

MGT Q2 2018 Investor Update Call Transcript

Operator: Good day everyone and welcome to today's MGT quarterly investor update call. At this time all participants are in a listen only mode. Later you will have the opportunity to ask questions during the question and answer session. You may register to ask a question at any time by pressing the star (*) and one (1) on your touchtone phone. Please note this call is being recorded. I'll be standing by if you should need any assistance. It is now my pleasure to turn the conference over to Mr. Rob Lowrey, Chief Financial Officer; please go ahead.

Rob Lowrey: All right, thank you. Good morning, and welcome to MGT's second quarter, 2018 investor call update. Joining me on the call is Robert Ladd, MGT's President and Chief Executive Officer, Steve Schaeffer, MGT's Chief Operating Officer.

The agenda for today's call is for Mr. Ladd to give an overview of the company, and the status of its cryptocurrency business to date. Mr. Schaeffer will then follow and provide more insight on the company's cryptocurrency operations and operating results for the second quarter.

I will then discuss financial highlights of the company for the second quarter and year to date periods and following my presentation we will hold a Q & A session before concluding the call.

Prior to starting the call I'd like to read the following forward looking disclaimers. During the call we may make forward looking statements about our future financial performance and other future events or trends. These statements are only predictions and are based on what we believe to date and actual results may differ materially. These forward looking statements are subject to the risks, uncertainties, assumptions and other factors that could affect our financial results in the performance of our business, which we discuss in detail in our file earnings with SEC. Including today's earnings release, risk factors and other information contained in our most recently filed 10K, 10Q and 8K.

MGT Capital Investments assumes no obligation to update any forward looking statements, which we may make on today's call. With that said, I'll now turn the call over to Mr. Ladd for an overview of the company.

Robert Ladd: Thank you Rob. Good morning. I'll get right to the point. I've been around Wall Street a long time, as you know. And as I said to many of you at the annual meeting this past December when stock was \$5, \$6, \$7 going straight up, along with bit coin we're not as smart as you think. And today's message is, we're not as dumb as you think right now.

To paraphrase Warren Buffett's words, when you put up even the best manager against the worst business conditions, it's the business conditions

MGT Q2 2018 Investor Update Call Transcript

that win. And make no mistake, current business conditions in bit coin mining stink. The key determinant of mining productivity is the difficulty rate. Since the beginning of the year difficulty has tripled. It now requires approximately 850 terrahash per second in computing power to mine one bit coin per month. Over the same time the price of bit coin has been cut in half or slightly more. Those factors combined mathematically to reduce the revenue 80% basing that on a fixed number of machines. And those machines still have to run flat out consuming the same amount of electricity, deflating the bit coin mining operating margin even more than revenue.

We'd like everyone to realize this divergence of price and difficulty is at the core of the problem. We believe something will have to give in looking forward we expect price to outpace difficulty. Although obviously nothing is certain. However, just like the excess returns from late 2017 didn't last, we believe a more positive convergence is underway.

That's not to say the company does not take responsibility for our financial results. Against this backdrop of terrible mining economic, MGT was derailed by the non-performance of our facilities operator in Sweden. Full details can be found in a 10-2, but in a nutshell they did not deliver as promised. And MGT was forced to take control of finishing to build and assuming their liabilities. The monetary costs were large and the delay costs were larger still.

The silver lining in this change is that our ongoing electricity and hosting costs will be much less than under the former arrangement. I also want to point out that our reported revenue does not include bit coins mined by our investor owned partnerships. And as such it vastly understates our mining activity in a quarter. The actual production of coins mined in the second quarter was 162. That's compared to 94 coins in the first quarter of this year.

We made the business decision to get the partnerships up and running at full steam to be a priority. Our CFO can better explain the accounting rules but in summary, the reporting numbers do make us look worse than we actually are. Those are my calls. Those are my remarks for a summary of our mining activity. I'd like to turn the call over to Stephen Schaeffer.

As many of you know Stephen was appointed COO last month. And frankly I think this move more than anything, speaks volumes about MGT's commitment to the cryptomining industry. Steve is a loud and respected voice in the crypto-community and we congratulate him on his appointment.

Stephen Schaeffer: Good morning. Thank you all for participating in this call today. Thank you Rob, I really appreciate the opportunity and I'm very excited for this opportunity to work as COO with MGT, as we grow our crypto business and become a bigger part of the digital age.

During the second quarter we completed the material aspects of our construction and improvements at our location in Northern Sweden. These improvements specifically regarding HVAC and networking aspects of cryptomining allowed us to power on all but 298 of our corporately owned miners. And early July 2018 the remaining 298 – I apologize. By early July 2018 we turned on all of our miners except for the 298 remaining. The remaining 298 have been added to the operation and at the current time all of our bitcoin miners and ethereum rigs are fully operational.

Despite the successful deployment of hardware during the quarter we did suffer production losses during the period. Primarily due to the extraordinarily above average temperatures suffered in Northern Europe this summer. In an effort to combat the high temperatures, we initiated a program of strategic rolling shut down of the miners at different times throughout the hottest times of the day. This strategy resulted in a significant decrease in hash power on the hottest days. However, we strongly feel this action prevented damage to the miners, which will be crucial to our future production estimates. This strategy did lead to a fairly consistent production for the month of July.

At this time I'd like to give a short commentary, which in my personal views are the status of cryptomining and the industry and ecosphere as a whole. Your mining obviously is going through, as Rob said, a very difficult period. We've experienced a significantly increasing difficulty rate as well as price dropping over the first six to eight months of the year, as well as in the second quarter. In fact, the second quarter we experienced 55% increase in difficulty rate while the price stayed fairly stable through the quarter. That being said, without getting into price commentary the fact that we stayed stable despite all the volatility shows that there is a bid in the market for bitcoin and that there are buyers and there are players entering the marketplace, which are creating a floor in the prices hopefully.

Overall we've seen a movement towards industrialization and consolidation within the mining arena. I believe companies, which are best capitalized and position such as ours will see the opportunities not seen before in cryptomining. The relatively cheaper cost of the miners, coupled with an abundance of effective – cost effective power available will offer those pre-positioned to take advantage and expand their footprint more quickly than in the prior years. Thank you, and I will now turn the pole over to Mr. Rob Lowrey our CFO.

Rob Lowrey:

Thanks Steve. Provide a couple highlights from the quarter and the six month period to date. Our revenue, which is all derived from bitcoin mining operations was \$400,000 for the second quarter and 1.4 million for the six month period compared to \$388,000 in the second quarter of 2017, and

MGT Q2 2018 Investor Update Call Transcript

\$700,000 for the six month period in '17. These amounts reflect the 5% quarter over quarter growth, and a 95% growth in the six month period over six month period. Operating expenses were 6.8 million for the second quarter in '18 and 12 million for the six month period in 2018, compared to 4.5 million in the second quarter in '17 and 7.8 million for the six month period. Operating expenses include 2.5 million dollars relating to the Sweden restructuring activity previously discussed by Mr. Ladd and Mr. Schaeffer. Excluding these costs, operating expenses totaled 4.3 million for the quarter and 9.5 million year to date. The operating expenses are comprised of costs to revenue, general and administrative and in 2018 the Sweden restructuring costs. The operating expenses, quarter over quarter increased 2.3 million dollars and are primarily related to of the 2.3, 2.5 million related to the Sweden restructuring. \$827,000 increase in cost to revenues due to the increase in bit coin mining activity and included in cost to revenue is depreciation expense, which is non-cash of \$700,000 and \$100,000 in 2018 and 2017 respectively.

And then also in the quarter there was an \$889,000 decrease in GNA primarily resulting from the decrease in non-cash compensation of \$917,000, a decrease in legal and professional fees of about \$650,000 and these decreases were partially offset by an increase in payroll and related expenses, relating to the COO Steve and the CFO, myself where there were no similar positions in the prior period.

Then operating expenses for the six month period ending June 30 increased 4.2 million dollars over the same period in the prior year. And that 4.2 million dollar increase is attributable to three primary items, 2.5 million dollars related to the Sweden restructuring, \$827,000 which is an increase in cost to revenue because of the increase in our mining activity and cost to revenue does include depreciation expense, which is non-cash of 1.2 million this year and \$200,000 in the prior period. And then thirdly, the increase in GNA foreign operating expenses was a \$480,000 increase in GNA resulting from \$800,000 in payroll and payroll related expenses, \$282,000 dollars of corporate investor communications and \$396,000 of cost to operate our Sweden facility in Q2. And that was partially offset by 1.1 million dollars in lower labor costs and professional fees compared to the six month period in the prior year.

So the net loss for the quarter was 6.5 million compared to 4.2 million the same period 2017. This is a 2.3 million dollar increase period over period. If you exclude the Sweden restructuring costs, the net loss for the quarter would have been 4 million, which is slightly below the 4.2 million in the prior quarter. And then the net loss for the six months was 11.1 million compared to 10.1 million the same period in the prior period. And if you exclude the Sweden restructuring costs the net loss for the six months would have been 8.6 million dollars, which is 1.6 million dollars lower than the net loss in the

MGT Q2 2018 Investor Update Call Transcript

prior period. Those conclude my remarks and we will now turn the call over for questions.

Operator: At this time if you would like to register to ask a question please press the star (*) and one (1) on your touchtone keypad. If you find that your question has been addressed, you may remove yourself from the queue by pressing the pound key. Once again that is star (*) and one (1) on your touchtone keypad to ask a question. And we will pause a few moments to allow any questions to queue. And once again that is star (*) and one (1) on your touchtone phone to ask a question. And we will take our first question from Glen Thompson.

Glen Thompson: Good morning. Thank you for taking my question. I want to know do we own the building now or did we take over the lease? And how long did we take over the lease for as far as timeframe?

Robert Lowrey: All right, good question Glen, thank you. So we did not take over the building. We did form a subsidiary called MGD Sweden, AB which is disclosed in our 10Q. And we are in the process of assuming that lease, a least I think we said was for two years. We're going to assume it for the remaining amount. That project is in process right now. So we would become the direct lessee of the building.

Unidentified male: The current lease does have an option to buy and that's something we'll explore further down the road.

Glen Thompson: Thank you.

Operator: And we will take our next question from David Hirschman. Please go ahead, your line is open.

David Hirschman: Hi, good morning. I saw the announcement yesterday about bit five and I'd really like it if you wouldn't mind expounding upon the relationship and what it might hold for us in the future going forward. And by the way guys, I want to say thank you for surviving the most difficult environment I think any of us could ever imagine and we're still here to talk about it, and I think you all are doing a heck of a job preparing for the future. So, if you could just talk about bit five I'd really appreciate really understanding that.

Stephen Schaeffer: Good morning David, thank you for the call and appreciate the kind words. So as far as the bit five deal, which was put out in a press release yesterday. I think shareholders should take that as our cognitive or our plan for the future to kind of expand our scope within the crypto arena. Although pure play mining is obviously a great business when it's great. We feel that we need to build some sort of hedge to protect ourselves from downside risk within any particular cryptocurrency that we're mining, which at this point obviously bit coin is where primarily where we generate our revenues. So, with that being

MGT Q2 2018 Investor Update Call Transcript

said we feel we need to start getting out in front of some of the future technology curves and that project building a specific size container that we felt that would be easy to ship, easy to deploy at future locations as we expand was a real strategic decision. Bit five had brought that to us, saying that they saw there was a need in the arena for it, or in the space. We're collaborating with them on design and development of prototype. I'll let Rob, when I get off, explain some more of the economics of the deal. But rest assured that it doesn't take tremendous amount of our time and burden as a project. So certainly not diverting us from our day to day activities, running our bit coin mines. And I'd like everybody just to take away from it that we're envisioning ourselves going forward as more of infrastructure company for the digital age, not just a pure play miner. So, I'll let Rob expound more on the financial details related to that particular transaction.

Rob Ladd: And it would be specific as to which Rob, it's Rob Ladd. The numbers are – we get a fixed single digit royalty based on gross sales. Our capital commitment is pretty small, but I think to you know, to put in perspective it's something that has to our view really just upside. And by attaching royalties to the gross revenues we think we can actually get a very nice return when these things start selling. Next question please.

Operator: Okay and we will take our next question from Michael Corizani. Please go ahead.

Michael Corizani: Oh yeah, good morning guys and thank you for taking my call. I guess my question is for Steve. It's a little more of a general question. With your move from the US to Sweden, I'm curious if you guys expect the next move to be further east, maybe into Europe or opportunities back in the US? What are you guys seeing out there?

Stephen Schaeffer: Good morning Mike, thanks for the call. Appreciate hearing from a friend over at Oppenheimer. To answer your question, I think that the power dynamic has changed. Obviously we made the move to Sweden because we were ahead of the curve I feel in that we saw the freezing and the discontinuance of any engineering projects out in Washington. In fact, you know there's a bill floating out there right now to triple the power, the base power costs for hosting centers; so I don't know what's going to happen in Washington. Although I will say Sweden, we have very good economics there. It was a place that we felt that we can get up and running fairly quickly. Obviously the ambient environment is very suitable for bit coin mining. However it is quite a trip for us and we're seeing much more opportunity and we're exploring these opportunities domestically in North America. If I had to guess, I would think that our next expansions would be domestically in the US or at least in North America, we're exploring opportunities up in Canada as well. However I think that there are numerous opportunities for large amounts of power at the prevailing market rates for

MGT Q2 2018 Investor Update Call Transcript

what power companies are charging available for us as we have the capital and the ability to expand. I don't think power is going to be our greatest challenge in that endeavor.

Operator: Our next question will be from Gary Craselli, please go ahead.

Gary Craselli: Hi, good morning. Quick couple of questions, in regard to adding miners to the existing location in Sweden, I did notice a drop from Q2 to date of a large chunk of capital. My hope is that we're continuing to invest in Sweden, number one. And number two is the miners in Washington State doesn't make sense to consolidate the 500 in Washington State and move them to Sweden to maximize efficiency.

Robert Lowrey: While I'd love to tell you we bought 4,000 miners at \$500 because they were down, truthfully these payments were several of the liabilities that were due to the power company there, and did not go into increasing numbered machines. I'll let Steve address the shipment issue.

Stephen Schaeffer: Just one thing I would add as far as Sweden is concerned, so although we have no assurances or to be quite frankly I don't even have a high level of confidence but there is a possibility that we may be able to get what's called a rolling transformer brought to our location in Sweden, which if that actually happens we'll pick up the 10 megawatts of capacity in addition to what we have there. However, I think that would be a 2019 event if it does happen. Certainly there's no assurances and the Vattenfall Energy, which is the energy company out there is just throwing out the possibility that they may have additional power left on the local grid, which if they do they would put up what's called the rolling transformer that we would be able to drill down an additional 10 megawatts.

As far as the moving the machines from Washington to Sweden it absolutely makes no sense for two reasons. Primarily our power view on Washington is pretty fair. I mean we've been out there now for quite some time and our power costs are the same as they've been for the prior two years. We're just working off that same contract, so it's not like we're seeing a major escalation in operating costs out there. So there's no reasons to move because of an increase in operating costs. Furthermore, to ship from Washington to Northern Sweden as we learned in the first quarter, is not a cheap thing to do. So to ship 500-600 machines that we have out there over there and pay those expenses especially considering that those machines were batch two and batch four of the S9's released from bit main, it probably wouldn't make a lot of sense. It would probably make more sense to either wait until new machines come out, newer technology and then utilize that power with a new and more efficient machine, and/or just let them run their life and you know perform under our existing power contracts that we currently have.

MGT Q2 2018 Investor Update Call Transcript

- Operator: Our next question will come from Thomas Buell, please go ahead.
- Thomas Buell: Hello, how are you guys doing this morning? So pretty much most of my questions have already been answered. I am concerned with the cost going forward versus the reduction in revenue. Do you guys have any plans to reduce the costs that the company is incurring? I mean not just regarding the build out in Sweden, but maybe in payroll expenses or you know the GNA costs. All these things that bring almost 5 million dollars a quarter in costs and when you guys are seeing \$400,000 in revenue?
- Robert Lowery: Yes, the Sweden costs are in a restructuring line item, are deemed to be one time we did our best to capture those, so they should be non-recurring. And then you know cost of GNA on the go forward basis are always under evaluation, so good observation. And we're going to continue to look at those and you know as things settle down in Sweden as we look, we want to make sure we have the proper infrastructure to build out, as Steve said and some other areas. But we continue to look at the GNA cost and try to drive efficiencies as we see them.
- Operator: And our next question will come from William Mayes, please go ahead.
- William Mayes: Yeah good morning guys. I was wondering the plan for dealing with this loan, the 3 million dollar loan that you took out? There seems to have been some sort of emergency loan I guess to get with Sweden. So maybe you could give us some of the thought process about, around that and also your plans on repayment.
- Robert Ladd: We made the first monthly payment last month, that we expect to make this month's payment as well. Despite the cash being where it was, we roughly cover our costs with the current production. The plan for paying down the notes would be likely to use some amount of our S3 registration statement to sell equity to be able to pay them, absent a rip in bit coin to 12,000. So I just didn't want – wouldn't characterize it as an emergency loan. It was I guess induced by an event we didn't hope to incur, but you know it's not a convertible note. And we fully expect to pay it back in cash, and we will.
- William Mayes: I joined the call late. Sweden is up and running now?
- Steve Schaeffer: Yes, so all of machines are running out of Sweden as well as in Washington and we're currently running at full power. So you know it took quite an adventurous second quarter to getting there but we're there and happy to say that, after a lot of work and a lot of stress we're up and running. And we're cranking along. And now looking towards our future expansions in building out further.

MGT Q2 2018 Investor Update Call Transcript

William Mayes: Thank you, but as a shareholder I would just like to say that I'd love to see you execute first, you know before you start talking about expanding more and getting in different projects. I would love to see some cash flow coming through. I mean originally when I modeled this thing out you should be you know, obviously bit coin has come down in price. But you should be spitting out cash. And with the ability to buy back shares and whatnot, yet I continue to see more and more pollution. So what I would hope you guys would think about going forward is to focus on your operations, let's see some execution, let's see some cash and then think about expanding.

Steve Schaeffer: Bill I would just as you to take a look at the economics of mining in general, you know we've seen probably about an 80% decrease in net profitability in mining and that's just a rough guess off the top of my head in 2018. When you model that, I'm sure bit coin was somewhere in the teens and difficulty was certainly about 150% to 200% lower than it is right now. So it's the overall not making excuses for our execution issues in Sweden, but the economics of mining are pretty much out of the hands of any miner, any operator. We can only play the hand that's put on the table, which is what the difficulty rate is and what the price of bitcoin is. And with the divergence we've had with those two inputs, it's working against us on both aspects. Hopefully as bitcoin appreciates and inflates, that's going to change the model quite a lot. As far as difficulty, that's something that's obviously out of our control as well. That's based upon the overall size of the network. So certainly when we put our models together and said, okay we're going to have 6,500, 7,000 machines running, we did that – it looked really good at 18,000 bitcoin. And a total net worth being at about 15 to 18 exahash.

Right now we currently have a network that's 2X almost 3X that size and obviously bitcoin prices dropped 70-80%. And I think all of – this is an MGT call, but just as a commentary I think if you look at the other crypto stocks, we've all been punished the same and somewhat equally you know, I think if you look at it in respect to the overall economics of bit coin mining as a whole, so you know we're – we need to be – we're confident we've gotten through our execution issues in Sweden. And we need to be ahead of the curve so that when there is that next move in bit coin, which to me the most exciting thing I've seen was that announcement the other day from BAT and CIE. The fact that the New York Stock Exchange you know, principle shareholder, ICE, which is Intercontinental Exchange, Starbuck's got the highlight, but to me they were the most insignificant in that group. You had BAT, you had Susquehanna Group, which is a large broker dealer, _____ [00:33:56] which is – if not the largest – one of the largest PE players in the world. These intelligent, well capitalized folks are making a significant investment and the fact that the New York Stock Exchange announced that they're going to be bringing a product out to the retail market in November that to me was the most significant announcement of the year when it comes to the crypto ecosphere.

MGT Q2 2018 Investor Update Call Transcript

And I want to make sure that we're doing everything we can to be positioned for when that comes out, and that goes live. I believe we're going to see a major appreciation, and that's just my opinion, not the corporate stamp. I believe we will see a major inflation of the price bringing better economics to mining.

Operator: The next question comes from Gregory Olsen, please go ahead.

Gregory Olsen: Good morning gentlemen, congratulations on weathering a tough storm. I'm just curious the tone of all three of you does sound positive despite the economic conditions. What do you see going forward in terms of the need perhaps to raise cash? Are you feeling that's a possibility?

Robert Ladd: Our plans for raising cash are to put it to a productive use, and we would like to I don't want to say outpace difficulty with units, however that's pretty much what we'd like to do. Is we'd like to secure very low cost facilities for electricity and hosting, and as Steve said, ideally in the US. And secondly take advantage of some historically low machine prices from bit main. And the combination of those two we would you know, taking one step at a time power first, then the machines. The machines are easily available. But in – again the view is to get a return on that capital – if not excessive now will be when bit coin economics turn.

Operator: Our next question will come from Chris Rageski, please go ahead.

Chris Rageski: Good morning, thanks for taking my call, and again than you guys for all your hard work over the last few years. It's been a long couple years, but we're behind you. I'd like to hear you guys talk a little bit about what the plan is for that 150 million dollar registration you know, what is holding us back from using it in a way that you know, cost effective and beneficial to the shareholders, not – it's a little I guess – I'm not sure how to take it when you guys say you're going to use some of that to pay back the loan that was given to us unsecured. So they must have confidence we're going to pay it back. How do we get a head of the curve, like you said get more miners and be ready for that? How do we use that for shareholders?

Robert Ladd: So again I'll take that. The expectation is in another thing on Wall Street, people don't like stocks that are going down. And I recall back July of last year stock was I think \$.60 or whatever. And everything was horrible. We could do nothing right and couldn't get capital and we had to borrow money from vulture and all this kind of stuff. There will be a time that prospects look better. And I mean I hate to be as simplistic as saying it does follow bitcoin. But you know a stock is a stock. And you guys on this call know 10,000% more than anyone else about the company. Most people know we're a bit coin company. There are algos in the market that trade based on price of

MGT Q2 2018 Investor Update Call Transcript

bit coin. So I think one benefit you should or one you should feel is that we know the market and we'll ideally sell shares to buy machines at appropriate time. And you know as I said, we're not in a position where we certainly don't need 150 million dollars to live. I mean we need to grow, and we're looking for productive ways to do it.

Chris Rageski: Is there any kind of timeframe as to when we might see a decision made I guess. In theory we've got 150 million dollars at our disposal, even the 30 million dollars from last year from capital, but we haven't really spent any of that money as far as I could see. You know if we had – if mining is achieved right, just like our stock, why can't we buy them now and even if we had to pay \$.05 to go off our power and you know, correct is that you know, at least going to make us more money? And have a place to run miners or is that just not worth our effort and investment?

Robert Ladd: That's exactly what we want to do and I just would say again, that you know with the current situation people are not coming throwing money at us. At \$6.00 we sold 2 million shares at \$4.00 in December. I mean that's how Wall Street is. I mean people like stocks that are going up. And we expect we'll get another opportunity to smartly raise capital and a fair amount, and have opportunity to spend it. But you know we don't want to go back to the same sort of investors, the S3 was a real pain to get SEC clearance on, but we finally got it. This is our lowest cost to capital. We're not going to just flood the market to build up cash without any use for it. Although I may tell you differently if the stock was on a tear and people banging down our door to get stock. So we need to be very conscious of market conditions. And I'd say right now market conditions are bad.

Operator: Our next question will come from James Farrow, please go ahead.

James Farrow: Thank you for taking my call. A couple of questions that are related. What is our cost per coin, in other words what's the breakeven price of bit coin for us to be profitable per coin? And do we sell, keep, what's our strategy for bit coins that are mined?

Robert Ladd: So right now to look at it mathematically, our marginal cost to production if you will is with the difficulty as high as it is, and in my remarks I gave some numbers terrahash and everything else, but dividing it all out the breakeven point marginally is about \$4,000 right now for coin. And that's with the super-efficient producer like us. I don't know that anyone other than people that steal electricity have lower costs, there might be some in Russia or some other state owned sort of things. But you know that's where we stand on a marginal basis. And as far as holding, you know unfortunately right now we'd love to hold more. But right now every dollar we don't get by selling the production requires dollar from somewhere else. And that marginal dollar has to come from selling stock. We'd prefer to sell the bit coin right now.

MGT Q2 2018 Investor Update Call Transcript

James Farrow: Follow up on the current price here with the application for NASDAQ, could you give us an update, what do we expect? Should they not be giving us a response soon and what do you think we would have to do to get on NASDAQ?

Robert Ladd: So what I think we need to do for NASDAQ, we have a reverse split authorized of only as much as one for two. So to me NASDAQ initial listing, it's \$4.00 price, although maintenance is only a dollar, but you still need the \$4.00. So the internal goal, if you will is to get the stock to at least back to \$2.00 so we can use that reverse split we have to meet that. That's the primary stumbling block and again, sometimes companies do it by doing a greater reverse split. We try to avoid that and we don't have authorization for that. So our internal goal is to again, you know get the stock back to a level and again, get – it sounds like we control – we don't obviously. But hopefully some good news in the industry and some investors that want to take a stake in the business show up and things look a lot better.

Operator: Our final question will come from Pierre Cady, please go ahead.

Pierre Cady: Hello, good morning everybody and thank you for giving me the opportunity. My question is pretty straightforward. It's actually unrelated to bit coin mining and those questions about how to finance your debit questions. Can you guys hear me clearly?

Unidentified male: Yes.

Pierre Cady: So those are very good questions asked by the other investors. My question is related to your cyber security agent. And more particularly the privacy phone developed by Mr. Don McAffey. What are your plans moving forward, if any plans at all in those regards as far as production and sales distribution of the privacy phone that was mentioned late in 2017 – mid to late 2017?

Robert Ladd: Yeah so you might have missed – in early January this year for various reasons including Mr. McAffey's influence or activities in the ICO market we ended up parting ways from a business point of view. While the exit term include that we still have royalty rights to any phone that may be developed by him on the outside, the company MGT refunded all the pre-deposits we had, about 200 deposits we refunded those. So we have no direct interest or ownership in a privacy phone or in the sentinel product in the cybersecurity.

I'll just sum up by saying we know it's tough when no one is happy. We know things change. And I also want to make a general comment about disclosure. As a public company we run a very fine line between Elan Musk putting shit out that he's going to take the company private and getting away with it. And frankly the right way to disclose things, which is you really

MGT Q2 2018 Investor Update Call Transcript

should disclose material events quarterly or through an 8K. And I know all the shareholders on this call are aching to know what's going on, and when the only thing you know is the stock price, there's a tendency to think either things are horrible or things are great. We do our best to try to keep investors informed, we'll still do that. We started these quarterly conference calls and appreciate the support and keep those letters coming as they say. Thank you very much.