UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _______to______

MARATHON DIGITAL HOLDINGS, INC.
(Exact name of registrant as specified in charter)

Nevada	001-36555	01-0949984
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S Employer Identification No.)

101 NE Third Avenue, Suite 1200, Fort Lauderdale, FL	33301
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 800-804-1690

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	MARA	The Nasdaq Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes☐ No ☒

The aggregate market value of the common stock, par value $0.0001 per share, held by non-affiliates of the registrant, based on the closing sale price of registrant’s common stock as quoted on The Nasdaq Capital Market on June 30, 2023 (the last business day of the registrant’s most recently completed second fiscal quarter) and the number of shares held by non-affiliates of the registrant as of that date, was approximately $2.4 billion. Accordingly, the registrant qualifies under the SEC’s revised rules as a “large accelerated filer.” This calculation does not reflect a determination that persons are affiliates for any other purpose.

As of May 23, 2024, the number of outstanding shares of the registrant’s common stock, par value $0.0001 per share, was282,787,365.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement on Schedule 14A relating to the registrant’s 2024 annual meeting of stockholder, filed with the Securities and Exchange Commission within 120 days following the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III within this Annual Report on Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement and related solicitation materials are not deemed to be filed as part of this Annual Report on Form 10-K.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends the Annual Report on Form 10-K of Marathon Digital Holdings, Inc. (“Marathon,” the” Company,” “we,” or “us”) for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2024 (the “Original Filing”). This Amendment is being filed to respond to a comment letter received from the SEC in connection with its review of the Original Filing. This Amendment amends and restates in its entirety Items 8 and 9A of Part II of the Original Filing. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), new certifications by the Company’s Principal Executive Officer and Principal Financial and Accounting Officer are filed herewith as Exhibits 31.1, 3.1.2 and 32.1, respectively, to this Amendment pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act.

Nothing in this Amendment constitutes a restatement of any numbers set forth in the Original Filing, and this Amendment does not constitute a restatement or substantive amendment which would result in an inability to rely upon the information in the Original Filing or any of the financial statements or financial statement footnotes set forth therein. Except as otherwise set forth, all information set forth herein is current as of the date of filing of the Original Filing.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC subsequent to the filing of the Original Filing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY

Index to Consolidated Financial Statements

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Marathon Digital Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marathon Digital Holdings, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Our report dated February 28, 2024 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of material weaknesses.

Changes in Accounting Principle

As discussed in Notes 2 and 4 to the financial statements, the Company changed its method of accounting for digital assets during the year ended December 31, 2023 by:

- making a voluntary change in accounting principle from last-in-first-out to first-in-first-out to reflect the disposition of its digital assets, effective January 1, 2023 using the full retrospective method; and

- early adopting ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60): Accounting for and Disclosure of Crypto Assets,* effective January 1, 2023 using the modified retrospective method.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

As disclosed in Note 3 to the financial statements, the Company's ongoing major or central operation is to provide bitcoin transaction verification services to the transaction requestor, in addition to the bitcoin network through a Company-operated mining pool as the operator, and to provide a service of performing hash calculations to third-party pool operators alongside collectives of third-party bitcoin miners as a participant.

The principal consideration for our determination that performing procedures related to revenue recognition is a critical audit matter is due to the nature and extent of audit effort required to perform audit procedures over the completeness, and occurrence of revenue recognized.

Addressing this matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included, among others:

- We performed site visits at the Company's facilities where the mining hardware is located, which included observations of the physical controls and mining equipment inventory.

- We independently traced certain financial and performance data directly to the blockchain network to test the occurrence and accuracy of mining revenue as the operator.

- We independently confirmed with the third-party mining pool operator the significant contractual terms utilized in the determination of mining revenue, total mining rewards earned, and the digital asset wallet addresses in which the rewards are deposited to test the occurrence and accuracy of mining revenue as the participant.

- We performed certain analytical procedures over the completeness and accuracy of revenue recognized by the Company.

- We confirmed the year-end digital asset balances directly with the custodians of the Company's wallets.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2021**.**

Costa Mesa, CA
February 28, 2024 (except for Notes 8 and 21, as to which the date is May 24, 2024)

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 357,313	$ 103,705
Restricted cash	—	8,800
Digital assets	639,660	121,842
Other receivables	2,091	18
Deposits	7,240	2,350
Prepaid expenses and other current assets	23,499	40,833
Total current assets	1,029,803	277,548
Property and equipment, net	671,772	273,026
Advances to vendors	95,589	488,299
Investments	106,292	37,000
Long-term deposits	59,790	40,903
Long-term prepaids	27,284	8,317
Right-of-use assets	443	1,276
Digital assets, restricted	—	68,875
Total long-term assets	961,170	917,696
TOTAL ASSETS	**$ 1,990,973**	**$ 1,195,244**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,343	$ 1,312
Accrued expenses	22,015	22,295
Legal reserve payable	—	1,171
Operating lease liabilities	124	326
Accrued interest	276	1,011
Total current liabilities	33,758	26,115
Long-term liabilities:		
Notes payable	325,654	732,289
Term loan	—	49,882
Operating lease liabilities	354	1,017
Deferred tax liabilities	15,286	—
Total long-term liabilities	341,294	783,188
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, par value $0.0001 per share, 50,000,000 shares authorized and no shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	—	—
Common stock, par value $0.0001 per share, 500,000,000 shares authorized; 242,829,391 shares and 145,565,916 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	24	15
Additional paid-in capital	2,183,537	1,226,267
Accumulated deficit	(567,640)	(840,341)
Total stockholders' equity	1,615,921	385,941
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,990,973**	**$ 1,195,244**

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2023	2022	2021
(in thousands, except share and per share data)		*(as Adjusted)*	*(as Adjusted)*
Total revenues	$ 387,508	$ 117,753	$ 159,163
Costs and expenses			
Cost of revenues			
Cost of revenues - energy, hosting and other	(223,338)	(72,715)	(27,492)
Cost of revenues - depreciation and amortization	(179,513)	(78,709)	(14,904)
Total cost of revenues	(402,851)	(151,424)	(42,396)
Operating expenses			
General and administrative expenses	(95,230)	(56,739)	(174,356)
Gains (losses) on digital assets and digital assets loan receivable	331,484	(14,460)	2,157
Legal reserves	—	(26,131)	—
Impairment of deposits due to vendor bankruptcy filing	—	(24,661)	—
Impairment of digital assets	—	(182,891)	(22,252)
Impairment of patents	—	(919)	—
Impairment of mining equipment and advances to vendors	—	(332,933)	—
Gain on sale of equipment, net of disposals	—	83,879	—
Gains (losses) on digital assets held within investment fund	—	(85,017)	74,696
Total operating expenses	236,254	(639,872)	(119,755)
Operating income (loss)	**220,911**	**(673,543)**	**(2,988)**
Net gain from extinguishment of debt	82,267	—	—
Loss on hedge instruments	(17,421)	—	—
Equity in net earnings of unconsolidated affiliate	(617)	—	—
Impairment of loan and investment due to vendor bankruptcy filing	—	(31,013)	—
Interest expense	(10,350)	(14,981)	(1,569)
Other non-operating income (loss)	2,809	1,283	(288)
Income (loss) before income taxes	**277,599**	**(718,254)**	**(4,845)**
Income tax benefit (expense)	(16,426)	24,232	(24,968)
Net income (loss)	**$ 261,173**	**$ (694,022)**	**$ (29,813)**
Series A preferred stock accretion to redemption value	(2,121)	—	—
Net income (loss) attributable to common stockholders	**$ 259,052**	**$ (694,022)**	**$ (29,813)**
Net income (loss) per share of common stock - basic	$ 1.41	$ (6.12)	$ (0.30)
Weighted average shares of common stock - basic	183,855,570	113,467,837	99,337,587
Net income (loss) per share of common stock - diluted	$ 1.06	$ (6.12)	$ (0.30)
Weighted average shares of common stock - diluted	192,293,277	113,467,837	99,337,587
Other comprehensive income (loss)			
Series A preferred stock accretion to redemption value	2,121	—	—
Foreign currency translation adjustments	—	—	(451)
Comprehensive income (loss)	**$ 261,173**	**$ (694,022)**	**$ (30,264)**

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)	Common Stock Number	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2020	**81,974,619**	**$ 8**	**$ 428,243**	**$ (116,055)**	**$ (451)**	**$ 311,745**
Stock-based compensation, net of tax withholding	7,671,317	1	156,072	—	—	156,073
Issuance of common stock, net of offering costs/At-the-Market offering	12,500,000	1	237,428	—	—	237,429
Options exercised on cashless basis	23,500	—	—	—	—	—
Warrant exercised for cash	221,946	—	1,445	—	—	1,445
Common stock issued for cashless exercise of warrants	29,797	—	1,371	—	—	1,371
Common stock issued for service and license agreements	312,094	—	11,135	—	—	11,135
Net income (loss)	—	—	—	(30,264)	451	(29,813)
Balance at December 31, 2021 *(as Adjusted)*	**102,733,273**	**$ 10**	**$ 835,694**	**$ (146,319)**	**$ —**	**$ 689,385**
Stock-based compensation, net of tax withholding	490,910	1	24,514	—	—	24,515
Issuance of common stock, net of offering costs/At-the-Market offering	42,141,733	4	361,482	—	—	361,486
Common stock issued for service and license agreements	200,000	—	4,577	—	—	4,577
Net loss	—	—	—	(694,022)	—	(694,022)
Balance at December 31, 2022	**145,565,916**	**$ 15**	**$ 1,226,267**	**$ (840,341)**	**$ —**	**$ 385,941**
Stock-based compensation, net of tax withholding	1,269,230	—	32,264	—	—	32,264
Issuance of common stock, net of offering costs/At-the-Market offering	64,271,828	6	608,359	—	—	608,365
Series A preferred stock accretion to redemption value	—	—	(2,121)	—	—	(2,121)
Exchange of convertible notes for common stock	31,722,417	3	318,768	—	—	318,771
Cumulative effect of the adoption of ASU 2023-08	—	—	—	11,483	—	11,483
Other	—	—	—	45	—	45
Net income	—	—	—	261,173	—	261,173
Balance at December 31, 2023	**242,829,391**	**$ 24**	**$ 2,183,537**	**$ (567,640)**	**$ —**	**$ 1,615,921**

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
(in thousands)		*(as Adjusted)*	*(as Adjusted)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 261,173	$ (694,022)	$ (29,813)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	179,513	78,709	14,904
Amortization of prepaid service contract	—	22,781	—
Gain on sale of equipment, net of disposals	—	(83,879)	—
Deferred tax expense (benefit)	15,286	(24,968)	24,968
(Gains) losses on digital assets held within investment fund	—	85,017	(74,696)
(Gains) losses on digital assets and digital assets loan receivable	(331,484)	14,460	(2,157)
Impairment of digital assets	—	182,891	22,252
Impairment of mining equipment and advances to vendors	—	332,933	—
Loss on hedge instruments	17,421	—	—
Stock-based compensation	32,644	24,595	160,786
Amortization of debt issuance costs	3,168	3,945	—
Equity in net earnings of unconsolidated affiliate	617	—	—
Impairment of patents	—	919	—
Impairment of deposits due to vendor bankruptcy filing	—	55,674	—
Gain on extinguishment of debt, net	(82,267)	—	—
Other adjustments from operations, net	484	1,030	1,069
Changes in operating assets and liabilities:			
Revenues from digital assets production	(385,959)	(117,747)	(150,513)
Deposits	(23,777)	(24,469)	—
Prepaid expenses and other assets	(1,881)	(48,887)	987
Accounts payable and accrued expenses	146	13,225	12,382
Legal reserve payable	—	1,171	—
Accrued interest	(735)	144	867
Net cash used in operating activities	(315,651)	(176,478)	(18,964)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to vendors	(158,940)	(483,840)	(435,065)
Loan receivable	—	—	(30,000)
Purchase of property and equipment	(27,611)	(41,108)	(273,851)
Sale of property and equipment	—	178,371	—
Proceeds from sale of digital assets	264,945	—	—
Payments on hedge settlements	(2,004)	—	—
Purchase of digital assets in investment fund	—	—	(150,000)
Investment in joint venture	(71,795)	—	—
Purchase of equity investments	—	(44,000)	(3,000)
Deconsolidation of fund	—	(500)	—
Sale of digital assets in investment fund	—	849	780
Net cash provided by (used in) investing activities	4,595	(390,228)	(891,136)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net of issuance costs	608,365	361,486	312,196
Proceeds from issuance of Series A preferred stock, net of issuance costs	13,629	—	—
Redemption of Series A preferred stock	(15,750)	—	—

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

Proceeds from term loan borrowings, net of issuance costs	—	49,250	—
Proceeds from issuance of convertible debt, net of issuance costs	—	—	728,406
Borrowings from revolving credit agreement	—	120,000	77,500
Repayments of revolving credit agreement	(50,000)	(120,000)	(77,500)
Value of shares withheld for taxes	(380)	(81)	(4,714)
Proceeds received on exercise of options and warrants	—	—	1,445
Net cash provided by financing activities	555,864	410,655	1,037,333
Net increase (decrease) in cash, cash equivalents and restricted cash	244,808	(156,051)	127,233
Cash, cash equivalents and restricted cash — beginning of period	112,505	268,556	141,323
Cash, cash equivalents and restricted cash — end of period	$ 357,313	$ 112,505	$ 268,556

The accompanying notes are an integral part to these audited Consolidated Financial Statements.

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

Marathon is a digital asset technology company that is principally engaged in producing or “mining” digital assets with a focus on the Bitcoin ecosystem. Marathon’s strategic initiatives primarily focus on mining and holding bitcoin as a long-term investment. Bitcoin is seeing increasing adoption, and, due to its limited supply, the Company believes it offers opportunity for appreciation in value and long-term growth prospects for its business.

In addition to mining and holding bitcoin, from time to time Marathon has explored, and may in the future explore, opportunities to become more involved in businesses that expand or supplement those directly related to the self-mining of bitcoin as favorable market conditions and opportunities arise. For example, Marathon has considered or engaged in owning and operating bitcoin mining facilities or data centers, selling proprietary software or technology to third parties operating in the Bitcoin ecosystem, offering advisory and consulting services to support bitcoin mining ventures in domestic and international jurisdictions, and generating electricity from renewable energy resources or methane gas capture to power bitcoin mining projects. Marathon’s business is also active in Bitcoin-related projects related to the technological development of immersion, hardware, firmware, mining pools and side chains that use the blockchain cryptography.

The term “Bitcoin” with a capital “B” is used to denote the Bitcoin protocol which implements a highly available, public, permanent, and decentralized ledger. The term “bitcoin” with a lower case “b” is used to denote the token, bitcoin.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly owned and controlled subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The Company consolidates the financial results of the following 100% owned entities:

Subsidiaries
MARA USA Corporation
MARA Tech, Inc.
Marathon Digital International, Inc.
Marathon Digital Leasing, LLC
Crypto Currency Patent Holding Company, LLC
MARA Pool LLC
Marathon Crypto Mining, Inc.
Soems Acquisition Corp.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant accounting estimates inherent in the preparation of the Company’s financial statements include estimates associated with the useful lives of property and equipment, realization of long-lived assets, deferred income taxes, unrealized tax positions, and measurement of digital assets. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on the reported financial position, results of operations, or cash flows. The impact on any prior period disclosures were immaterial.

Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision–making group, in deciding how to allocate resources and assess performance. The Company's chief operating decision–making group ("CODM") is composed of the chief executive officer and chief financial officer. The Company currently operates in the Digital Currency Blockchain segment. The CODM has determined that the Company operates as one operating segment as the CODM reviews financial information on a consolidated basis in making decisions regarding resource allocation and performance assessment.

Cash and Cash Equivalents

The Company considers all highly liquid investments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalent balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). During March 2023, the Company began to participate, to the extent practicable, in insured cash sweep programs which "sweep" its deposits across multiple FDIC insured accounts, each with deposits of no more than $250.0 thousand. For the year ended December 31, 2023, the Company had a cash and cash equivalent balance of $357.3 million, of which $225.0 million was FDIC insured, and approximately $95.7 million was invested in treasury bills and other government backed securities. For the year ended December 31, 2022, the Company had a cash balance of $103.7 million, all held at one financial institution.

Restricted Cash

Restricted cash as of December 31, 2022, principally represented those cash balances that support commercial letters of credit and are restricted from withdrawal. During March 2023, the Company eliminated its outstanding letters of credit.

Digital Assets

Digital assets are included in current assets in the Consolidated Balance Sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and the sale of bitcoin to fund operating expenses to support operations. In addition, digital assets provided as collateral for long-term loans were reported as Digital assets, restricted at December 31, 2022 and classified as long-term assets in the Consolidated Balance Sheets. The proceeds from the sale of digital assets are included within investing activities in the accompanying Consolidated Statement of Cash Flows. Following the adoption of ASU 2023-08 effective January 1, 2023, the Company measures digital assets at fair value with changes recognized in operating expenses in the Consolidated Statement of Comprehensive Income (Loss). The Company tracks its cost basis of digital assets by-wallet in accordance with the first-in-first-out ("FIFO") method of accounting. Refer to Note 4 – Digital Assets, for further information regarding the Company's impact of the adoption of ASU 2023-08.

Additionally, during the quarter ended March 31, 2023 and effective January 1, 2023, the Company enacted a voluntary change in accounting principle from last-in-first-out ("LIFO") to FIFO in order to more accurately reflect the disposition of its digital assets. The change in accounting principle resulted in an increase in gain on digital assets for the year ended December 31, 2021 and resulted in an impairment of digital assets for the years ending December 31, 2021 and 2022. The voluntary change in accounting principle has been reflected in the Consolidated Financial Statements.

Deposits

The Company contracts with other service providers for hosting of itsequipment and operational support in data centers where the Company's equipment is deployed. These arrangements typically require advance payments to vendors pursuant to the contractual obligations associated with these services. The Company classifies these payments as "Deposits" or "Long-term deposits" on the Consolidated Balance Sheets.

As of December 31, 2023 and 2022, such depositstotaled approximately $67.0 million and $43.3 million, respectively.

Derivatives

The Company occasionally enters into derivative financial instruments to manage its exposure to fluctuations in the price of bitcoin. During the third and fourth quarters of 2023, the Company entered into fixed strike option collar contracts with financial institutions to mitigate Bitcoin short-term market pricing volatility risk. In addition, the Company evaluates its financing and service arrangements to determine whether certain arrangements contain features that qualify as embedded derivatives requiring bifurcation in accordance with Accounting Standard Codification ("ASC") 815 - *Derivatives and Hedging*. Embedded derivatives that are required to be bifurcated from the host instrument or arrangement are accounted for and valued as separate financial instruments.

Derivatives are initially recorded at fair value with subsequent changes in fair value recognized as gains or losses on hedge instruments in the Consolidated Statements of Comprehensive Income (Loss). The Company classifies derivative assets or liabilities in the Consolidated Balance Sheets as current or non-current based on whether settlement of the instrument could be required within 12 months of the date of the Consolidated Balance Sheets. During the year ended December 31, 2023, the Company recorded a $17.4 million loss on hedge contracts, which contracts were settled through payments of $15.4 million in bitcoin and $2.0 million in cash. The Company had no open derivative contracts as of December 31, 2023 and 2022.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment, as applicable. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Company's property and equipment is primarily composed of bitcoin mining rigs, which are largely homogeneous and have approximately the same useful lives. Accordingly, the Company utilizes the group method of depreciation for its bitcoin mining rigs. The Company will update the estimated useful lives of its bitcoin mining server group periodically as information on the operations of the mining equipment indicates changes are required. The Company will assess and adjust the estimated useful lives of its mining equipment when there are indicators that the productivity of the mining assets is longer or shorter than the assigned estimated useful lives.

Investments

Investments, which may be made from time to time for strategic reasons, are included in non-current assets in the Consolidated Balance Sheets. Investments without a readily determinable fair value are recorded at cost minus impairment, plus or minus changes from observable price changes in orderly transactions for identical or similar investments of the same issuer, in accordance with the measurement alternative described in ASC 321 - *Investments – Equity Securities.*

As part of the Company's policy to maximize return on strategic investment opportunities, while preserving capital and limiting downside risk, the Company may at times enter into equity investments or Simple Agreements for Future Equity ("SAFE"). The nature and timing of the Company's investments will depend on available capital at any particular time and the investment opportunities identified and available to the Company. However, we generally do not make investments for speculative purposes and do not intend to engage in the business of making investments.

As of December 31, 2023 and 2022, the Company has one remaining SAFE investment with a carrying value of $1.0 million, with no noted impairments or other adjustments.

During September 2023, the Company entered into an agreement with Auradine, Inc. ("Auradine") to secure certain rights to future purchases by the Company from Auradine for which the Company paid $15.0 million and recorded to "Long-term prepaids" in the Consolidated Balance Sheets. The purchase rights that the Company secured do not expire, do not require minimum purchases and include most favored nation and right of first refusal provisions.

On September 27, 2022, the Company purchased additional shares of Auradine preferred stock with a purchase price of $30.0 million, bringing the total carrying amount of its investment in Auradine preferred stock to $35.5 million, with no noted impairments or other adjustments. Refer to Note 17 – Related Party Transactions, for further information.

On May 3, 2022, the Company converted $2.0 million from its prior Auradine SAFE investment into preferred stock while purchasing additional Auradine preferred stock with a purchase price of $3.5 million. At the same time, the Company entered into a commitment to acquire additional shares of Auradine preferred stock with a purchase price of $30.0 million. This forward contract was accounted for under ASC 321 as an equity security.

On February 3, 2022, the Company purchased convertible preferred stock of Compute North Holdings, Inc. with a purchase price of approximately $10.0 million. The Company impaired this investment by approximately

$10.0 million following Compute North's chapter 11 bankruptcy filing during September 2022. Refer to Note 11 – Compute North Bankruptcy, for further information.

Equity Method Investments

The Company accounts for investments in which it owns between 20% and 50% of the common stock or has the ability to exercise significant influence, but not control, over the investee using the equity method of accounting in accordance with ASC 323 - *Equity Method Investments and Joint Ventures*. Under the equity method, an investor initially records an investment in the stock of an investee at cost and adjusts the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of acquisition.

On January 27, 2023, the Company and Zero Two (formerly known as FS Innovation, LLC) entered into a Shareholders' Agreement regarding the formation of an Abu Dhabi Global Markets company (the "ADGM Entity") in which the Company has a 20% ownership interest. The ADGM Entity started mining operations during September 2023. The Company's share of net losses was $0.6 million for the year ended December 31, 2023. As of December 31, 2023, the Company's investment in the ADGM Entity was $69.3 million and which is reflected in "Investments" in the Consolidated Balance Sheets.

Stock-based Compensation

The Company expenses stock-based compensation to employees and non-employees over the requisite service period based on the grant date fair value of the awards. Refer to Note 12 – Stockholders' Equity, for further information.

Impairment of Long-lived Assets

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Revenues

The Company recognizes revenue under ASC 606 – *Revenue from Contracts with Customers.* The core principle of the revenue standard is that a reporting entity should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Refer to Note 3 – Revenues, for further information.

Income Taxes

The Company accounts for income taxes under the asset and liability method, in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is required to the extent any deferred tax assets may not be realizable.

ASC 740 - *Income Taxes*, also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Recently Issued Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement may affect the Company's financial reporting, the Company undertakes an analysis to determine any required changes to its Consolidated Financial Statements.

On December 14, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 requires entities to disclose specific rate reconciliations, amount of income taxes separated by federal and individual jurisdiction, and the amount of income (loss) from continuing operations before income tax expense (benefit) disaggregated between federal, state, and foreign. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

On December 13, 2023, the FASB issued ASU No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60): Accounting for and Disclosure of Crypto Assets. ASU 2023-08 requires entities to measure crypto assets that meet specific criteria at fair value with changes recognized in net income each reporting period. Additionally, ASU 2023-08 requires an entity to present crypto assets measured at fair value separately from other intangible assets in the balance sheets and record changes from remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company early adopted ASU 2023-08 effective as of January 1, 2023, which had a material impact on the Consolidated Financial Statements. Refer to Note 4 – Digital Assets, for further information.

On November 27, 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 is designed to improve the reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the CODM. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

On August 23, 2023, the FASB issued ASU No. 2023-05, *Business Combinations - Joint Venture Formations* (Subtopic 805-60): *Recognition and Initial Measurement*. ASU 2023-05 addresses the accounting for contributions made to a joint venture and requires contributions received by the joint venture to be measured at fair value upon formation. ASU 2023-05 is designed to provide useful information to investors and reduce diversity in practice. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

On March 28, 2023, the FASB issued ASU No. 2023-01, Leases (Topic 842): Common Control Arrangements. ASU 2023-01 is designed to clarify the accounting for leasehold improvements associated with common control leases, thereby reducing diversity in practice. The new standard is effective for the Company for its fiscal year beginning January 1, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

On June 30, 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. ASU 2022-03 clarifies that a contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security and should not be included in the equity security's unit of account. The new standard is effective for the Company for its fiscal year beginning January 1, 2024, with early adoption permitted. The Company adopted ASU 2022-03 on July 1, 2023, which did not have a material impact on the Consolidated Financial Statements.

NOTE 3 – REVENUES

The Company recognizes revenue in accordance with ASC 606. The core principle of the revenue standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the Company satisfies a performance obligation.

In order to identify the performance obligations in a contract with a customer, an entity must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met:

- The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and

- The entity’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration

- Constraining estimates of variable consideration

- The existence of a significant financing component in the contract

- Noncash consideration

- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized under the accounting contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time, as appropriate.

Application of the five-step model to the Company’s mining operations

The Company’s ongoing major or central operation is to provide bitcoin transaction verification services to the transaction requestor, in addition to the bitcoin network through a Company-operated mining pool as the operator (“Operator”) (such activity, “mining”) and to provide a service of performing hash calculations to third-party pool operators alongside collectives of third-party bitcoin miners (such collectives, “mining pools”) as a participant (“Participant”).

The following table presents the Company’s revenues disaggregated for those arrangements in which the Company is the Operator and Participant:

	Year ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Revenues from contracts with customers			
Operator - Transaction fees	$ 32,598	$ 5,231	$ 3,317
Participant	25,101	4,652	20,903
Total revenues from contracts with customers	57,699	9,883	24,220
Operator - Block rewards and other revenue	329,809	107,870	134,943
Total revenues	$ 387,508	$ 117,753	$ 159,163

Operator

As Operator, the Company provides transaction verification services to the transaction requestor, in addition to the bitcoin network. Transaction verification services are an output of the Company's ordinary activities; therefore, the Company views the transaction requestor as a customer and recognizes the transaction fees as revenue from contracts with customers under ASC 606. The bitcoin network is not an entity such that it may not meet the definition of a customer; however, the Company has concluded that it is appropriate to apply ASC 606 by analogy to block rewards earned from the bitcoin network. The Company is currently entitled to the block reward of 6.25 bitcoin from the bitcoin network upon each successful validation of a block. The Company is also entitled to the transaction fees paid by the transaction requester payable in bitcoin for each successful validation of a block. The Company assessed the following factors in the determination of the inception and duration of each individual contract to validate a block and satisfaction of its performance obligation as follows:

- For each individual contract, the parties' rights, the transaction price, and the payment terms are fixed and known as of the inception of each individual contract.

- The transaction requestor and the bitcoin network each have a unilateral enforceable right to terminate their respective contracts at any time without penalty.

- For each of these respective contracts, contract inception and completion occur simultaneously upon block validation; that is, the contract begins upon, and the duration of the contract does not extend beyond, the validation of an individual blockchain transaction; and each respective contract contains a single performance obligation to perform a transaction validation service and this performance obligation is satisfied at the point-in-time when a block is successfully validated.

From September 2021 until May 2022, the Company engaged unrelated third-party mining enterprises ("pool participants") to contribute hash calculations, and in exchange, remitted transaction fees and block rewards to pool participants on a pro rata basis according to each respective pool participant's contributed hash calculations. The MaraPool wallet (owned by the Company as Operator) is recorded on the distributed ledger as the winner of proof of work block rewards and assignee of all validations and, therefore, the transaction verifier of record. The pool participants entered into contracts with the Company as Operator; they did not directly enter into contracts with the network or the requester and were not known verifiers of the transactions assigned to the pool. As Operator, the Company delegated mining work to the pool participants utilizing software that algorithmically assigned work to each individual miner. By virtue of its selection and operation of the software, the Company as Operator controlled delegation of work to the pool participants. This indicated that the Company directed the mining pool participants to contribute their hash calculations to solve in areas that the Company designated. Therefore, the Company determined that it controlled the service of providing transaction verification services to the network and requester. Accordingly, the Company recorded all of the transaction fees and block rewards earned from transactions assigned to MaraPool as revenue, and the portion of the transaction fees and block rewards remitted to MaraPool participants as cost of revenues.

In accordance with ASC 606-10-32-21, the Company measures the estimated fair value of the non-cash consideration (block reward and transaction fees) at contract inception, which is at the time the performance obligation to the requester and the network is fulfilled by successfully validating a block. The Company measures the non-cash consideration which is fixed as of the inception of each individual contract using the quoted spot rate for bitcoin determined using the Company's primary trading platform for bitcoin at the time the Company successfully validates a block.

Expenses associated with providing bitcoin transaction verification services, such as hosting fees, electricity costs, and related fees are recorded as cost of revenues. Depreciation on digital asset mining equipment is also recorded as a component of cost of revenues.

Participant

The Company participates in third-party operated mining pools. When the Company is a Participant in a third-party operated mining pool, the Company provides a service to perform hash calculations to the third-party pool operators. The Company considers the third-party mining pool operators to be its customers under Topic 606. Contract inception and our enforceable right to consideration begins when we commence providing hash calculation services to the mining pool operators. Each party to the contract has the unilateral right to terminate the contract at any time without any compensation to the other party for such termination. As such, the duration of a contract is less than a day and may be continuously renewed multiple times throughout the day. The implied renewal option is not a material right because there are no upfront or incremental fees in the initial contract and the terms, conditions, and compensation amount for the renewal options are at the then market rates.

The Company is entitled to non-cash compensation based on the pool operator's payout model. The payout methodologies differ depending on the type of third-party operated mining pool. Full-Pay-Per-Share ("FPPS") pools pay block rewards and transaction fees, less mining pool fees and Pay-Per-Share ("PPS") pools pay block rewards less mining pool fees but no transaction fees. For FPPS and PPS pools, the Company is entitled to non-cash consideration even if a block is not successfully validated by the mining pool operators. Success-based mining pools pay a fractional share of the successfully mined block and transaction fees, reduced by pool operator expenses only if a block is successfully validated.

During 2023, the Company primarily participated in FPPS mining pools and, to a lesser extent, success-based mining pools. During 2022 and 2021, the Company primarily participated in success-based mining pools and, to a lesser extent, PPS mining pools.

FPPS Mining Pools

The Company primarily participates in mining pools that use the FPPS payout method for the year ended December 31, 2023. The Company is entitled to compensation once it begins to perform hash calculations for the pool operator in accordance with the operator's specifications over a 24-hour period beginning mid-night UTC and ending 23:59:59 UTC on a daily basis. The non-cash consideration that we are entitled to for providing hash calculations to the pool operator under the FPPS payout method is made up of block rewards and transaction fees less pool operator expenses determined as follows:

- The non-cash consideration in the form of a block reward is based on the total blocks expected to be generated on the Bitcoin Network for the daily 24-hour period beginning midnight UTC and ending 23:59:59 UTC in accordance with the following formula: the daily hash calculations that we provided to the pool operator as a percent of the Bitcoin Network's implied hash calculations as determined by the network difficulty, multiplied by the total Bitcoin Network block rewards expected to be generated for the same daily period.

- The non-cash consideration in the form of transaction fees paid by transaction requestors is based on the share of total actual fees paid over the daily 24-hour period beginning midnight UTC and ending 23:59:59 UTC in accordance with the following formula: total actual transaction fees generated on the Bitcoin Network during the 24-hour period as a percent of total block rewards the Bitcoin Network actually generated during the same 24-hour period, multiplied by the block rewards we earned for the same 24-hour period noted above.

- The block reward and transaction fees earned by the Company is reduced by mining pool fees charged by the operator for operating the pool based on a rate schedule per the mining pool contract. The mining pool fee is only incurred to the extent we perform hash calculations and generate revenue in accordance with the pool operator's payout formula during the same 24-hour period beginning mid-night UTC daily.

The above non-cash consideration is variable in accordance with paragraphs ASC 606-10-32-5 to 606-10-32-7, since the amount of block reward earned depends on the amount of hash calculations we perform; the amount of transaction fees we are entitled to depends on the actual Bitcoin Network transaction fees over the same 24-hour period; and the operator fees for the same 24-hour period are variable since it is determined based on the total block rewards and transaction fees in accordance with the pool operator's agreement. While the non-cash consideration is variable, the Company has the ability to estimate the variable consideration at contract inception with reasonable certainty without the risk of significant revenue reversal. The Company does not constrain this variable consideration because it is probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved and recognizes the non-cash consideration on the same day that control is transferred, which is the same day as contract inception.

The Company measures the non-cash consideration based on the simple average daily spot rate of bitcoin determined using the Company's primary trading platform for bitcoin over a 24-hour period beginning mid-night UTC and ending 23:59:59 UTC on the day of contract inception. The Company recognizes non-cash consideration on the same day that control of the contracted service is transferred to the pool operator, which is the same day as the contract inception.

PPS Mining Pools

The Company participates in PPS pools that provide non-cash consideration similar to the FPPS pools except PPS pools do not include transaction fees, therefore, the non-cash consideration received by the Company is made up of block rewards less mining pool fees. While the non-cash consideration is variable, the Company has the ability to estimate the variable consideration at contract inception with reasonable certainty. The Company does not constrain this variable consideration because it is probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved and recognizes the non-cash consideration on the same day that control is transferred, which is the same day as contract inception.

The Company measures the non-cash consideration based on the simple average daily spot rate of bitcoin determined using the Company's primary trading platform for bitcoin over a 24-hour period beginning mid-night UTC and ending 23:59:59 UTC on the day of contract inception. The Company recognizes non-cash consideration on the same day that control of the contracted service is transferred to the pool operator, which is the same day as the contract inception.

Success-based Mining Pools

The Company also participates, to a lesser extent, in third-party mining pools that pay rewards only when the pool successfully validates a block. For these pools, the Company only earns a reward when the third-party pool successfully mines a block and its reward is the fractional share of the successfully mined block and transaction fees, reduced by pool operator expenses, based on the proportion of hash calculations the Company performed for the mining pool operator to the total hash calculations performed by all mining pool participants in validating the block during the 24-hour period beginning at midnight UTC and ending 23:59:59 UTC daily.

Contract inception and our enforceable right to consideration begins when the Company commences the performance of hash calculations for the mining pool operator. The non-cash consideration is variable in accordance with paragraphs ASC 606-10-32-5 to 606-10-32-7 as it depends on whether the third-party mining pool successfully validates a block during each 24-hour period. In addition, other inputs such as the amount of hash calculations and our fractional share of consideration earned by the pool operator also cause variability. The Company does not have the ability to estimate whether a block will be successfully validated with reasonable certainty at contract inception. The Company constrains the variable consideration at contract inception because it is not probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved. Once a block is successfully validated, the constraint is lifted. The Company recognizes the non-cash consideration on the same day that control is transferred, which is the same day as contract inception.

The Company's policy was to measure non-cash consideration based on the spot rate of bitcoin at the time the pool successfully validates a block, which was not in accordance with ASC 606-10-32-21 which requires measurement to coincide with contract inception. Additionally, this measurement was not consistent with the measurement of non-cash consideration for FPPS and PPS pools. During the three months ended December 31, 2023, the Company corrected this error and changed its measurement of non-cash consideration to the simple average daily spot rate of bitcoin determined using the Company's primary trading platform for bitcoin on the date of contract inception, which is the same day that control of the contracted service (hash calculations) is transferred to the pool operator. The change in measurement did not have a material impact to the results of operations for any of the periods presented.

Expenses associated with providing hash calculation services to third-party operated mining pools, such as hosting fees, electricity costs, and related fees, are recorded as cost of revenues. Depreciation on digital asset mining equipment is also recorded as a component of cost of revenues.

NOTE 4 – DIGITAL ASSETS

Adoption of ASU 2023-08, Accounting for and Disclosure of Crypto Assets

Effective January 1, 2023, the Company early adopted ASU 2023-08, which requires entities to measure crypto assets at fair value with changes recognized in the Consolidated Statement of Comprehensive Income (Loss) each reporting period. The Company's digital assets are within the scope of ASU 2023-08 and the transition guidance requires a cumulative-effect adjustment as of the beginning of the current fiscal year for any difference between the carrying amount of the Company's digital assets and fair value. As a result of the Company's early adoption of ASU 2023-08, the Company recorded a \$11.5 million increase to digital assets and a \$11.5 million decrease to accumulated deficit on the Consolidated Balance Sheets as of the beginning of the fiscal year ended December 31, 2023.

The following table presents the Company’s significant digital asset holdings as of December 31, 2023:

(in thousands, except for quantity)	Quantity	Cost Basis	Fair Value
Bitcoin	15,126	$ 515,315	$ 639,660
Total digital assets held as of December 31, 2023		$ 515,315	$ 639,660

At December 31, 2023, the Company had earned 48 bitcoin that were pending distribution from the Company’s equity method investee, the ADGM Entity, which are excluded from the Company’s holdings as of December 31, 2023.

The following table presents a roll-forward of total digital assets (including digital assets, restricted) for the year ended December 31, 2023, based on the fair value model under ASU 2023-08:

(in thousands)	Fair Value
Digital assets and digital assets, restricted at December 31, 2022	$ 190,717
Cumulative effect of the adoption of ASU 2023-08	11,483
Beginning Balance: Digital assets and digital assets, restricted at January 1, 2023	202,200
Addition of digital assets	385,959
Disposition of digital assets	(264,945)
Realized gain (loss) on digital assets	28,738
Unrealized gain (loss) on digital assets	287,708
Digital assets at December 31, 2023	$ 639,660

During the year ended December 31, 2023, the Company acquired $386.0 million of digital assets through mining activities and disposed of $264.9 million digital assets through the sale of digital assets. During the year ended December 31, 2023, the Company realized total gains on digital assets of $52.5 million and total losses on digital assets of $23.8 million.

During the first quarter of 2023, the term loan was terminated, and the restrictions lapsed on the digital assets that had previously been classified as digital assets, restricted. Refer to Note 14 – Debt, for further information.

Prior to Adoption of ASU 2023-08, Accounting for and Disclosure of Crypto Assets

Digital assets and Digital assets, restricted

Prior to the adoption of ASU 2023-08, digital assets were accounted for as indefinite-lived intangible assets and were initially measured in accordance with ASC 350 - *Intangible-Goodwill and Other*. Digital assets were not amortized, but were assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived intangible asset is impaired. Whenever the exchange-traded price of digital assets declined below its carrying value, the Company was required to determine if an impairment existed and to record an impairment equal to the amount by which the carrying value exceeded the fair value.

The following table presents a roll-forward of digital assets and digital assets, restricted for the year ended December 31, 2022, based on the cost-impairment model under ASC 350:

		(in thousands)
Digital assets and digital assets, restricted at December 31, 2021	$	95,226
Additions of digital assets		117,557
Transfer of digital assets from digital assets held in Fund		137,844
Recognition of loaned digital assets		13,324
Impairment of digital assets		(173,214)
Disposition of digital assets		(20)
Digital assets and digital assets, restricted at December 31, 2022	$	190,717

As of December 31, 2022, the Company held approximately 12,232 bitcoin, relating to digital assets and digital assets, restricted, with a carrying value of $190.7 million and a fair value of $202.4 million based on Level 1 inputs. Refer to Note 8 - Fair Value Measurement, for further information.

Digital assets held in Fund

On January 25, 2021, the Company entered into a limited partnership agreement with NYDIG Digital Assets Fund III, LP (the "Fund") pursuant to which the Fund purchased 4,813 bitcoin for an aggregate purchase price of $150.0 million. The Company owned 100% of the limited partnership interests and consolidated the Fund under a voting interest model. The consolidated assets in the Fund were included in the Consolidated Balance Sheets under the caption "Digital assets held in Fund".

The Fund qualified and operated as an investment company for accounting purposes pursuant to the accounting and reporting guidance under ASC 946 – *Financial Services – Investment Companies*, which requires fair value measurement of the Fund's investments in digital assets. The Company retains the Fund's investment company specific accounting principles under ASC 946 upon consolidation. The Company recorded changes in the fair value of the assets in the Consolidated Statements of Comprehensive Income (Loss) under the caption "Gains (losses) on digital assets held within investment fund."

On June 10, 2022, the Company redeemed 100% of its limited partnership interest in the Fund in exchange for approximately 4,769 bitcoin with a fair market value of approximately $137.8 million. This bitcoin was transferred from the Fund's custodial wallet to the Company's digital wallet. Upon redemption, the Company no longer had a majority voting interest in the Fund and therefore deconsolidated the Fund in accordance with ASC 810 – *Consolidation*. The Company did not record any gain or loss upon deconsolidation as the digital assets in the Fund were measured at fair value. Subsequent to the transfer, the bitcoin transferred to the Company's digital wallet was accounted for at cost less impairment in line with its digital assets measurement policy. The activity in the Fund for the year ended December 31, 2022, was as follows. There was no activity in the Fund as of December 31, 2023.

		(in thousands)
Digital assets held in Fund at December 31, 2021	$	223,916
Unrealized appreciation on digital assets held in Fund		(74,723)
Disposition of digital assets held in Fund		(794)
Realized loss on in-kind distribution		(10,555)
Digital assets transferred out of Fund		(137,844)
Digital assets held in Fund at December 31, 2022	$	—

NOTE 5 – ADVANCES TO VENDORS AND DEPOSITS

The Company contracts with bitcoin mining equipment manufacturers to procure equipment necessary for the operation of its bitcoin mining operations. These agreements typically require a certain percentage of the value of the total order to be paid in advance at specific intervals, usually within several days of execution of a specific contract and periodically thereafter with final payments due prior to each shipment date. The Company accounts for these payments as "Advances to vendors" on the Consolidated Balance Sheets.

As of December 31, 2023 and 2022, such advances totaled approximately $95.6 million and $488.3 million, respectively.

In addition, the Company contracts with other service providers for the hosting of its equipment and operational support in data centers where the Company's equipment is deployed. These arrangements also typically require advance payments to be made to vendors in conjunction with the contractual obligations associated with these services. The Company classifies these payments as "Deposits" and "Long-term deposits" on the Consolidated Balance Sheets.

NOTE 6 – PROPERTY AND EQUIPMENT

The components of property and equipment as of December 31, 2023 and 2022 are:

(in thousands, except useful life)	Useful life (Years)	December 31, 2023	December 31, 2022
Mining rigs	3	$ 862,055	$ 116,634
Containers	10	5,676	1,614
Other	7	242	206
Construction in progress	—	—	171,194
Total gross property, equipment		867,973	289,648
Less: Accumulated depreciation		(196,201)	(16,622)
Property and equipment, net		$ 671,772	$ 273,026

The Company records mining rigs not yet placed into service as construction in progress. Upon energization of the mining rigs, the mining rigs are reclassified to "Mining rigs" and depreciated over the estimated useful life.

The Company's depreciation expense related to property and equipment for the years ended December 31, 2023 and 2022 was $179.5 million and $78.7 million, respectively.

In late 2021, the Company entered into an agreement with DCRBN Ventures Development and Acquisition LLC ("DCRBN") in which the Company agreed to sell certain mining rigs to DCRBN in conjunction with the development of commercial activities at the McCamey, Texas facility. In conjunction with its closure from the Hardin, Montana facility in September 2022 (the "Hardin Transaction"), the Company also sold bitcoin mining rigs to various third parties. Total cash proceeds from these sales of assets for the year ended December 31, 2022, were $178.4 million and gains resulting from the asset sales totaled $83.9 million. There were no such sales in 2023.

In connection with the Hardin Transaction, the Company recorded additional depreciation expense related to approximately 1,800 bitcoin mining rigs that were previously deployed and were no longer in operating condition based on inspections of the assets at the facility and experience with the assets formerly deployed at Hardin in the weeks following redeployment. In addition, the Company determined that the useful lives of the remaining mining rigs formerly deployed at Hardin should be reduced from 36 months to 24 months.

In accordance with ASC 360 - *Impairment and Disposal of Long-Lived Assets*, a long-lived asset (group) that is held and used must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset (group) might not be recoverable. Due to the decrease in the cost of bitcoin mining rigs that was driven by the drop in bitcoin prices during the fourth quarter ended December 31, 2022, the Company assessed the need for an impairment write-down of its bitcoin mining rigs. In accordance with ASC 360-10, the Company initially determined that the carrying value of its bitcoin miners was not recoverable. As its bitcoin mining rigs had a carrying value in excess of fair value, the Company recognized an impairment charge of approximately $208.6 million for the year ended December 31, 2022. The fair value of the bitcoin miners determined primarily using observable prices for similar assets as of December 31, 2022 was $271.3 million.

As a result of the impairment charge of its bitcoin mining rigs, the Company re-evaluated and reduced the estimated useful life for its asset group of mining rigs from 5 to 3 years, effective January 1, 2023. No impairment indicators were identified during the year ended December 31, 2023.

NOTE 7 – DIGITAL ASSET LOAN RECEIVABLE, NET OF ALLOWANCE

The Company's digital asset loan receivable represents two separate digital asset loans made to NYDIG Funding, LLC ("NYDIG") in August 2021 and December 2021 under a master securities loan agreement, which was terminated at the point of full repayment in kind for both loans in June 2022. A total of 600 bitcoin were loaned to

NYDIG. No collateral was posted to Marathon under the terms of the two loans. The digital assets loan receivables were initially and subsequently measured at the fair value of the underlying bitcoin lent at the time of the transfer, approximately $27.2 million, and adjusted for expected credit losses, with changes in fair value recorded as unrealized gains and losses in the Consolidated Statements of Comprehensive Income (Loss). A loan fee was accrued daily, based on the daily closing price of the underlying bitcoin and a set percentage rate, and paid in cash on a monthly basis consistent with each loan's confirmation terms.
The loans were fully repaid by NYDIG in June 2022 at which time the 600 bitcoin were reclassified into digital assets at the carrying value of the digital assets loan receivable immediately prior to its derecognition at the end of loan. The Company did not have any digital asset loan receivables outstanding as of December 31, 2023 or 2022. As such, the Company recorded an allowance for loan losses as of December 31, 2021 with an initial provision expense of approximately $0.9 million. As of December 31, 2022, the Company recognized a corresponding provision benefit of approximately $0.9 million for the June 2022 repayment in full.

NOTE 8 – FAIR VALUE MEASUREMENT

The Company measures certain financial and non-financial assets and liabilities at fair value on a recurring or non-recurring basis. The Company uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability.

The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, restricted cash, other receivables, deposits, prepaid expenses and other current assets, property and equipment, advances to vendors, accounts payable, accrued expenses, and legal reserve payable, approximate their estimated fair market value based on the short-term maturity of these instruments. Additionally, the carrying amounts reported in the Consolidated Balance Sheets for the Company's term loan, operating lease liabilities and other long-term liabilities approximate fair value as the related interest rates approximate rates currently available to the Company.

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to their fair value measurement. The Company measures the fair value of its marketable securities and investments by taking into consideration valuations obtained from third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs included reported trades of and broker-dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs.

Recurring measurement of fair value

The following tables present information about the Company's assets measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of December 31, 2023 and December 31, 2022, respectively:

	Recurring fair value measured at December 31, 2023							
(in thousands)		Total carrying value		Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Assets:								
Money market funds	$	141,147	$	141,147	$	—	$	—
U.S. Treasury Bills		60,541		60,541		—		—
Digital assets		639,660		639,660		—		—

	Recurring fair value measured at December 31, 2022							
(in thousands)		Total carrying value		Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Assets:								
Money market funds	$	92,044	$	92,044	$	—	$	—

The Company includes the above money market funds and U.S. treasury bills in cash and cash equivalents in the Consolidated Balance Sheets. The Company's U.S. treasury bills all had original remaining maturities of three months or less.

Effective January 1, 2023, the Company early adopted ASU 2023-08, measuring digital assets at fair value on a recurring basis. Refer to Note 4– Digital Assets, for further information. Additionally, during March 2023, the fair value of digital assets were transferred from Level 2 to Level 1, as a result of using the quoted price in the active market in accordance with ASC 820. There were no other transfers among Levels 1, 2 or 3 during the years ended December 31, 2023 and December 31, 2022.

On June 10, 2022, the Company withdrew approximately 4,769 bitcoin from its investment in NYDIG Digital Assets Fund III, LP and transferred the bitcoin directly into the Company's account.

Non-recurring measurement of fair value

The following tables present information about the Company's assets and liabilities measured at fair value on a non-recurring basis and are, therefore, not included in the tables above. These assets and liabilities include (a) digital assets and digital assets, restricted that are initially recorded at cost and subsequently impaired as the fair value falls below its carrying value, (b) mining rigs and advances to vendors that are written down to fair value due to the decrease in the cost of bitcoin mining rigs that was driven by the drop in bitcoin prices during the fourth quarter ended December 31, 2022, and (c) outstanding convertible notes measured at fair value based on quoted prices in active markets. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., impairment). The Company's estimated level within the fair value hierarchy for each of these assets and liabilities as of December 31, 2022 are as follows. As of December 31, 2023, the Company had no assets and liabilities that were measured on a non-recurring basis, due to the early adoption of ASU 2023-08 and the requirement to measure crypto assets at fair value. Refer to Note 4 – Digital Assets, for further information.

(in thousands)	Non-recurring fair value measured at December 31, 2023 Total carrying value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Notes payable	$ 325,654	$ 269,725	$ —	$ —

(in thousands)	Non-recurring fair value measured at December 31, 2022 Total carrying value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Digital assets	$ 121,842	$ —	$ 129,201	$ —
Property and equipment, net [1]	271,280	—	271,280	—
Advances to vendors	488,299	—	488,299	—
Digital assets, restricted	68,875	—	72,998	—
Liabilities:				
Notes payable	732,289	173,200	—	—

[1] Represents mining rigs. Excludes $1.7 million of property and equipment relating to containers, website, and leasehold improvements as of December 31, 2022.

There were no transfers among Levels 1, 2 or 3 during the years ended December 31, 2023 and December 31, 2022.

NOTE 9 – INCOME TAXES

The Company accounts for income taxes under ASC 740 - *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry-forwards. ASC 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

Income tax expense (benefit) attributable to income from continuing operations was $16.4 million, $(24.2) million, and $25.0 million for the years ended December 31, 2023, 2022, and 2021, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pretax income from continuing operations as a result of the following:

(in thousands, except percentage data)	2023		2022		2021	
Federal income tax expense (benefit) at the statutory rate	21.0 %	$ 58,296	(21.0)%	$ (150,785)	(21.0)%	$ (1,097)
State income taxes, net of federal tax expense	0.9 %	2,559	(1.6)%	(11,495)	150.7 %	7,876
Executive compensation deduction limitation	0.9 %	2,587	1.0 %	7,358	578.1 %	30,213
Excess tax benefit related to share-based compensation	0.2 %	470	— %	285	(36.5)%	(1,909)
Nondeductible other expenses	0.6 %	1,798	— %	14	4.3 %	225
Change in valuation allowance	(18.9)%	(52,502)	18.2 %	130,462	(277.0)%	(14,477)
Prior year true-ups	1.2 %	3,346	— %	127	81.9 %	4,281
Other, net	— %	(128)	— %	(198)	(2.8)%	(144)
Income tax expense (benefit) from continuing operations	5.9 %	$ 16,426	(3.4)%	$ (24,232)	477.7 %	$ 24,968

The components of the provision for income taxes are as follows:

(in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Current income tax expense (benefit)			
Federal	$ —	$ —	$ —
State	1,140	733	2
Total current income tax expense	1,140	733	2
Deferred expense			
Federal	66,129	(143,598)	31,569
State	1,659	(11,829)	7,874
Total deferred tax expense (benefit)	67,788	(155,427)	39,443
Change in valuation allowance	(52,502)	130,462	(14,477)
Net deferred tax expense after valuation allowance (benefit)	15,286	(24,965)	24,966
Income tax provision (benefit)	$ 16,426	$ (24,232)	$ 24,968

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below:

(in thousands)	December 31, 2023	December 31, 2022
Deferred tax assets:		
Tax credit carryforwards	$ 517	$ 386
Net operating loss carryforwards	144,081	48,703
Intangible assets	1,602	1,727
Stock compensation	3,898	2,133
Digital assets	—	52,535
Disallowed Interest	3,093	2,215
Bad debt reserve	9,957	10,039
Research and development costs	1,619	541
Accruals, reserves and other	286	239
Impairment loss	36,100	36,397
Capital losses	11,950	—
Gain on hedge instruments	3,798	—
Total gross deferred tax assets	216,901	154,915
Less valuation allowance	(77,960)	(130,462)
Net deferred tax assets	138,941	24,453
Deferred tax liabilities:		
Unrealized gains	—	(2,494)
Property and equipment, net	(117,094)	(21,959)
Digital assets	(37,133)	—
Total gross deferred liabilities	(154,227)	(24,453)
Net deferred tax liability	$ (15,286)	$ —

The valuation allowance for deferred tax assets as of December 31, 2023 and 2022 was $78.0 million and $130.5 million, respectively. The net change in the total valuation allowance was a decrease of $52.5 million in the year ended December 31, 2023.

At year ended December 31, 2023, the Company concluded, based upon all available evidence, it was more likely than not that it would not have sufficient future taxable income to realize the Company's federal and state deferred tax assets. As a result, the Company established a valuation allowance against deferred tax assets that are not supported by reversing deferred tax liabilities.

At December 31, 2023, the Company has federal and state net operating loss carryforwards of $772.1 million, which are available to offset future taxable income. In addition, the Company has interest expense carryforwards of $14.2 million.

The Company has the following attributes and credit carryforwards:

(in thousands)		**Gross Amount**	**Expiring**
Federal net operating loss carryforwards	$	3,314	2034-2035
Federal net operating loss carryforwards		651,476	Indefinite
State net operating loss carryforwards		117,286	Various
Interest expense carryforwards		14,189	Indefinite
Federal tax credit carryforwards		477	2040-2043
State tax credit carryforwards		40	Indefinite

Section 382 and Section 383 of the Internal Revenue Code limit the utilization of U.S. tax attribute carryforwards following a change of control. Based on the Company's analysis under Section 382, approximately $85.5 million of tax attributes are limited by Section 382/383 as of December 31, 2023. The Section 382/383 limitation in conjunction with the twenty-year carryforward limitation caused $33.5 million of attributes to be deemed worthless, which resulted in a write-off of the related deferred tax assets in 2021.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for the tax years ended December 31, 2023 and 2022 is as follows:

(in thousands)		**December 31, 2023**		**December 31, 2022**		**December 31, 2021**
Balance, beginning of year	$	5,252	$	44	$	—
Increase (decrease) related to prior year tax positions		(31)		21		25
Increase related to current year tax positions		75		5,187		19
Balance, end of year	$	5,296	$	5,252	$	44

The Company has established a reserve against its federal research and development ("R&D") tax credits generated in 2023 and previous years. The Company has also established a reserve related to its executive compensation deduction limitation in 2022.

As of December 31, 2023, the total amount of unrecognized tax benefits was $5.3 million, all of which was offset against deferred tax assets. If the unrecognized tax benefits were recognized as of December 31, 2023, there would be a $5.3 million favorable impact that would affect the effective rate on income from continuing operations. The Company also accrues for interest and penalties on its uncertain tax positions and includes such charges in its income tax provision in the Consolidated Statements of Comprehensive Income (Loss). The Company had no interest and penalty expenses in the years ended December 31, 2023 and 2022.
The Company did not accrue either interest or penalties for the years ended December 31, 2023 and 2022. The Company does not currently expect any of its remaining unrecognized tax benefits to be recognized in the next twelve months.

The Company files federal and state income tax returns. The 2019-2022 tax years generally remain subject to examination by the IRS and various state taxing authorities, although the Company is not currently under examination in any jurisdiction.

NOTE 10 – NET INCOME (LOSS) PER SHARE

Net income (loss) per share is calculated in accordance with ASC 260 -*Earnings Per Share*. Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. For the year ended December 31, 2023, the Company recorded net income and as such, the Company calculated the impact of dilutive common stock equivalents in determining diluted earnings per share. For the year ended December 31, 2022, the Company recorded a net loss and as such, the computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding, as they would have been anti-dilutive.

The following table presents the securities that were not included in the computation of diluted income (loss) per share, as their inclusion would have been anti-dilutive:

	For the year ended December 31,		
	2023	2022	2021
Warrants	324,375	324,375	326,779
Restricted stock units	—	1,255,648	642,094
Convertible notes	—	9,812,955	9,812,955
Series A Preferred Stock	322,654	—	—
Total dilutive shares	647,029	11,392,978	10,781,828

The following table sets forth the computation of basic and diluted income (loss) per share:

	For the year ended December 31,		
(in thousands, except share and per share data)	2023	2022	2021
Basic earnings per share of common stock:			
Net income (loss) per share of common stock - basic	$ 259,052	$ (694,022)	$ (29,813)
Weighted average shares of common stock - basic	183,855,570	113,467,837	99,337,587
Net income (loss) per share of common stock - basic	$ 1.41	$ (6.12)	$ (0.30)
Diluted earnings per share of common stock:			
Net income (loss) per share of common stock - basic	$ 259,052	$ (694,022)	$ (29,813)
Add: Notes interest expense, net of tax	7,421	—	—
Less: Gain from extinguishment of debt, net of tax	(62,909)	—	—
Net income (loss) per share of common stock - diluted	$ 203,564	$ (694,022)	$ (29,813)
Weighted average shares of common stock - basic	183,855,570	113,467,837	99,337,587
Restricted stock units	330,928	—	—
Convertible notes	8,106,779	—	—
Weighted average shares of common stock - diluted	192,293,277	113,467,837	99,337,587
Net income (loss) per share of common stock - diluted	$ 1.06	$ (6.12)	$ (0.30)

NOTE 11 – COMPUTE NORTH BANKRUPTCY

On September 22, 2022, Compute North Holdings, Inc. (along with its affiliated debtors, collectively, “Compute North”), filed for chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Southern District of Texas under chapter 11 of the U.S. Bankruptcy Code (11 U.S. Code section 101 et seq.). The Company’s financial exposure to Compute North at the time of the bankruptcy filing included:

- Approximately $10.0 million in convertible preferred stock of Compute North Holdings, Inc.
- Approximately $21.0 million related to an unsecured Senior Promissory note with Compute North LLC.

- Approximately $50.0 million in operating deposits with Compute North primarily related to the King Mountain and Wolf Hollow hosting facilities.

The Company recorded an impairment charge of $39.0 million during the third quarter of 2022. During the fourth quarter of 2022, the company estimated that an additional $16.6 million in deposits had likely been impaired and as such recorded an additional impairment charge. On February 16, 2023, the Bankruptcy Court approved the Debtors Plan of Reorganization, pursuant to which Marathon's claim was fixed at $40.0 million as an unsecured claim to be paid out according to the timingand percentages within the approved Debtor's plan. The Company has yet to receive the settlement funds.

NOTE 12 – STOCKHOLDERS' EQUITY

Common Stock

On July 27, 2023, the Company's shareholders approved an amendment to the Company's articles of incorporation that increased the amount of common stock authorized for issuance to 500,000,000 with a par value of 0.0001 per share.

Shelf Registration Statements on Form S-3 and At-the-Market Offering Agreements

In February 2024, we intend to commence a new at-the-market offering program with H.C. Wainwright & Co., LLC ("Wainwright") acting as sales agent (the "2024 ATM") pursuant to the ATM Agreement, under which we may offer and sell shares of our common stock from time to time through Wainwright having an aggregate offering price of up to $1.5 billion.

On October 24, 2023, the Company entered into a new at-the-market offering program (the "2023 ATM") with Wainwright relating to shares of the Company's common stock. In accordance with the terms of the sales agreement, the Company may offer and sell shares of its common stock having an aggregate offering price of up to $750.0 million from time to time through Wainwright acting as its sales agent. As of December 31, 2023, the Company has sold 19,591,561 shares of common stock for an aggregate purchase price of $248.1 million, net of offering costs, pursuant to the 2023 ATM.

On February 11, 2022, the Company entered into an at-the-market Offering Agreement (the "2022 ATM"), or sales agreement, with Wainwright relating to shares of the Company's common stock. In accordance with the terms of the sales agreement, the Company may offer and sell shares of its common stock having an aggregate offering price of up to $750.0 million from time to time through Wainwright acting as its sales agent. As of October 23, 2023, the Company has sold86,822,000 shares of common stock for an aggregate purchase price of $727.9 million, net of offering costs, pursuant to the 2022 ATM, completing the agreement.

Common Stock Warrants

A summary of the Company's issued and outstanding common stock warrants and changes during the year ended December 31, 2023 and 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2021	326,779	$ 25.54	3.5
Forfeited	(2,404)	52.00	—
Outstanding as of December 31, 2022	324,375	25.00	2.5
Outstanding as of December 31, 2023	324,375	$ 25.00	2.5

Restricted Stock Units

On January 1, 2018, the Board adopted the 2018 Equity Incentive Plan (as amended, the "2018 Plan"), which was subsequently approved by the Company's shareholders on March 7, 2018, The 2018 Plan provides for the issuance of stock options, restricted stock, restricted stock units, preferred stock and other awards to employees, directors, consultants and other service providers.

The Company has granted restricted stock units ("RSU") to employees, which generally vest over a four-year period from the date of grant; however, in certain instances, all or a portion of a grant may vest immediately. RSUs granted to directors generally vest over a one-year period or, in certain instances, immediately. The Company measures the fair value of RSUs at the grant date and recognizes expense on a straight-line basis over the requisite service period from the date of grant for each separately-vesting tranche under the graded-vesting attribution method.

A summary of the Company's RSU activity for the years ended December 31, 2023 and 2022, is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	642,094	$ 35.93
Granted	1,167,339	19.35
Forfeited	(60,000)	42.19
Vested	(493,785)	29.87
Nonvested at December 31, 2022	1,255,648	22.60
Granted	6,258,700	8.73
Forfeited	(309,337)	9.85
Vested	(1,439,482)	17.90
Nonvested at December 31, 2023	5,765,529	9.40

As of December 31, 2023, there was approximately $43.1 million of aggregate unrecognized stock-based compensation related to unvested RSUs that is expected to be recognized over the next 2.5 years.

Series A Preferred Stock

On June 5, 2023, the Company entered into a securities purchase agreement for the offering of 15,000 shares of the Company's Series A redeemable convertible preferred stock. On June 8, 2023, upon closing of the offering, the Company issued 15,000 shares of Series A Preferred Stock for total gross proceeds of $14.3 million before deducting the placement agent's fees and other estimated offering expenses. Each share of Series A Preferred Stock had a purchase price of $ 952.38, representing an original issue discount of approximately 5% of the $1,000 stated value of each share. Each share of Series A Preferred Stock was convertible into shares of the Company's common stock at an initial conversion price of $14.52 per share, at the option of the holder, at any time following the Company's receipt of stockholder approval for an increase in its authorized shares of common stock.

The Series A Preferred Stock was recorded outside of stockholder's equity as mezzanine equity. At June 30, 2023, the Company increased the carrying value of Series A Preferred Stock to its redemption value and recorded the difference to additional paid-in capital.

As of December 31, 2023, all of the outstanding Series A Preferred Stock were redeemed at 105% of the $1,000 stated value per share for $15.8 million.

NOTE 13 – ACCRUED EXPENSES

As of December 31, 2023 and 2022, the Company's accrued expenses consisted of the following:

(in thousands)	2023	2022
Interest	$ 276	$ 1,011
Non-income taxes	6,926	14,509
Payroll and related expenses	6,073	2,345
Other	8,740	4,430
Total accrued expenses	$ 22,015	$ 22,295

NOTE 14 – DEBT

As of December 31, 2023 and 2022, the Company's debt consists of the following:

(in thousands, except for interest rate data)	Maturity Date	Interest Rate	December 31, 2023	December 31, 2022
Convertible note	December 1, 2026	1%	$ 330,707	$ 747,500
Less: unamortized debt discount			(5,053)	(15,211)
Total convertible notes, net of discount			$ 325,654	$ 732,289
Term loan [(1)]	August 5, 2024	Variable	—	50,000
Less: unamortized deferred fees			—	(118)
			$ —	$ 49,882
Total			325,654	782,171
Less: current portion			—	—
Long-term portion			$ 325,654	$ 782,171

(1) On March 8, 2023, the Company repaid the term loan, in full, and the Company's RLOC facilities with Silvergate Bank were terminated. The Company recorded a loss in the amount of $0.3 million to "Net gain on extinguishment of debt" on the Consolidated Statements of Comprehensive Income (Loss).

During the years ended December 31, 2023 and December 31, 2022, the Company recorded amortization of debt issuance costs of $3.2 million and $3.9 million, respectively. Interest expense was $10.4 million and $15.0 million for the years ended December 31, 2023 and December 31, 2022, respectively.

The following summarizes the Company's required payments on the Convertible Note in each of the next five years, and thereafter:

Year	Repayment Amount *(in thousands)*
2024	$ —
2025	—
2026	330,707
2027	—
2028	—
Thereafter	—

Convertible Note

On November 18, 2021, the Company issued $650.0 million principal of 1.0% Convertible Senior Notes due 2026 (the "Notes"). The Notes were issued pursuant to, and are governed by, an indenture (the "Indenture"), dated as of November 18, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee").

On November 23, 2021, the initial purchasers of the Notes purchased an additional $97.5 million principal of Notes for an aggregate principal amount of $747.5 million.

The Notes are the Company's senior, unsecured obligations and are:

(i) Equal in right of payment with the Company's existing and future senior, unsecured indebtedness;

(ii) Senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the Notes;

(iii) Effectively subordinated to the Company’s existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and

(iv) Structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

The Notes accrue interest at a rate of 1.0% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2022. The Notes will mature on December 1, 2026, unless earlier repurchased, redeemed or converted. Before the close of business on the business day immediately before September 1, 2026, noteholders will have the right to convert their Notes only upon the occurrence of certain events. From and after September 1, 2026, noteholders may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company’s election. The initial conversion rate is 13.1277 shares of common stock per one thousand dollar principal amount of Notes, which represents an initial conversion price of approximately $76.17 per share of common stock. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Notes will be redeemable, in whole or in part (subject to certain limitations described below), at the Company’s option at any time, and from time to time, on or after December 6, 2024, and on or before the 21st scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. However, the Company may not redeem less than all of the outstanding Notes unless at least $100.0 million aggregate principal amount of Notes are outstanding and not called for redemption as of the time the Company sends the related redemption notice. In addition, calling any Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted during the related redemption conversion period.

If certain corporate events that constitute a “Fundamental Change” (as defined in the Indenture) occur, then, subject to a limited exception for certain cash mergers, noteholders may require the Company to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company’s common stock.

The Notes have customary provisions relating to the occurrence of “Events of Default” (as defined in the Indenture), which include the following:

(i) Certain payment defaults on the Notes (which, in the case of a default in the payment of interest on the Notes, are subject to a 30-day cure period);

(ii) The Company’s failure to send certain notices under the Indenture within specified periods of time;

(iii) The Company’s failure to comply with certain covenants in the Indenture relating to the Company’s ability to consolidate with or merge with or into, or sell, lease or otherwise transfer, in one transaction or a series of transactions, all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to another person;

(iv) A default by the Company in its other obligations or agreements under the Indenture or the Notes if such default is not cured or waived within 60 days after notice is given in accordance with the Indenture;

(v) Certain defaults by the Company or any of its subsidiaries with respect to indebtedness for borrowed money of at least $50.0 million; and

(vi) Certain events of bankruptcy, insolvency and reorganization involving the Company or any of its significant subsidiaries.

If an Event of Default involving bankruptcy, insolvency or reorganization events with respect to the Company (and not solely with respect to a significant subsidiary of the Company) occurs, then the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding will immediately become due and payable without any further action or notice by any person. If any other Event of Default occurs and is continuing, then, the Trustee, by notice to the Company, or noteholders of at least 25% of the aggregate principal amount of Notes then outstanding, by notice to the Company and the Trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding to become due and payable immediately. However, notwithstanding the foregoing, the Company may elect, at its option, that the sole remedy for an Event of Default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture consists exclusively of the right of the noteholders to receive special interest on the Notes for up to 270 days at a specified rate per annum not exceeding 0.50% on the principal amount of the Notes.

In September 2023, the Company entered into privately negotiated exchange agreements with certain holders of its Notes. In total, the Company exchanged $416.8 million principal amount of Notes for an aggregate 31,722,417 shares of Company common stock. The Company evaluated the exchange of debt to determine if it was an extinguishment or a modification of the debt. Due to the addition of a substantive conversion feature, the Company determined that the exchange was an extinguishment of debt. The Company measured the gain on extinguishment of debt based on the carrying value of the Notes, the fair value of the Company's common stock issued in the exchange and related transaction costs. The Company recorded a gain on the exchange of Notes for the Company's common stock in the amount of $82.6 million to "Net gain from extinguishment of debt" on the Consolidated Statements of Comprehensive Income (Loss).
The Company is permitted and may seek to repurchase additional Notes prior to the maturity date, whether through privately negotiated purchases, open market purchases, or otherwise.

As of December 31, 2023 and December 31, 2022, Notes outstanding, net of unamortized discounts of approximately $5.1 million and $15.2 million, respectively, were $325.7 million and $732.3 million, respectively.

Term Loan and RLOC facilities

On October 1, 2021, the Company entered into a Revolving Credit and Security Agreement with Silvergate Bank pursuant to which Silvergate agreed to loan the Company up to $100.0 million on a revolving basis.

On July 28, 2022, the Company entered into a new Revolving Credit and Security Agreement (the "Agreement" or "RLOC") with Silvergate Bank (the "Bank") pursuant to which Silvergate agreed to loan the Company up to $100.0 million on a revolving basis pursuant to the terms of the Agreement. This facility refinanced and replaced an existing $100.0 million facility the Company had in place with the Bank. On the same date the Company also entered into a $100.0 million principal term loan facility (the "Term Loan").

On February 6, 2023, the Company provided Silvergate Bank with the required 30 days' notice stating the Company's intent to prepay the outstanding balance on its term loan facility as well as the Company's intent to terminate the term loan facility. The Company and Silvergate subsequently agreed to also terminate the RLOC facility. On March 8, 2023, the term loan prepayment was completed, and the Company's term loan and RLOC facilities with Silvergate Bank were terminated and the Company recorded a loss in the amount of $0.3 million to "Net gain from extinguishment of debt" on the Consolidated Statements of Comprehensive Income (Loss).

NOTE 15 – LEASES

In February 2016, the FASB issued ASU No. 2016-02 - *Leases* ("ASC 842") related to the accounting for leases. ASC 842 establishes a right-of-use ("ROU") model, that requires a lessee to record a ROU asset and a lease liability on the Consolidated Balance Sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the expense recognition in the Consolidated Statements of Comprehensive Income (Loss). Effective January 1, 2019, the Company adopted ASC 842. The Company determines if an arrangement contains a lease at inception based on whether or not the Company has the right to control the asset during the contract period and other facts and circumstances.

The Company leases office space in the United States under operating lease agreements. The Company also entered into an arrangement with Applied Blockchain for the use of energized cryptocurrency mining facilities under which the Company pays for electricity per megawatt based on usage. The Company has determined that it has embedded operating leases at two of the facilities governed by this arrangement that commenced in January and March 2023, and has elected not to separate lease and non-lease components. Payments made for these two operating leases are entirely variable and are based on usage of electricity, and the Company therefore does not record a ROU asset or lease liability associated with the leases. Variable lease cost during the year ended December 31, 2023 are disclosed in the table below. Office space and mining facilities comprise the Company's material underlying asset class under operating lease agreements. The Company has no material finance leases.

As of December 31, 2023, the Company's ROU assets and total lease liabilities were $0.4 million and $0.5 million, respectively. As of December 31, 2022, the Company's ROU assets and total lease liabilities were $1.3 million and $1.3 million, respectively. The Company has amortized the right-of-use assets totaling $0.3 million and $0.1 million for the year ended December 31, 2023 and 2022, respectively.

Operating lease costs are recorded on a straight-line basis within operating expenses. The Company's total lease expense is comprised of the following:

	For the year ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Operating leases			
Operating lease cost	$ 315	$ 327	$ —
Operating lease expense	315	327	—
Short-term lease rent expense	36	29	31
Variable lease cost	80,108	—	—
Total rent expense	$ 80,459	$ 356	$ 31

Additional information regarding the Company's leasing activities is as follows:

	For the year ended December 31,		
	2023	**2022**	**2021**
Operating cash flows from operating leases	$ (32)	$ 67	$ —
Weighted-average remaining lease term – operating leases	3.2	3.9	0
Weighted-average discount rate – operating leases	5 %	5 %	— %

The following table presents the Company's future minimum operating lease payments as of December 31, 2023:

Year	**Amount** *(in thousands)*
2024	$ 166
2025	143
2026	147
2027	63
2028	—
Thereafter	—
Total	519
Less: Imputed interest	(41)
Present value of lease liability	$ 478

NOTE 16 - LEGAL PROCEEDINGS

Compute North Bankruptcy

On September 22, 2022, Compute North Holdings, Inc. (currently d/b/a Mining Project Wind Down Holdings, Inc.) and certain of its affiliates (collectively, "Compute North") filed for chapter 11 bankruptcy protection. Compute North provided operating services to the Company and hosted its mining rigs at multiple facilities. The Company delivered miners to Compute North, which then installed the mining rigs at those facilities, operated and maintained the mining rigs, and provided energy to keep the miners operating. During the course of the chapter 11 cases, Compute North sold substantially all of their assets in a series of 363 sale transactions, including Compute North's ownership interests in non-debtor entities that own or partially own facilities that house the Company's miners.

On November 23, 2022, the Company and certain of its affiliates timely filed proofs of claim asserting various claims against Compute North, including: (i) claims arising under hosting agreements between the Company and Compute North LLC; (ii) claims arising under that certain Senior Promissory Note, dated as of July 1, 2022, by and between the Company, as Lender, and Compute North LLC, as Borrower; (iii) claims arising from the breach of a letter of intent between us and Compute North LLC; and (iv) claims for daily lost revenue, profits and other damages against Compute North

On February 9, 2023, the Bankruptcy Court approved a settlement stipulation between the Company and Compute North, pursuant to which the proofs of claim filed by the Company and certain of its affiliates were resolved, and the Company received a single allowed unsecured claim against Compute North LLC in the amount of $40.0 million and its Preferred Equity Interests in Compute North Holdings, Inc. in the amount of 39,597 shares of Series C Preferred Stock was confirmed. In exchange, the Company agreed to vote in favor of Compute North's chapter 11 plan.

On February 16, 2023, the Bankruptcy Court confirmed Compute North's chapter 11 plan (the "Plan"), pursuant to which Compute North will liquidate its remaining assets and distribute proceeds arising therefrom in accordance with the waterfall set forth in the Plan. In its disclosure statement filed on December 19, 2022, the Compute North Debtors projected that holders of allowed general unsecured claims could recover anywhere between 8% to 65% on their claims, while holders of preferred equity interests are expected to recover nothing on their interests. The Plan became effective on March 31, 2023. At this time, the Company cannot predict the quantum of its potential recovery on account of its allowed general unsecured claim and preferred equity interests or the timing of when it would receive any distributions under the Plan on account of its claims and interests.

Derivative Complaints

On February 18, 2022, a shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's board of directors (the "Board") and senior management. The complaint is based on allegations substantially similar to the allegations in the December 2021 putative class action complaint, related to the Company's disclosure of an SEC investigation the Company previously made on November 15, 2021. On March 4, 2022, the Company was served the complaint. On April 4, 2022, the defendants moved to dismiss the complaint.

On May 5, 2022, a second shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's Board and senior management. The second shareholder derivative complaint is based on allegations substantially similar to the allegations in the February 18, 2022 derivative complaint. On May 11, 2022, the defendants moved to dismiss the second shareholder derivative complaint.

On June 1, 2022, the Court entered an order consolidating the two derivative actions. A June 13, 2022 scheduling order provided for plaintiffs to file a consolidated complaint and for renewed motions to dismiss the consolidated shareholder derivative complaint. On November 22, 2022, before a consolidated complaint was due, plaintiffs voluntarily dismissed both actions without prejudice. On November 23, 2022, both actions were closed.

On June 22, 2023, a shareholder derivative complaint was filed in the Circuit Court of the 17th Judicial Circuit for Broward County, Florida, against current members of the Company's Board and senior management, alleging claims for breach of fiduciary duty and unjust enrichment based on allegations substantially similar to the allegations in the March 30, 2023 putative class action complaint.

On July 8, 2023, a second shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's Board and senior management, alleging claims under Sections 14(a), 10(b), and 21D of the Securities Exchange Act of 1943 (the "Exchange Act"), and for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, based on allegations substantially similar to the allegations in the March 30, 2023 putative class action complaint.

On July 12, 2023, a third shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's Board and senior management, alleging claims under Section 14(a) of the Exchange Act and for breach of fiduciary duty, based on allegations substantially similar to the allegations in the March 30, 2023 putative class action complaint.

On July 13, 2023, a fourth shareholder derivative complaint was filed in the Circuit Court of the 17th Judicial Circuit for Broward County, Florida, against current members of the Company's Board and senior management, alleging claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, based on allegations substantially similar to the allegations in the March 30, 2023 putative class action complaint.

On August 14, 2023, the two derivative actions pending in the United States District Court for the District of Nevada were consolidated (the "Nevada Derivative Action"). On October 16, 2023, the parties to the derivative actions pending in the Circuit Court of the 17th Judicial Circuit for Broward County, Florida filed an agreed order to stay both actions pending completion of the Nevada Derivative Action.

Putative Class Action Complaint

On March 30, 2023, a putative class action complaint was filed in the United States District Court for the District of Nevada, against the Company and present and former senior management, alleging claims under Section 10(b) and 20(a) of the Exchange Act arising out of the Company's announcement of accounting restatements on February 28, 2023. The defendants' time to respond has been extended until after the appointment of a lead plaintiff. To date, no lead plaintiff has been appointed.

Information Subpoena

On October 6, 2020, the Company entered into a series of agreements with multiple parties to design and build a data center for up to 100-megawatts in Hardin, Montana. In conjunction therewith, the Company filed a Current Report on Form 8-K on October 13, 2020. Such Current Report of Form 8-K discloses that, pursuant to a Data Facility Services Agreement, the Company issued 6,000,000 shares of restricted common stock, in transactions exempt from registration under Section 4(a)(2) of the Securities Act of 1933(the "Securities Act"). During the quarter ended September 30, 2021, the Company and certain of its executives received a subpoena to produce documents and communications concerning the Hardin, Montana data center facility described in the Company's Current Report on Form 8-K dated October 13, 2020. The Company received an additional subpoena from the SEC on April 10, 2023, relating to, among other things, transactions with related parties. The Company understands that the SEC may be investigating whether or not there may have been any violations of the federal securities law. The Company is cooperating with the SEC.

Ho v. Marathon

On January 14, 2021, Plaintiff Michael Ho ("Plaintiff" or "Ho") filed a Civil Complaint for Damages and Restitution (the "Complaint") against the Company. The Complaint alleges six causes of action against the Company:

1) Breach of Written Contract;

2) Breach of Implied Contract;

3) Quasi-Contract;

4) Services Rendered;

5) Intentional Interference with Prospective Economic Relations; and

6) Negligent Interference with Prospective Economic Relations, which is the one plead against "all Defendants" and is most likely to involve later named defendants.

The claims arise from the same set of facts where Ho alleges that the Company profited from commercially-sensitive information he shared with the Company and then it refused to compensate him for his role in securing the acquisition of a supplier of energy for the Company. On February 22, 2021, the Company responded to the Complaint with a general denial and the assertion of applicable affirmative defenses. Then, on February 25, 2021, the Company removed the action to the United States District Court in the Central District of California, where the action remains pending. The Company filed a motion for summary judgment/adjudication of all causes of action. On February 11, 2022, the Court granted the motion and dismissed Ho's 2nd, 5th and 6th causes of action. Discovery is substantially closed. The Court held a pre-trial conference on February 24, 2022, where it vacated the March 3, 2022 trial date and ordered the parties to meet and confer on a new trial date. The Court discussed the various theories of damages maintained by the parties. In its ruling on the summary judgment motion and at the pre-trial conference on February 24, 2022, the Court noted that a jury is more likely to accept \$0.2 million as an appropriate damages amount if liability is found, as opposed to the various theories espoused by Ho that result in multi-million-dollar recoveries. Due to outstanding issues of fact and law, it is impossible to predict the outcome at this time; however, after consulting legal counsel, the Company is confident that it will prevail in this litigation, since it did not have a contract with Mr. Ho and he did not disclose any commercially-sensitive information under any mutual nondisclosure agreement that was used to structure any joint venture with energy providers. The trial is likely to commence on or around April 8, 2024.

NOTE 17 - RELATED PARTY TRANSACTIONS

Parties are considered related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions.

During September 2023, the Company entered into an agreement with Auradine to secure certain rights to future purchases by the Company from Auradine for which the Company paid $15.0 million. Said Ouissal, a director of the Company, currently owns approximately 5% of the issued and outstanding shares of Auradine, and Fred Thiel, the Company's Chairman and CEO, is a member of Auradine's Board of Directors.

NOTE 18 – QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present summarized unaudited quarterly financial data from the Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2023, three and six months ended June 30, 2023, and three and nine months ended September 30, 2023, based on the Company's early adoption of ASU 2023-08, as described in Note 4 - Digital Assets. This quarterly information has been prepared on the same basis as the Consolidated Financial Statements and includes all adjustments necessary to state fairly the information for the interim periods presented, which management considers necessary for a fair presentation when read in conjunction with the Consolidated Financial Statements and notes. The Company believes these comparisons of consolidated quarterly selected financial data are not necessarily indicative of future performance.

Consolidated Balance Sheets

	As of March 31, 2023		
(in thousands)	**As Reported**	**Adoption Adjustment**	**As Adjusted**
Digital assets	$ 189,087	$ 137,400	$ 326,487

Consolidated Statements of Comprehensive Income (Loss)

	Three months ended March 31, 2023		
(in thousands, except share and per share data)	**As Reported**	**Adoption Adjustment**	**As Adjusted**
Total revenues	$ 51,132	$ —	$ 51,132
Total margin (total revenues less total cost of revenues)	22	—	22
Impairment of digital assets	(6,151)	6,151	—
Gains (losses) on digital assets and digital assets loan receivable	17,615	119,783	137,398
Operating income (loss)	(3,858)	125,934	122,076
Net income (loss)	$ (7,235)	$ 125,934	$ 118,699
Net income (loss) per share of common stock - basic	$ (0.05)	$ 0.79	$ 0.75
Weighted average common shares - basic	159,186,506	—	159,186,506
Net income (loss) per share of common stock - diluted	$ (0.05)	$ 0.76	$ 0.72
Weighted average common shares - diluted	159,186,506	9,812,955	168,999,461

Consolidated Balance Sheets

(in thousands)	As of June 30, 2023 As Reported	Adoption Adjustment	As Adjusted
Digital assets	$ 234,412	$ 147,580	$ 381,992

Consolidated Statement of Comprehensive Income (Loss)

	Three months ended June 30, 2023			Six months ended June 30, 2023		
(in thousands, except share and per share data)	**As Reported**	**Adoption Adjustment**	**As Adjusted**	**As Reported**	**Adoption Adjustment**	**As Adjusted**
Total revenues	$ 81,759	$ —	$ 81,759	$ 132,891	$ —	$ 132,891
Total margin (total revenues less total cost of revenues)	(10,738)	—	(10,738)	(10,716)	—	(10,716)
Impairment of digital assets	(8,363)	8,363	—	(14,514)	14,514	—
Gains (losses) on digital assets and digital assets loan receivable	23,354	1,808	25,162	40,969	121,591	162,560
Operating income (loss)	(16,238)	10,171	(6,068)	(20,097)	136,105	116,008
Net income (loss)	$ (19,133)	$ 10,171	$ (8,962)	$ (26,368)	$ 136,105	$ 109,737
Net income (loss) per share of common stock - basic	$ (0.13)	$ 0.06	$ (0.07)	$ (0.17)	$ 0.83	$ 0.66
Weighted average common shares - basic	168,474,882	—	168,474,882	163,856,352	—	163,856,352
Net income (loss) per share of common stock - diluted	$ (0.13)	$ 0.06	$ (0.07)	$ (0.17)	$ 0.83	$ 0.66
Weighted average common shares - diluted	168,474,882	—	168,474,882	163,856,352	9,883,712	173,740,064

Consolidated Balance Sheets

(in thousands, except share and per share data)	As of September 30, 2023		
	As Reported	Adoption Adjustment	As Adjusted
Digital assets	$ 286,801	$ 82,996	$ 369,797

Consolidated Statements of Comprehensive Income (Loss)

(in thousands, except share and per share data)	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	As Reported	Adoption Adjustment	As Adjusted	As Reported	Adoption Adjustment	As Adjusted
Total revenues	$ 97,849	$ —	$ 97,849	$ 230,740	$ —	$ 230,740
Total margin (total revenues less total cost of revenues)	(15,327)	—	(15,327)	(26,043)	—	(26,043)
Impairment of digital assets	(11,885)	11,885	—	(26,399)	26,399	—
Gains (losses) on digital assets and digital assets loan receivable	31,720	(76,412)	(44,692)	72,689	45,179	117,868
Operating income (loss)	(15,633)	(64,527)	(80,160)	(35,730)	71,578	35,848
Net income (loss)	$ 64,137	$ (64,527)	$ (390)	$ 37,769	$ 71,578	$ 109,347
Net income (loss) per share of common stock - basic	$ 0.36	$ (0.36)	$ —	$ 0.21	$ 0.42	$ 0.63
Weighted average common shares - basic	179,602,722	—	179,602,722	169,162,821	—	169,162,821
Net income (loss) per share of common stock - diluted	$ 0.35	$ (0.69)	$ (0.34)	$ 0.21	$ 0.06	$ 0.27
Weighted average common shares - diluted	189,506,521	(5,769,751)	183,736,770	169,162,821	5,230,287	174,393,108

Additionally, the following table presents summarized unaudited quarterly financial data from the Consolidated Statements of Comprehensive Loss for each of the quarters in the periods ended December 31, 2022, based on the Company's voluntary change in accounting principle from LIFO to FIFO. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter. Basic and diluted net loss per share calculations for each quarter are based on the weighted average diluted shares outstanding for that quarter and may not sum to the full year total amount presented on our Consolidated Statements of Comprehensive Loss.

(in thousands, except per share data)	For the three months ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Total revenues	$ 51,723	$ 24,923	$ 12,690	$ 28,417
Total margin (total revenues less total cost of revenues)	25,324	(16,473)	(27,378)	(15,144)
Operating loss	(20,216)	(198,151)	(44,025)	(410,925)
Net loss	$ (17,109)	$ (212,626)	$ (72,462)	$ (391,598)
Net loss per share - basic and diluted:	$ (0.17)	$ (1.94)	$ (0.62)	$ (3.12)

NOTE 19 – SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION

The following table provides supplemental disclosure of Consolidated Statements of Cash Flows information:

	Year Ended December 31,		
	2023	2022	2021
Supplemental information			
Cash paid during the year for:			
Income taxes	$ 723	$ 7	$ —
Interest	7,392	11,432	—
Supplemental schedule of non-cash investing and financing activities:			
Operating lease assets obtained in exchange for new operating lease liabilities	$ —	$ 1,539	$ —
Collection of loan denominated in Bitcoin	—	27,784	—
Issuance of loan denominated in Bitcoin	—	—	(27,784)
Digital currencies transferred from fund	—	137,844	—
Reclassifications from advances to vendor to property and equipment upon receipt of equipment	551,418	337,485	—
Common stock issued for service and license agreements	—	4,577	11,135
Warrants exercised into common stock	—	—	1,371
Exchange of convertible notes for common stock	318,771	—	—
Dividends received from equity method investment	2,161	—	—
Series A preferred stock accretion to redemption value	2,121	—	—

NOTE 20 – SUBSEQUENT EVENTS

On January 12, 2024, the Company, through its wholly owned subsidiary MARA USA Corporation, completed its acquisition of100% of the issued and outstanding equity interests (the "Transaction") of GC Data Center Equity Holdings, LLC, pursuant to which the Company acquired two operational bitcoin mining sites, for an aggregate390 megawatts of operational capacity for $179.0 million cash consideration, subject to customary working capital adjustments.

In February 2024, we intend to commence the 2024 ATM pursuant to the ATM Agreement, under which we may offer and sell shares of our common stock from time to time through Wainwright having an aggregate offering price of up to $1.5 billion.

NOTE 21 - VOLUNTARY CHANGE IN ACCOUNTING PRINCIPLE

During the quarter ended March 31, 2023, the Company enacted a voluntary change in accounting principle from last-in-first-out ("LIFO") to first-in-first-out ("FIFO") in order to more accurately reflect the disposition of its digital assets. The change from LIFO to FIFO impacted the carrying value of digital asset loans made in August 2021 and December 2021, which was terminated at the point of repayment in kind for both loans in June 2022. The change in accounting principle resulted in a decrease in the carrying value of digital assets loaned and increased the gain on loaned digital assets for the year ended December 31, 2021. The change in accounting principle resulted in additional impairment of digital assets during the quarters ended March 31, 2023 and June 30, 2023. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the change has been reflected in the Consolidated Statements of Comprehensive Income (Loss) through retrospective application to the year ended December 31, 2021.

The impacts of the voluntary change in accounting principle from LIFO to FIFO are as follows:

Consolidated Balance Sheets

	As of December 31, 2021		
(in thousands)	As Reported	Adoption Adjustment	As Adjusted
Digital assets	$ 95,227	$ 9,677	$ 104,904
Deferred tax liabilities	(22,575)	(2,393)	(24,968)
Accumulated deficit	(153,603)	7,284	(146,319)

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31, 2021		
(in thousands, except share and per share data)	As Reported	Adoption Adjustment	As Adjusted
Total revenues	$ 159,163	$ —	$ 159,163
Total margin (total revenues less total cost of revenues)	116,767	—	116,767
Impairment of digital assets	(30,329)	8,077	(22,252)
Gains on digital assets and digital assets loan receivable	557	1,600	2,157
Operating income (loss)	(12,665)	9,677	(2,988)
Income tax expense	(22,575)	(2,393)	(24,968)
Net income (loss)	$ (37,097)	$ 7,284	$ (29,813)
Net income (loss) per share - basic and diluted	$ (0.37)	$ 0.07	$ (0.30)
Weighted average common shares - basic and diluted	99,337,587	—	99,337,587

Consolidated Balance Sheets

	As of December 31, 2022		
(in thousands)	As Reported	Adoption Adjustment	As Adjusted
Accumulated deficit	$ 840,341	$ —	$ 840,341

Consolidated Statements of Comprehensive Loss

	Year Ended December 31, 2022		
(in thousands, except share and per share data)	As Reported	Adoption Adjustment	As Adjusted
Total revenues	$ 117,753	$ —	$ 117,753
Total margin (total revenues less total cost of revenues)	(33,671)	—	(33,671)
Impairment of digital assets	(173,214)	(9,677)	(182,891)
Operating loss	(663,866)	(9,677)	(673,543)
Income tax benefit	21,839	2,393	24,232
Net loss	$ (686,738)	$ (7,284)	$ (694,022)
Net loss per share - basic and diluted	$ (6.05)	$ (0.07)	$ (6.12)
Weighted average common shares - basic and diluted	113,467,837	—	113,467,837

ITEM 9A. CONTROLS AND PROCEDURES

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, the Company's management concluded that its disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2023 due to the previously identified material weakness.

As further discussed below under "Management's Annual Report on Internal Control Over Financial Reporting," management has identified certain material weaknesses, as set forth below. The Company has developed a remediation plan for the weaknesses, which is described below under "Remediation." As a result of such material weaknesses, the report of the Company's independent registered public accounting firm for the fiscal year ended December 31, 2023, Marcum LLP, regarding its audit of the Company's internal control over financial reporting as of December 31, 2023, which is included below under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting," expresses an adverse opinion on the Company's internal control over financial reporting as of December 31, 2023.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim Consolidated Financial Statements will not be prevented or detected on a timely basis.

Management utilized the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to assess the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. Based on that assessment and the material weaknesses described below, Marathon's management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2023. The registered public accounting firm that audited our Consolidated Financial Statements within this Annual Report has issued an attestation report on our internal control over financial reporting.

Material Weaknesses in Internal Control and Plan for Remediation

Based on its evaluation, management previously identified a material weakness in internal control over financial reporting that remained open as of year-end. The material weakness included:

- A material weakness related to the ineffective design or implementation of information technology general controls or an alternative key manual control to prevent or detect material misstatements in revenue.

The material weaknesses associated with the design and implementation of the manual control over revenue recognition did not result in a material misstatement to the Company's previously issued Consolidated Financial Statements, nor in the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Remediation

The Company's Board of Directors and management take internal control over financial reporting and the integrity of its financial statements seriously. During period ended December 31, 2023, Management implemented measures that remediate the previously identified material weakness disclosed in the Form 10-Q filed for the period ended September 30, 2023 related to the application and interpretation of generally accepted accounting principles ("GAAP") by the addition of dedicated internal resources, including a new Chief Financial Officer, that had the experience and competency that effectively enhanced the Company's capabilities in the application of and interpretation of GAAP as well as financial reporting.

Management continues to work to improve its controls associated with the material weakness related to the ineffective design or implementation of information technology general controls or an alternative key manual control to prevent or detect material misstatements in revenue. During the year ended December 31, 2023, Management added an additional dedicated internal controls resource that worked extensively with management to design and implement information technology ("IT") controls. The Company also designed and implemented manual controls to detect material misstatements in revenue. The Company continues to work with relevant system vendors that provide services that impact the Company's revenue recognition process. The Company made significant progress with the vendors during the year ended December 31, 2023 however, work remains to ensure reliability of the data used for the manual controls designed. Management will continue to implement measures to remediate the material weakness, such that these controls are designed, implemented, and operating effectively. In order to achieve the timely implementation of the above, Management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- Continue to utilize external third-party audit and SOX 404 implementation firms to enable the Company to improve the Company's controls related to its material weakness; and

- Continue to evaluate existing processes and implement new processes and controls where necessary in connection with remediating the Company's material weakness, such that these controls are designed, implemented, and operating effectively.

- Continue to work and guide our vendors in the industry that are not accustomed to SOX requirements to enhance and progress the industry forward to be fully SOX compliant.

The Company recognizes that the material weakness in its internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and can be tested and concluded by management to be designed and operating effectively. Because the Company's remediation efforts are ongoing, it cannot provide any assurance that these remediation efforts will be successful or that its internal control over financial reporting will be effective as a result of these efforts.

The Company continues to evaluate and work to improve its internal control over financial reporting related to the identified material weaknesses, and management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above. In addition, the Company will report the progress and status of the above remediation efforts to the Audit Committee on a periodic basis.

As part of the Company's ongoing program to implement changes and further improve its internal controls and in conjunction with is Code of Ethics, the Company's independent directors have been working with management to include protocols and measures aimed at ensuring quality of its internal controls. Among those measures is the implementation of a whistle blower hotline, which allows third parties to anonymously report noncompliant activity. The hotline may be accessed as follows:

To file a report, use the Client Code "MarathonPG" and pick one of the following options:

- Call: 1-877-647-3335

- Click: http://www.RedFlagReporting.com

Change in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting other than the ongoing remediation efforts undertaken by management.

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>

To the Stockholders and Board of Directors of Marathon Digital Holdings, Inc.

Adverse Opinion on Internal Control over Financial Reporting

We have audited Marathon Digital Holdings, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in "Management's Annual Report on Internal Control Over Financial Reporting":

- The Company has not designed or implemented effective information technology general controls or an alternative manual control to prevent or detect material misstatements in revenue.

This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the fiscal December 31, 2023 consolidated financial statements, and this report does not affect our report dated February 28, 2024 (except for Notes 8 and 21, as to which the date is May 24, 2024) on those financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2023 and 2022 and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, of the Company and our report dated February 28, 2024 (except for Notes 8 and 21, as to which the date is May 24, 2024) expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management Annual Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, California
February 28, 2024

PART IV

ITEM 15. EXHIBITS

The following exhibits are filed as part of this Annual Report.

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Provided Herewith
23.1	Consent of Marcum LLP				X
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 24, 2024

MARATHON DIGITAL HOLDINGS, INC.

By:	*/s/ Fred Thiel*
Name:	Fred Thiel
Title:	Chief Executive Officer and Chairperson of the Board (Principal Executive Officer)

By:	*/s/ Salman Khan*
Name:	Salman Khan
Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 23.1

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Marathon Digital Holdings, Inc. on Form S-3, (File Nos. 333-241688, 333-251309, 333-252053, 333-262656 and 333-275149), and Form S-8 (File Nos. 333-239565, 333-252950 and 333-258928) of our report dated February 28, 2024 (except for Notes 8 and 21, as to which the date is May 24, 2024), with respect to our audits of the Consolidated Financial Statements of Marathon Digital Holdings, Inc. as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and our report dated February 28, 2024 with respect to our audit of internal control over financial reporting of Marathon Digital Holdings, Inc. as of December 31, 2023, which reports are included in this Annual Report on Form 10-K of Marathon Digital Holdings, Inc. for the year ended December 31, 2023.

Our report on the Consolidated Financial Statements refers to changes in the method of accounting for digital assets effective January 1, 2023.

Our report on the effectiveness of internal control over financial reporting expressed an adverse opinion because of the existence of a material weakness.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, CA
May 24, 2024

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Fred Thiel, certify that:

1. I have reviewed this annual report on Form 10-K of Marathon Digital Holdings, Inc. for the period ended December 31, 2023;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 24, 2024	By:	*/s/ Fred Thiel*
		Fred Thiel
		Chief Executive Officer and Chairperson of the Board (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Salman Khan, certify that:

1. I have reviewed this annual report on Form 10-K of Marathon Digital Holdings, Inc. for the period ended December 31, 2023;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Dated: May 24, 2024	By:	*/s/ Salman Khan*
		Salman Khan
		Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Marathon Digital Holdings, Inc. (the "Company"), does hereby certify, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 24, 2024	By:	*/s/ Fred Thiel* Fred Thiel Chief Executive Officer and Chairperson of the Board (Principal Executive Officer)
Dated: May 24, 2024	By:	*/s/ Salman Khan* Salman Khan Chief Financial Officer (Principal Financial and Accounting Officer)