



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Statements of Changes in Stockholders' Equity (Deficit)



Three Months Ended June 30, 2022

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance as of March 31, 2022	253,685,763	\$ 254	\$ 431,899	(3,511,490)	\$ (4)	\$ (89,655)	\$ 342,494
Common stock cancelled	(2,890,173)	(3)	(9,997)	-	-	-	(10,000)
Delivery of common stock underlying restricted stock units	205,482	-	-	-	-	-	-
Share-based compensation	-	-	10,064	-	-	-	10,064
Net loss	-	-	-	-	-	(29,219)	(29,219)
Balance as of June 30, 2022	<u>251,001,072</u>	<u>\$ 251</u>	<u>\$ 431,966</u>	<u>(3,511,490)</u>	<u>\$ (4)</u>	<u>\$ (118,874)</u>	<u>\$ 313,339</u>

Three Months Ended June 30, 2021

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance as of March 31, 2021	200,000,000	\$ 200	(200)	\$ (116)	\$ (116)
Net loss	-	-	-	(548)	(548)
Balance as of June 30, 2021	<u>200,000,000</u>	<u>\$ 200</u>	<u>(200)</u>	<u>\$ (664)</u>	<u>\$ (664)</u>

Consolidated Statement of Cash Flows



	Six Months Ended June 30, 2022	Five Months Ended June 30, 2021
Cash flows from operating activities		
Net loss	\$ (46,718)	\$ (661)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	15	-
Amortization of right-of-use assets	347	-
Change in fair value of warrant liability	(111)	-
Share-based compensation	19,578	-
Equity in loss of equity investment	12,232	-
Impairment of cryptocurrencies	539	-
Changes in assets and liabilities:		
Receivables, related party	(467)	-
Prepaid expenses and other current assets	4,134	(18)
Security deposits	(1,065)	(441)
Accounts payable	104	27
Accounts payable, related party	-	44
Accrued expenses	1,209	46
Lease liability	271	-
Net cash used in operating activities	<u>(9,932)</u>	<u>(1,003)</u>
Cash flows from investing activities		
Deposits on equipment	(156,811)	-
Purchases of property and equipment	(13,069)	-
Capital distribution from equity investee	10,065	-
Net cash used in investing activities	<u>(159,815)</u>	<u>-</u>
Cash flows from financing activities		
Repurchase of common shares to pay employee withholding taxes	(3,052)	-
Proceeds from borrowings on related party loan	-	4,300
Payments for deferred offering costs	-	(132)
Net cash (used in) provided by financing activities	<u>(3,052)</u>	<u>4,168</u>
Net (decrease) increase in cash and cash equivalents	(172,799)	3,165
Cash and cash equivalents, beginning of the period	209,841	-
Cash and cash equivalents, end of the period	<u>\$ 37,042</u>	<u>\$ 3,165</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes, net	\$ -	\$ -
Supplemental disclosure of noncash investing and financing activities		
Equity method investment acquired for non-cash consideration	\$ 75,933	\$ -
Common stock cancelled	\$ 10,000	\$ -
Deposits on equipment in accounts payable, related party	\$ 10,612	\$ -
Right-of-use asset obtained in exchange for operating lease liability	\$ 5,859	\$ -
Investment in equity investee in accrued expenses	\$ 4,345	\$ -
Property and equipment purchases in accounts payable	\$ 4,033	\$ -
Property and equipment purchases in accounts payable, related party	\$ 1,426	\$ 3
Cryptocurrencies received from equity method investment	\$ 1,326	\$ -
Reclassification of deferred investment costs to equity method investment	\$ 174	\$ -
Property and equipment purchases in related party loan	\$ -	\$ 109
Deposits on equipment in accounts payable	\$ 360	\$ -
Deferred offering costs included in accrued expenses	\$ -	\$ 1,791
Deferred offering costs included in accounts payable	\$ -	\$ 20
Deferred investment costs included in accrued expenses	\$ -	\$ 187



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August 2022
