

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-36555

MARATHON DIGITAL HOLDINGS, INC.

(Exact name of registrant as specified in charter)

| | |
|---|---|
| Nevada | 01-0949984 |
| (State or other jurisdiction of incorporation) | (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 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 | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 3, 2024, the number of outstanding shares of the registrant's common stock, par value \$0.0001 per share, was 272,956,165.

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, "Marathon," "we," "us," "our," the "Company," and similar terms refer to Marathon Digital Holdings, Inc., a Nevada corporation, and its subsidiaries.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------------|------------------------------------|
| <i>(in thousands, except share and per share data)</i> | <i>(unaudited)</i> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 324,268 | \$ 357,313 |
| Digital assets | 1,234,695 | 639,660 |
| Accounts receivable, net | 8,368 | — |
| Deposits | 40,855 | 7,240 |
| Prepaid expenses and other current assets | 32,574 | 25,590 |
| Total current assets | 1,640,760 | 1,029,803 |
| Property and equipment, net | 802,332 | 671,772 |
| Advances to vendors | 261,140 | 95,589 |
| Investments | 112,203 | 106,292 |
| Long-term deposits | 59,164 | 59,790 |
| Long-term prepaids | 21,055 | 27,284 |
| Right-of-use assets | 7,817 | 443 |
| Goodwill | 30,852 | — |
| Intangible assets, net | 21,664 | — |
| Total long-term assets | 1,316,227 | 961,170 |
| TOTAL ASSETS | \$ 2,956,987 | \$ 1,990,973 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 33,274 | \$ 11,343 |
| Accrued expenses | 32,242 | 22,291 |
| Derivative instrument | 4,263 | — |
| Operating lease liabilities | 1,352 | 124 |
| Total current liabilities | 71,131 | 33,758 |
| Long-term liabilities: | | |
| Notes payable | 326,083 | 325,654 |
| Operating lease liabilities | 13,060 | 354 |
| Deferred tax liabilities | 52,842 | 15,286 |
| Other long-term liabilities | 16,978 | — |
| Total long-term liabilities | 408,963 | 341,294 |
| Stockholders' Equity: | | |
| Preferred stock, par value \$0.0001 per share, 50,000,000 shares authorized and no shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively | — | — |
| Common stock, par value \$0.0001 per share, 500,000,000 shares authorized; 268,944,172 shares and 242,829,391 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively | 27 | 24 |
| Additional paid-in capital | 2,707,333 | 2,183,537 |
| Accumulated deficit | (230,467) | (567,640) |
| Total stockholders' equity | 2,476,893 | 1,615,921 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,956,987 | \$ 1,990,973 |

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | Three Months Ended March 31, | |
|--|-------------------------------------|--------------------|
| | 2024 | 2023 |
| <i>(in thousands, except share and per share data)</i> | | |
| Total revenues | 165,198 | 51,132 |
| Costs and expenses | | |
| Cost of revenues | | |
| Mining and hosting services | (90,211) | (33,377) |
| Depreciation and amortization | (77,995) | (17,733) |
| Total cost of revenues | (168,206) | (51,110) |
| Operating expenses | | |
| General and administrative expenses | (73,311) | (15,135) |
| Gains on digital assets | 488,807 | 137,398 |
| Change in fair value of derivative | (15,252) | — |
| Early termination expenses | (22,097) | — |
| Amortization of intangible assets | (2,969) | — |
| Research and development | (2,466) | (209) |
| Total operating expenses | 372,712 | 122,054 |
| Operating income | 369,704 | 122,076 |
| Gain on investments | 5,236 | — |
| Net loss from extinguishment of debt | — | (333) |
| Loss on hedge instruments | (2,292) | — |
| Equity in net income of unconsolidated affiliate | 1,259 | — |
| Interest expense | (1,256) | (3,760) |
| Other non-operating income | 2,573 | 791 |
| Income before income taxes | 375,224 | 118,774 |
| Income tax expense | (38,051) | (75) |
| Net income | \$ 337,173 | \$ 118,699 |
| Net income per share of common stock - basic | \$ 1.30 | \$ 0.75 |
| Weighted average shares of common stock - basic | 259,098,664 | 159,186,506 |
| Net income per share of common stock - diluted | \$ 1.26 | \$ 0.72 |
| Weighted average shares of common stock - diluted | 267,912,443 | 168,999,461 |

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

For the Three Months Ended March 31, 2024

| | Common Stock | | Additional Paid- in Capital | Accumulated Deficit | Total Stockholders' Equity |
|--|--------------------|--------------|--------------------------------|------------------------|----------------------------------|
| | Number | Amount | | | |
| <i>(in thousands, except share data)</i> | | | | | |
| Balance at December 31, 2023 | 242,829,391 | \$ 24 | \$ 2,183,537 | \$ (567,640) | \$ 1,615,921 |
| Stock-based compensation, net of tax withholding | 2,312,768 | — | 51,041 | — | 51,041 |
| Issuance of common stock, net of offering costs/At-the-Market offering | 24,663,351 | 3 | 489,290 | — | 489,293 |
| Repurchase of shares in settlement of restricted stock | (861,338) | — | (16,535) | — | (16,535) |
| Net income | — | — | — | 337,173 | 337,173 |
| Balance at March 31, 2024 | 268,944,172 | \$ 27 | \$ 2,707,333 | \$ (230,467) | \$ 2,476,893 |

For the Three Months Ended March 31, 2023

| | Common Stock | | Additional Paid- in Capital | Accumulated Deficit | Total Stockholders' Equity |
|--|--------------------|--------------|--------------------------------|------------------------|----------------------------------|
| | Number | Amount | | | |
| <i>(in thousands, except share data)</i> | | | | | |
| Balance at December 31, 2022 | 145,565,916 | \$ 15 | \$ 1,226,267 | \$ (840,341) | \$ 385,941 |
| Stock-based compensation, net of tax withholding | 336,511 | — | 3,868 | — | 3,868 |
| Issuance of common stock, net of offering costs/At-the-market offering | 21,357,175 | 2 | 163,293 | — | 163,295 |
| Cumulative effect of the adoption of ASU 2023-08 | — | — | — | 11,483 | 11,483 |
| Net income | — | — | — | 118,699 | 118,699 |
| Balance at March 31, 2023 | 167,259,602 | \$ 17 | \$ 1,393,428 | \$ (710,159) | \$ 683,286 |

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 337,173 | \$ 118,699 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 77,995 | 17,733 |
| Deferred tax expense | 37,556 | 75 |
| Gains on digital assets | (488,807) | (137,398) |
| Gain on investments | (5,236) | — |
| Loss on hedge instruments | 2,292 | — |
| Stock-based compensation | 51,913 | 3,945 |
| Change in fair value of derivative | 15,252 | — |
| Early termination expenses | 22,097 | — |
| Amortization of intangible assets | 2,969 | — |
| Amortization of debt issuance costs | 429 | 971 |
| Equity in net income of unconsolidated affiliate | (1,259) | — |
| Loss on extinguishment of debt, net | — | 333 |
| Other adjustments from operations, net | 4,307 | 1,290 |
| Changes in operating assets and liabilities: | | |
| Revenues from digital assets production | (144,423) | (50,941) |
| Accounts receivable | 3,514 | — |
| Deposits | (1,259) | (23,124) |
| Prepaid expenses and other assets | (2,072) | (20,738) |
| Accounts payable and accrued expenses | (781) | (2,303) |
| Net cash used in operating activities | (88,340) | (91,458) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Advances to vendors | (225,166) | (11,565) |
| Acquisition, net of cash acquired | (183,815) | — |
| Deposits for acquisitions | (25,000) | — |
| Purchase of property and equipment | (9,088) | (17,270) |
| Proceeds from sale of digital assets | 44,770 | 62,646 |
| Purchase of digital assets | (7,293) | — |
| Investment in equity method investments | (2,999) | (43,194) |
| Purchase of equity investments | (8,000) | — |
| Net cash used in investing activities | (416,591) | (9,383) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock, net of issuance costs | 489,293 | 163,295 |
| Repurchase of shares in settlement of restricted stock | (16,535) | — |
| Repayments of revolving credit agreement | — | (50,000) |
| Value of shares withheld for taxes | (872) | (77) |
| Net cash provided by financing activities | 471,886 | 113,218 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (33,045) | 12,377 |
| Cash, cash equivalents and restricted cash — beginning of period | 357,313 | 112,505 |
| Cash, cash equivalents and restricted cash — end of period | \$ 324,268 | \$ 124,882 |

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Marathon Digital Holdings, Inc. and subsidiaries (the “Company” or “Marathon”) is a digital asset technology company that is principally engaged in producing or “mining” digital assets with a focus on the Bitcoin ecosystem. The Company incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. In October 2012, the Company commenced its IP licensing operations, at which time the Company’s name was changed to Marathon Patent Group, Inc. The Company purchased digital asset mining machines and established a data center in Canada to mine digital assets in 2017. The Company ceased operations in Canada in 2020 and consolidated all operations in the U.S. at the time. The Company has since expanded bitcoin mining activities across the U.S. and internationally. The Company changed its name to Marathon Digital Holdings, Inc. on March 1, 2021. As of March 31, 2024, the Company is primarily focused 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.

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 unaudited Condensed 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 has prepared the Condensed Consolidated Financial Statements in accordance with U.S. GAAP and regulations of the U.S. Securities and Exchange Commission (the “SEC”) applicable to interim financial information, which permit the omission of certain disclosure to the extent they have not changed materially since the latest annual financial statements. These Condensed Consolidated Financial Statements reflect all adjustments consisting only of normal recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for any future fiscal periods in 2024 or for the full year ending December 31, 2024.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 28, 2024.

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 fair value of assets acquired and liabilities assumed in a business combination, estimates associated with the useful lives of property and equipment, realization of long-lived assets, valuation of derivative instruments, deferred income taxes, unrealized tax positions, and measurement of digital assets. Actual results could differ from those estimates.

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. As of March 31, 2024, substantially all of the Company’s cash and cash equivalents were FDIC insured.

Digital Assets

Digital assets are included in current assets in the Condensed 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. The proceeds from the sale of digital assets are included within investing activities in the accompanying Condensed 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 Condensed Consolidated Statements of Operations. 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 5 – Digital Assets, for further information.

Accounts Receivable

The Company acquired accounts receivable as a result of its acquisition of GC Data Center Equity Holdings, LLC on January 12, 2024, refer to Note 3 - Acquisitions, for further information, which consist of trade receivables. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts, based on historical and customer specific experience, current economic and market conditions. The allowance for doubtful accounts was \$12.2 million as of March 31, 2024.

Deposits

The Company contracts with other service providers for hosting of its equipment 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" in the Condensed Consolidated Balance Sheets.

Derivatives

The Company enters into derivative contracts to manage its exposure to fluctuations in the price of bitcoin and energy costs and not for any other purpose. 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. There were no embedded derivatives requiring separation from the host instrument as of March 31, 2024 and December 31, 2023.

The Company does not elect to designate derivatives as hedges for accounting purposes and as such, records derivatives at fair value with subsequent changes in fair value and settlements recognized in earnings. The Company classifies derivative assets or liabilities in the Condensed Consolidated Balance Sheets as current or non-current based on whether settlement of the instrument could be required within 12 months of the balance sheet date of the Balance Sheets and for derivatives with multiple settlements, based on the term of the contract.

Bitcoin Derivatives

Beginning in the third quarter of 2023, the Company entered into a series of fixed strike option collar contracts to mitigate bitcoin market pricing volatility risk. During the three months ended March 31, 2024, the Company recorded a \$2.3 million loss on derivatives as a non-operating charge in the Condensed Consolidated Statements of Operations, all settled through cash payments. There were no derivative instruments outstanding as of March 31, 2024 and December 31, 2023.

Energy Derivatives

The Company acquired a commodity swap contract as a result of its acquisition of GC Data Center Equity Holdings, LLC on January 12, 2024, refer to Note 3 - Acquisitions, for further information. The commodity swap contract hedges price variability in electricity purchases and expires December 31, 2027. The commodity swap contract meets the definition of a derivative due to terms that provide for net settlement. As of March 31, 2024, the estimated fair value of the Company's derivative instrument was \$4.3 million, estimated using observable market-based inputs classified under Level 2 of the fair value hierarchy. The significant assumptions used in the discounted cash flow model to estimate fair value include the discount rate and electricity forward curves.

During the three months ended March 31, 2024, the Company recorded a \$15.3 million loss to “Change in fair value of derivative” in the Condensed Consolidated Statements of Operations for the change in fair value of the commodity swap contract since January 12, 2024, the acquisition date of GC Data Center Equity Holdings, LLC.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment, as applicable. Property and equipment acquired through business combinations are measured at fair value at the acquisition date. 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 if 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.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not subject to amortization, and instead, assessed for impairment annually at the end of each fiscal year, or more frequently when events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount in accordance with ASC 350 - *Intangibles - Goodwill and Other*.

The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, in which case a quantitative impairment test is not required.

As provided for by ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, the quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired. An impairment loss is recognized for any excess of the carrying amount of the reporting unit over its fair value up to the amount of goodwill allocated to the reporting unit. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

Finite-Lived Intangible Assets

Intangible assets are recorded at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets acquired through business combinations are measured at fair value at the acquisition date.

Intangible assets with finite lives are comprised of customer relationships and intellectual property and are amortized over their estimated useful lives on an accelerated basis over the projected pattern of economic benefits. Finite-lived intangible assets are reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that it is more likely than not that the fair value has been reduced to less than its carrying amount.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805 - *Business Combinations*, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, measured at the acquisition date fair value. The determination of fair value involves assumptions, estimates and judgments. The initial allocation of the purchase price is considered preliminary and therefore subject to change until the end of the measurement period (up to one year from the acquisition date). Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net assets acquired. Contingent consideration is included within the purchase price and is initially recognized at fair value as of the acquisition date. Contingent consideration classified as either an asset or liability, is remeasured to fair value each reporting period, until the contingency is resolved. Changes in contingent consideration period-over-period are recognized in earnings.

Acquisition related expenses are recognized separately from the business combination and are expensed as incurred.

Investments

Investments, which may be made from time to time for strategic reasons, are included in non-current assets in the Condensed 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.

On January 10, 2024, the Company purchased additional shares of Auradine preferred stock with a purchase price of \$8.0 million, bringing the total carrying amount of its investment in Auradine preferred stock to \$48.7 million. The preferred stock purchased on January 10, 2024 was similar to the Company's other investments in Auradine preferred stock and as a result, the Company recorded a \$5.2 million "Gain on investments" in the Condensed Consolidated Statement of Operations to adjust the carrying amount of its investments to an observable price in accordance with the measurement alternative in ASC 321. Refer to Note 15 – Related Party Transactions, for further information.

As of March 31, 2024 and December 31, 2023, 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 Condensed 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 then total carrying amount of its investment in Auradine preferred stock to \$35.5 million, with no noted impairments or other adjustments. Refer to Note 15 – 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.

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 and accounted for as an equity method investment. The ADGM Entity started mining operations during September 2023. During the three months ended March 31, 2024, the Company received a non-monetary dividend in the amount of \$4.4 million associated with approximately 1,950 miners rigs distributed by Zero Two. The Company recorded the mining rigs to property and equipment at fair value and accordingly, recognized an impairment of \$4.1 million that reduced our investment in the ADGM Entity. The Company's share of net operating income was \$5.4 million for the three months ended March 31, 2024. As of March 31, 2024, the Company's investment in the ADGM Entity was \$ 61.4 million and is reflected in "Investments" in the Condensed 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 11 – 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 4 – Revenues, for further information.

Research and Development

Research and development costs consist primarily of contractor costs, equipment, supplies, personnel, and related expenses for research and development activities. Research and development costs are expensed as incurred in accordance with ASC 730 - *Research and Development*, and are included in operating expenses in the Condensed Consolidated Statement of Operations. Research and development costs were \$2.5 million and \$0.2 million, for the three months ended March 31, 2024 and March 31, 2023, respectively.

Income Taxes

Effective Tax Rate

The effective tax rate ("ETR") from continuing operations was 10.14% for the three months ended March 31, 2024, and 0.06% for the three months ended March 31, 2023. The difference between the U.S. statutory tax rate of 21% was primarily due to a change in the valuation allowance as a result of current year activity. The following items caused the quarterly ETR to be significantly different compared to the Company's historic annual ETR:

During the period ended March 31, 2024, the Company concluded, based upon all available evidence, that it was more likely than not that it would have sufficient future taxable income to realize the Company's federal and state deferred tax assets. As a result, the Company is releasing its valuation allowance associated with deferred tax assets, the tax benefit of which is being offset by the tax expense associated with the recording of a deferred tax liability for the increase in the fair value of bitcoin in the Condensed Consolidated Statement of Operations. The Company's conclusion regarding the realizability of such deferred tax assets was based on the scheduled reversal of deferred tax liabilities.

Income Tax in Interim Periods

The Company records its tax expense or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. The income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period.

Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Uncertainties

The Company files federal and state income tax returns. The 2020-2023 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.

The Company does not currently expect any of its remaining unrecognized tax benefits to be recognized in the next twelve months.

Recent 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 Condensed Consolidated Financial Statements and assures that there are proper controls in place to ascertain that the Company's Condensed Consolidated Financial Statements properly reflect the change.

There have been no material changes to our recent accounting pronouncements that were disclosed in our Annual Report on Form 10-K, which was filed with the SEC on February 28, 2024.

NOTE 3 – ACQUISITIONS

GC Data Center Equity Holdings, LLC Acquisition (*Granbury, Texas and Kearney, Nebraska*)

On January 12, 2024, the Company acquired two operational bitcoin mining sites located in Granbury, Texas and Kearney, Nebraska, totaling 390 megawatts of operational capacity from GC Data Center Equity Holdings, LLC for total consideration of \$189.6 million, including a working capital adjustment that was paid during the three months ended March 31, 2024, plus up to an additional \$19.6 million of cash, which amount is contingent on the expansion of additional megawatt capacity at the acquired facilities by certain milestone dates during the three year period following the anniversary of closing. The acquisition is intended to improve efficiencies and the scale of operations through the integration of our technology stack and realization of synergies.

The Company will not be taking on any new hosting services customers and will transition to self-mining at these two sites as existing customer agreements expire or are terminated early.

The following table summarizes the components of total purchase consideration:

| <i>(in thousands)</i> | January 12, 2024 |
|---|-------------------------|
| Initial cash consideration, net of cash acquired | \$ 175,734 |
| Working capital adjustments | 8,081 |
| Estimate fair value contingent earn-out and other | 5,832 |
| Total purchase consideration | \$ 189,647 |

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805 *Business Combinations*.

The following table summarizes the preliminary allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed as of January 12, 2024:

| <i>(in thousands)</i> | January 12, 2024 |
|---------------------------------------|-------------------------|
| Assets | |
| Accounts receivable | \$ 20,411 |
| Other current assets | 8,506 |
| Property and equipment | 132,148 |
| Right-of-use asset | 8,852 |
| Goodwill | 30,852 |
| Customer relationships | 22,000 |
| Derivative instrument | 10,989 |
| Other non-current assets | 6,250 |
| Total assets | <u>\$ 240,008</u> |
| Liabilities | |
| Accounts payable and accrued expenses | \$ 13,940 |
| Lease liability | 13,992 |
| Other long-term liabilities | 22,429 |
| Total liabilities | <u>50,361</u> |
| Total purchase consideration | <u>\$ 189,647</u> |

Goodwill is calculated as the excess of the purchase price over the net assets acquired. The Company expects the goodwill balance to be deductible for tax purposes over a period of 15 years. Goodwill is primarily attributed to growth and efficiency opportunities as well as expected synergies from combining the operations of bitcoin mining sites with the Company.

The gross contractual amounts receivable were \$24.0 million, of which, \$3.6 million is expected to be uncollectible.

The fair value of property and equipment was estimated by applying the cost approach, which estimates fair value using replacement or reproduction cost of an asset of comparable utility, adjusted for loss in value due to depreciation and economic obsolescence. The fair value of the derivative was estimated using a discounted cash flow approach that considers various assumptions including current market prices and electricity forward curves, time value, as well as other relevant economic measures. The fair value of the contingent earn-out was estimated using a discounted cash flow approach, which included assumptions regarding the probability-weighted cash flows of achieving certain capacity development milestones. The fair value of the lease liability was estimated using a discounted cash flow approach, which included assumptions regarding current market prices for similar assets, estimated term and discount rates.

Intangible assets were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The fair values of intangible assets were estimated based on various valuation techniques including the use of discounted cash flow analyses, and multi-period excess earnings valuation approaches, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. These valuation inputs included estimates and assumptions about forecasted future cash flows, long-term revenue growth rates, and discount rates. The fair value of the customer relationships intangible asset was determined using a discounted cash flow model that incorporates the excess earnings method and will be amortized on an accelerated basis over the projected pattern of economic benefits of approximately 4 years. The Company recognized \$2.8 million in expense during the three months ended March 31, 2024 for the amortization of these acquired customer relationships.

The results of acquired facilities have been included from the acquisition date. Included in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2024 was revenues of \$20.8 million and net loss before tax of \$42.5 million, which includes depreciation in the amount of \$5.3 million.

The following table presents unaudited consolidated pro forma results as if the acquisition of the acquired facilities had occurred as of January 1, 2023 for the indicated periods:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|----------------------------|-------------------------------------|-------------|
| | 2024 | 2023 |
| Revenue | \$ 168,291 | \$ 71,127 |
| Income before income taxes | 374,060 | 59,999 |
| Earnings per common share: | | |
| Basic | 1.30 | \$ 0.38 |
| Diluted | 1.25 | \$ 0.37 |

The unaudited pro forma financial information reflects the acquisition of the acquired facilities by the application of pro forma adjustments to the Company’s historical financial statements as if the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information should not be considered indicative of actual results that would have been achieved had the acquisition of the acquired facilities actually been consummated on the date indicated and does not purport to be indicative of the Company’s future financial position or results of operations. These pro forma results include the impact of amortizing certain purchase accounting adjustments such as intangible assets and the impact of the acquisition on interest and income tax expense. No adjustments have been reflected in the pro forma financial information for anticipated growth and efficiency opportunities. There were no material nonrecurring pro forma adjustments directly attributable to the acquisition included within the unaudited pro forma financial information.

APLD - Rattlesnake Den I, LLC Acquisition (Garden City, Texas)

On April 2, 2024, the Company acquired an operational bitcoin mining site located in Garden City, Texas with 132 megawatts of operational capacity and 200 megawatts of nameplate capacity from Applied Digital Corporation (“APLD”) - Rattlesnake Den I LLC for total cash consideration of \$87.3 million prior to any purchase price adjustments. The acquisition is intended to improve efficiencies and the scale of operations through the integration of our technology stack and realization of synergies.

NOTE 4 – 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 and Hosting 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”). On January 12, 2024, the Company acquired two operational bitcoin mining sites for the purpose of improving efficiencies and the scale of the Company’s mining operations. The acquired mining sites provide hosting services to institutional-scale crypto mining companies. Refer to Note 3 - Acquisitions, for further information.

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

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|------------------|
| | 2024 | 2023 |
| Revenues from contracts with customers | | |
| Mining operator - transaction fees | \$ 8,984 | \$ 1,051 |
| Mining participant | 13,442 | 17,876 |
| Hosting services ⁽¹⁾ | 20,775 | — |
| Total revenues from contracts with customers | 43,201 | 18,927 |
| Mining operator - block rewards and other revenue | 121,997 | 32,205 |
| Total revenues | \$ 165,198 | \$ 51,132 |

⁽¹⁾ Includes revenue beginning January 12, 2024, the date of the acquisition. Intercompany transactions have been eliminated in consolidation. Refer to Note 3 - Acquisitions, for further information.

Mining 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 requestor 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 requestor 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 requestor. 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 requestor 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.

Mining 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.

Hosting Services

The Company operates two bitcoin mining sites, which were acquired on January 12, 2024, that provide hosting services to institutional-scale crypto mining companies. Hosting services include colocation and managed services. Colocation services include providing mining companies with sheltered data center space, electrical power, cooling, and internet connectivity. Managed services generally include providing customers with technical support and maintenance services, in addition to colocation services. The Company will not be taking on any new hosting services customers and will transition to self-mining at these two sites as existing customer agreements expire or are terminated early.

Colocation services revenue is recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance. Managed services revenue is recognized at a point-in-time as the customer simultaneously receives and consumes the benefits of the Company's performance. The transaction price for colocation services is variable based on the consumption of energy and the managed services price is a fixed rate per miner basis. The Company recognizes hosting services revenue to the extent that a significant reversal of such revenue will not occur. Hosting services customers are generally invoiced in advance of the month in which the Company satisfies its performance obligation, and deferred revenue is recorded for any upfront payments received in advance of the Company's performance. The monthly transaction price is generally variable based on the amount of megawatt hours ("MWh") consumed by the customers equipment and when other monthly contracted services are performed. At the end of each month, the customer is billed for the actual amount owed for services performed. The Company recognizes revenue for hosting services under the right-to-invoice practical expedient in ASC

606-10-55-18, which allows for the recognition of revenue over time as the Company’s right-to-invoice for final payment corresponds directly with the value of services transferred to the customer to-date.

Expenses associated with providing hosting services are recorded as cost of revenues and depreciation on hosting equipment is recorded as a separate component of cost of revenues.

NOTE 5 – DIGITAL 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 Condensed Consolidated Statements of Operations each reporting period. The Company’s digital assets were within the scope of ASU 2023-08 and a cumulative-effect adjustment of \$11.5 million as of the beginning of the fiscal year ended December 31, 2023 was recorded for the difference between the carrying amount of the Company’s digital assets and fair value.

The following table presents the Company’s significant digital asset holdings as of March 31, 2024 and December 31, 2023, respectively:

| <i>(in thousands, except for quantity)</i> | Quantity | Cost Basis | Fair Value |
|--|-----------------|-------------------|---------------------|
| Bitcoin | 17,320 | \$ 647,963 | \$ 1,234,695 |
| Total digital assets held as of March 31, 2024 | | <u>\$ 647,963</u> | <u>\$ 1,234,695</u> |
| <i>(in thousands, except for quantity)</i> | Quantity | Cost Basis | Fair Value |
| Bitcoin | 15,126 | \$ 515,315 | \$ 639,660 |
| Total digital assets held as of December 31, 2023 | | <u>\$ 515,315</u> | <u>\$ 639,660</u> |

The Company earned 61 and 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 March 31, 2024 and December 31, 2023, respectively.

NOTE 6 – 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” in the Condensed Consolidated Balance Sheets.

As of March 31, 2024 and December 31, 2023, such advances totaled approximately \$61.1 million and \$95.6 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” in the Condensed Consolidated Balance Sheets.

As of March 31, 2024 and December 31, 2023, such deposits totaled approximately \$100.0 million and \$67.0 million, respectively.

NOTE 7 – PROPERTY AND EQUIPMENT

The components of property and equipment as of March 31, 2024 and December 31, 2023 are:

| <i>(in thousands, except useful life)</i> | Useful life (Years) | March 31, 2024 | December 31, 2023 |
|---|----------------------------|-----------------------|--------------------------|
| Land | — | \$ 610 | \$ — |
| Land improvements | 9 | 25,246 | — |
| Building and building improvements | 25 | 3,119 | — |
| Mining rigs | 3 | 934,381 | 862,055 |
| Containers | 10 - 15 | 58,898 | 5,676 |
| Equipment | 7 - 15 | 42,249 | — |
| Software and hardware | 2 | 3,307 | — |
| Asset retirement obligation | 8 | 7,879 | — |
| Other | 7 | 839 | 242 |
| Total gross property, equipment | | 1,076,528 | 867,973 |
| Less: Accumulated depreciation | | (274,196) | (196,201) |
| Property and equipment, net | | \$ 802,332 | \$ 671,772 |

The Company recorded an asset retirement obligation of \$7.9 million for the Granbury data center land lease. The asset retirement obligation represents the estimated cost to return the site to its original state. The asset retirement obligation is being depreciated over the term of the lease which is approximately 8 years. The Company's accretion expense related to the asset retirement obligation for the three months ended March 31, 2024 was \$0.2 million.

The Company's depreciation expense related to property and equipment for the three months ended March 31, 2024 and 2023 was \$8.0 million and \$17.7 million, respectively.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The components of goodwill as of March 31, 2024 is comprised of the following items:

| <i>(in thousands)</i> | As of March 31, 2024 | | |
|--|-----------------------------|---------------------------------------|------------------|
| | Cost | Accumulated impairment charges | Net |
| Granbury, Texas and Kearney, Nebraska Data Centers | \$ 30,852 | \$ — | \$ 30,852 |
| Total goodwill | \$ 30,852 | \$ — | \$ 30,852 |

The Company acquired goodwill from the GC Data Center Equity Holdings, LLC acquisition on January 12, 2024, refer to Note 3 – Acquisitions, for further information. There was no goodwill as of December 31, 2023.

Intangible assets

The following table presents the Company's intangible assets as of March 31, 2024:

| <i>(in thousands)</i> | As of March 31, 2024 | | | |
|--------------------------------|-----------------------------|---------------------------------|---------------------------------------|------------------|
| | Cost | Accumulated amortization | Accumulated impairment charges | Net |
| Customer relationships | \$ 22,000 | \$ (2,750) | \$ — | \$ 19,250 |
| Intellectual property | 2,633 | (219) | — | 2,414 |
| Total intangible assets | \$ 24,633 | \$ (2,969) | \$ — | \$ 21,664 |

The Company recognized customer relationships as a result of the acquisition of GC Data Center Equity Holdings, LLC on January 12, 2024, refer to Note 3 –Acquisitions, for further information.

The Company purchased intellectual property during the three months ended March 31, 2024. Intellectual property is amortized on a straight-line basis.

There were no intangible assets as of December 31, 2023.

The following table presents the Company's estimated future amortization of finite-lived intangible assets as of March 31, 2024:

| Year | Amount <i>(in thousands)</i> |
|------------------|---|
| 2024 (remaining) | \$ 8,908 |
| 2025 | 11,878 |
| 2026 | 878 |
| Thereafter | — |
| Total | \$ 21,664 |

NOTE 9 – 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 Condensed 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 Condensed 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 for each of those assets and liabilities as of March 31, 2024 and December 31, 2023, respectively:

| <i>(in thousands)</i> | Recurring fair value measured at March 31, 2024 | | | |
|---|--|--|--|--|
| | 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 | \$ 117,186 | \$ 117,186 | \$ — | \$ — |
| Digital assets | 1,234,695 | 1,234,695 | — | — |
| Liabilities: | | | | |
| Derivative instrument ⁽¹⁾ | 4,263 | — | 4,263 | — |
| Contingent consideration liability ⁽²⁾ | 3,523 | — | — | 3,523 |

| <i>(in thousands)</i> | 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) |
| Assets: | | | | |
| Money market funds | \$ 141,147 | \$ 141,147 | \$ — | \$ — |
| U.S. Treasury Bills | 60,541 | 60,541 | — | — |
| Digital assets | 639,660 | 639,660 | — | — |

⁽¹⁾ Refer to Note 2 - Summary of Significant Accounting Policies - Derivatives, for further information.

⁽²⁾ Represents the estimated amount of acquisition-related consideration expected to be paid in the future as of March 31, 2024. Refer to Note 3 – Acquisitions, for further information.

The Company includes the above money market funds and U.S. treasury bills in cash and cash equivalents in the Condensed Consolidated Balance Sheets. The Company’s U.S. treasury bills have original remaining maturities of three months or less when purchased.

Effective January 1, 2023, the Company early adopted ASU 2023-08, measuring digital assets at fair value on a recurring basis. There were no transfers among Levels 1, 2 or 3 during the three months ended March 31, 2024.

The fair value of the derivative was estimated using a discounted cash flow approach that considers various assumptions including current market prices and electricity forward curves, which are considered Level 2 inputs. Increases (decreases) in market prices and electricity forward curves could result in significant increases (decreases) in the fair value of derivatives.

The fair value of the contingent earn-out was estimated using a discounted cash flow approach, which included assumptions regarding the probability-weighted cash flows of achieving certain capacity development milestones,

which are considered Level 3 inputs. Increases (decreases) in the probability of achieving the milestones could result in significant increases (decreases) in the fair value of the contingent consideration.

Non-recurring measurement of fair value

The following tables present information about the Company's liabilities measured at fair value on a non-recurring basis and are, therefore, not included in the tables above. These liabilities include outstanding convertible notes measured at fair value based on quoted prices in active markets. These 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 liabilities as of March 31, 2024 and December 31, 2023, respectively, is as follows:

| | Non-recurring fair value measured at March 31, 2024 | | | |
|-----------------------|--|--|--|--|
| | Total carrying value | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| <i>(in thousands)</i> | | | | |
| Liabilities: | | | | |
| Notes payable | \$ 326,083 | \$ 277,774 | \$ — | \$ — |

| | 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) |
| <i>(in thousands)</i> | | | | |
| Liabilities: | | | | |
| Notes payable | \$ 325,654 | \$ 269,725 | \$ — | \$ — |

There were no transfers among Levels 1, 2 or 3 during the three months ended March 31, 2024. As of March 31, 2024 and December 31, 2023 there were no other assets and liabilities measured at fair value on a non-recurring basis.

NOTE 10 – NET INCOME PER SHARE

Net income per share is calculated in accordance with ASC 260 - *Earnings Per Share*. Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. For the three months ended March 31, 2024 and 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.

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

| | Three Months Ended March 31, | |
|------------------------------|-------------------------------------|------------------|
| | 2024 | 2023 |
| Warrants | 324,375 | 324,375 |
| Restricted stock units | — | 2,156,230 |
| Total dilutive shares | 324,375 | 2,480,605 |

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

| <i>(in thousands, except share and per share data)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2024 | 2023 |
| Basic earnings per share of common stock: | | |
| Net income per share of common stock - basic | \$ 337,173 | \$ 118,699 |
| Weighted average shares of common stock - basic | 259,098,664 | 159,186,506 |
| Net income per share of common stock - basic | \$ 1.30 | \$ 0.75 |
| Diluted earnings per share of common stock: | | |
| Net income per share of common stock - basic | \$ 337,173 | \$ 118,699 |
| Add: Notes interest expense, net of tax | 985 | 2,225 |
| Net income per share of common stock - diluted | \$ 338,158 | \$ 120,924 |
| Weighted average shares of common stock - basic | 259,098,664 | 159,186,506 |
| Restricted stock units | 4,472,357 | — |
| Convertible notes | 4,341,422 | 9,812,955 |
| Weighted average shares of common stock - diluted | 267,912,443 | 168,999,461 |
| Net income per share of common stock - diluted | \$ 1.26 | \$ 0.72 |

NOTE 11 – 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, the Company commenced a new at-the-market ("ATM") offering program with H.C. Wainwright & Co., LLC ("Wainwright") acting as sales agent (the "2024 ATM") pursuant to an 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 \$1,500.0 million. As of March 31, 2024, the Company has not sold any shares of common stock pursuant to the 2024 ATM.

On October 24, 2023, the Company entered into a new ATM offering program (the "2023 ATM") with Wainwright relating to shares of the Company's common stock. In accordance with the terms of an ATM 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 March 31, 2024, the Company has sold 44,254,912 shares of common stock for an aggregate purchase price of \$731.2 million, net of offering costs, pursuant to the 2023 ATM.

Common Stock Warrants

A summary of the Company's issued and outstanding common stock warrants and changes during the three months ended March 31, 2024 is as follows:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) |
|---|--------------------|---------------------------------|--|
| Outstanding as of December 31, 2023 | 324,375 | 25.00 | 2.5 |
| Outstanding as of March 31, 2024 | 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 three months ended March 31, 2024, is as follows:

| | Number of RSUs | Weighted Average Grant Date Fair Value |
|------------------------------------|------------------|--|
| Nonvested at December 31, 2023 | 5,765,529 | 9.40 |
| Granted | 5,774,558 | 17.96 |
| Vested | (2,244,563) | 11.95 |
| Nonvested at March 31, 2024 | 9,295,524 | 14.10 |

As of March 31, 2024, there was approximately \$130.6 million of aggregate unrecognized stock-based compensation related to unvested RSUs that is expected to be recognized over the next 2.9 years.

NOTE 12 – DEBT

Convertible Note

On November 18, 2021, the Company issued \$650.0 million principal of 1% 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 accrue interest at a rate of 1% 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.

In September 2023, the Company entered into privately negotiated exchange agreements with certain holders of its Notes. In total, the Company exchanged \$16.8 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” in the Condensed Consolidated Statements of Operations.

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 March 31, 2024 and December 31, 2023, Notes outstanding, net of unamortized discounts of approximately \$4.6 million and \$5.1 million, respectively, were \$326.1 million and \$325.7 million, respectively.

NOTE 13 – LEASES

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 right-of-use (“ROU”) asset or lease liability associated with the leases. Variable lease cost during the three months ended March 31, 2024 and March 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.

Additionally, the Company assumed an operating lease in the GC Data Center Equity Holdings, LLC acquisition related to the data center land lease in Granbury, Texas on January 12, 2024. The ROU asset and total lease liabilities recorded for the assumption of the leases were \$8.9 million and \$8.9 million, respectively. ROU assets related to the GC Data Center Equity Holdings, LLC acquisition reflect an unfavorable lease liability adjustment of \$5.1 million. Lease liabilities for the leases assumed were measured based on the net present value of remaining future lease payments on the date of the acquisition, with consideration given for options to extend or renew the lease.

As of March 31, 2024, the Company’s ROU assets and total lease liabilities were \$9.0 million and \$9.4 million, respectively. As of December 31, 2023, the Company’s ROU assets and total lease liabilities were \$0.4 million and \$0.5 million, respectively. The Company has amortized the right-of-use assets totaling \$0.3 million and \$0.1 million for the three months ended March 31, 2024 and 2023, 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:

| <i>(in thousands)</i> | For the Three Months Ended March 31, | |
|-------------------------------|---|-----------------|
| | 2024 | 2023 |
| Operating leases: | | |
| Operating lease cost | \$ 204 | \$ 112 |
| Operating lease expense | 204 | 112 |
| Short-term lease rent expense | 16 | 9 |
| Variable lease cost | 23,186 | 2,773 |
| Total rent expense | \$ 23,406 | \$ 2,894 |

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

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|--------|
| | 2024 | 2023 |
| Operating cash flows from operating leases | \$ 438 | \$ (2) |
| Weighted-average remaining lease term – operating leases | 7.3 | 3.5 |
| Weighted-average discount rate – operating leases | 7 % | 5 % |

The following table presents the Company’s future minimum operating lease payments as of March 31, 2024:

| Year | Amount (in thousands) |
|---|--------------------------|
| 2024 (remaining) | \$ 168 |
| 2025 | 203 |
| 2026 | 817 |
| 2027 | 2,563 |
| 2028 | 2,500 |
| Thereafter | 6,876 |
| Total | 13,127 |
| Less: Imputed interest | (3,694) |
| Present value of lease liability | \$ 9,433 |

NOTE 14 - 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 1934 (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 disclosing 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. 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 (“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 plead against “all defendants” and is most likely of these causes of action to involve later-named defendants.

The claims arise from a set of facts where Ho alleges the Company profited from commercially sensitive information he shared with the Company and further alleges the Company refused to compensate him for his role in securing the Company’s acquisition of an energy supplier. 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 second, fifth and sixth causes of action. Discovery is substantially closed. The court held a pre-trial conference on February 24, 2022, where it vacated a 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 in or around July 2024.

NOTE 15 - 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. Fred Thiel, the Company’s Chief Executive Officer and Chairperson of the Board, is a member of Auradine’s board of directors.

NOTE 16 – SUPPLEMENTAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

| Supplemental information | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2024 | 2023 |
| Cash paid during the year for: | | |
| Income taxes | \$ 3,518 | \$ — |
| Interest | — | 1,425 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Reclassifications from advances to vendor to property and equipment upon receipt of equipment | 59,615 | 442,353 |
| Reclassifications from long-term prepaid to property and equipment | 3,273 | — |
| Dividends received from equity method investment | 12,145 | — |

NOTE 17 – SUBSEQUENT EVENTS

On April 2, 2024, the Company acquired an operational bitcoin mining site located in Garden City, Texas with 132 megawatts of operational capacity and 200 megawatts of nameplate capacity from APLD - Rattlesnake Den I LLC for a base purchase price of \$87.3 million subject to customary purchase price adjustments. The acquisition is intended to lower operating expenditures, and improve efficiencies and the scale of operations through the integration of the Company's technology stack and realization of synergies.

Subsequent to March 31, 2024, the Company issued an aggregate 3,850,436 shares of common stock at an average value of approximately \$8.51 per share under the Company's 2024 ATM. As a result, the Company had \$1,294.3 million aggregate offering price remaining under the 2024 ATM.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated or the context otherwise requires, references to "Marathon," "we," "us," and the "Company" refer to Marathon Digital Holdings, Inc. and its consolidated subsidiaries. All dollar amounts referenced in this Item 2 are in thousands, except per share, bitcoin, and per bitcoin amounts.

You should read the following discussion and analysis together with our financial statements and related notes in Part I, Item 1 of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (this "Quarterly Report").

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Quarterly Report, other than statements of historical fact, are forward-looking statements. You can identify forward-looking statements by the use of words such as "may," "will," "could," "anticipate," "expect," "intend," "believe," "continue" or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to such statements. Our forward-looking statements are based on our management's current assumptions and expectations about future events and trends, which affect or may affect our business, strategy, operations or financial performance. Although we believe that these forward-looking statements are based upon reasonable assumptions, they are subject to numerous known and unknown risks and uncertainties and are made in light of information currently available to us. Our actual financial condition and results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below in the section entitled "Risk Factors" in Part II, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2023 (our "Annual Report"), which is incorporated herein by reference, as well as in the other public filings we make with the Securities and Exchange Commission (the "SEC"). You should read this Quarterly Report with the understanding that our actual future financial condition and results may be materially different from and worse than what we expect.

Additionally, information regarding market and industry statistics contained in this Quarterly Report is included based upon information available to us that we believe is accurate as of the date of this Quarterly Report. It is generally based upon industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources and cannot assure investors of the accuracy or completeness of the data included in this Quarterly Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

BUSINESS OVERVIEW

Marathon Digital Holdings, Inc. is one of the world's largest publicly traded bitcoin mining companies with operations in North America, the Middle East, and Latin America. The Company's core business is utility-scale Bitcoin mining, which produces or "mines" bitcoin using one of the industry's largest and most energy-efficient fleets of specialized computers. As of March 31, 2024, the Company had approximately 226,000 energized and operational mining rigs, capable of producing 27.8 exahashes per second with an efficiency of 25 joules per terahash, which we believe to be amongst the most efficient in the industry. The Company believes it has one of the most efficient bitcoin mining fleets in the industry. The Company is also committed to a future of carbon-neutrality and is actively transitioning its operations to sustainable energy. As of March 31, 2024, sustainable energy sources accounted for 55% of the fleet's power usage.

RECENT DEVELOPMENTS

The Company has continued its recent focus on expanding its operational capabilities globally. Recent efforts include the following:

- On January 12, 2024, the Company, through its wholly owned subsidiary MARA USA Corporation, completed the acquisition of 100% 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 aggregate 390 megawatts of operational capacity for \$179.3 million cash consideration plus customary working capital adjustments. We hope to realize synergies from this transaction through the integration of our technology stack, which we expect will lower operating expenditures, improve efficiencies and scale our operating capacity.

- On April 2, 2024, the Company, through its wholly owned subsidiary MARA USA Corporation, completed the acquisition of a bitcoin mining data center in Garden City, Texas, with a capacity of 200 megawatts, from Applied Digital Corporation, for a purchase price of \$87.3 million cash consideration, which is subject to customary purchase price adjustments. This is the Company's second major acquisition of data centers dedicated to bitcoin mining and increases the amount of self-owned and operated megawatts in the Company's mining portfolio to 54%. The bitcoin mining data center in Garden City, Texas is located adjacent to a wind farm and uses predominantly renewable energy. We are currently converting approximately 100 megawatts into economic value via bitcoin mining. We expect to expand our presence at the site in 2024 by an additional 100 megawatts to accommodate a total of 200-megawatts of capacity dedicated exclusively to Marathon's bitcoin mining operations.
- On April 19, 2024, a Bitcoin halving event occurred on the Bitcoin network. Halving is a key part of the Bitcoin protocol and serves to control the overall supply and reduce the risk of inflation in digital assets using a proof-of-work consensus algorithm. The Bitcoin halving event reduced the block subsidy by half from 6.25 to 3.125 bitcoin. Transaction fees, which together with the block subsidy comprise the block reward for successfully solving a block, is not directly impacted by the halving, although the Bitcoin network and the Company experienced an increase in transaction fees.
- Introduced Anduro, a new multi-chain Bitcoin layer-two network aimed at accelerating Bitcoin development and adoption.
- Launched the Company's first products and services to support the Bitcoin ecosystem, including:
 - Slipstream – a direct Bitcoin transaction submission service designed to streamline confirmations of large or non-standard Bitcoin transactions;
 - MARAFW – custom firmware designed to optimize the individual chip settings of Bitcoin miners;
 - MARA UBC 2100 – a replacement control board, designed in-house by Marathon; and
 - MARA 2PIC700 – a next generation two-phase immersion cooling system built to transform data center operations with industry leading power, density, and efficiency.

NON-GAAP FINANCIAL MEASURES

In addition to the Company's results determined in accordance with GAAP, throughout this Quarterly Report the Company provides adjusted EBITDA and total margin excluding depreciation and amortization, which are non-GAAP financial measures. The Company provides investors with reconciliations from net loss to adjusted EBITDA and total margin to total margin excluding depreciation and amortization as components of Management's Discussion and Analysis. The Company defines adjusted EBITDA as (a) GAAP net income (loss) plus (b) adjustments to add back the impacts of (1) depreciation and amortization, (2) interest expense, (3) income tax expense (benefit) and (4) adjustments for non-cash and non-recurring items which currently include (i) stock compensation expense, (ii) early termination expenses, (iii) gain on investments, and (iv) losses from extinguishment of debt. The Company defines total margin excluding depreciation and amortization as (a) GAAP total margin less (b) depreciation and amortization.

The Company provides non-GAAP financial measures to provide information that may assist investors in understanding the results of operations and assessing the prospect of future performance. However, adjusted EBITDA and total margin excluding depreciation and amortization, as we present such information, may not necessarily be comparable to similarly titled measures presented by other companies. Non-GAAP financial measures are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of financial or operating performance prepared in accordance with GAAP. These non-GAAP measures are not meant to be considered in isolation and should be read only in conjunction with the Company's Quarterly Reports on Form 10-Q and its Annual Reports on Form 10-K as filed with the SEC. Management uses adjusted EBITDA, total margin excluding depreciation and amortization, and the supplemental information provided herein as a means of understanding, managing, and evaluating business performance and to help inform operating decision making. The Company relies primarily on its Condensed Consolidated Financial Statements to understand, manage, and evaluate its financial performance and use the non-GAAP financial measures only supplementally.

RESULTS OF OPERATIONS
Three Months Ended March 31, 2024 Compared to March 31, 2023

| <i>(dollars in thousands)</i> | Three Months Ended March 31, | | Favorable |
|--|-------------------------------------|-------------------|----------------------|
| | 2024 | 2023 | (Unfavorable) |
| Revenues | | | |
| Mining | \$ 144,423 | \$ 51,132 | \$ 93,291 |
| Hosting services | 20,775 | — | 20,775 |
| Total revenues | 165,198 | 51,132 | 114,066 |
| Costs and expenses | | | |
| Cost of revenues | | | |
| Mining | (71,240) | (33,377) | (37,863) |
| Hosting services | (18,971) | — | (18,971) |
| Depreciation and amortization | (77,995) | (17,733) | (60,262) |
| Total cost of revenues | (168,206) | (51,110) | (117,096) |
| Operating expenses | | | |
| General and administrative expenses | (73,311) | (15,135) | (58,176) |
| Gains on digital assets | 488,807 | 137,398 | 351,409 |
| Change in fair value of derivative | (15,252) | — | (15,252) |
| Early termination expenses | (22,097) | — | (22,097) |
| Amortization of intangible assets | (2,969) | — | (2,969) |
| Research and development | (2,466) | (209) | (2,257) |
| Total operating expenses | 372,712 | 122,054 | 250,658 |
| Operating income | 369,704 | 122,076 | 247,628 |
| Gain on investments | 5,236 | — | 5,236 |
| Net loss from extinguishment of debt | — | (333) | 333 |
| Loss on hedge instruments | (2,292) | — | (2,292) |
| Equity in net income of unconsolidated affiliate | 1,259 | — | 1,259 |
| Interest expense | (1,256) | (3,760) | 2,504 |
| Other non-operating income | 2,573 | 791 | 1,782 |
| Income before income taxes | 375,224 | 118,774 | 256,450 |
| Income tax expense | (38,051) | (75) | (37,976) |
| Net income | \$ 337,173 | \$ 118,699 | \$ 218,474 |

Supplemental information:

| | | | | |
|--|-------------|----|----------|------------|
| bitcoin ("BTC") production during the period, in whole BTC ⁽¹⁾ | 2,811 | | 2,195 | 616 |
| Average bitcoin per day, in whole BTC | 30.9 | | 24.4 | 6.5 |
| Total margin (total revenues less total cost of revenues) | \$ (3,008) | \$ | 22 | \$ (3,030) |
| Total margin excluding the impact of depreciation and amortization: | | | | |
| Mining | \$ 73,183 | \$ | 17,755 | \$ 55,428 |
| Hosting services | \$ 1,804 | \$ | — | \$ 1,804 |
| General and administrative expenses excluding stock-based compensation | \$ (21,398) | \$ | (11,399) | \$ (9,999) |
| Installed Hash Rate (Exahashes per second) - at end of period ⁽²⁾ | 27.8 | | 15.4 | 12.4 |
| Energized Hash Rate (Exahashes per second) - at end of period ⁽²⁾ | 27.8 | | 11.5 | 16.3 |
| Average operational Hash Rate (Exahashes per second) ⁽³⁾ | 18.2 | | 6.9 | 11.3 |
| Cost per Petahash Rate per day ⁽⁴⁾ | \$ 45.2 | \$ | 53.7 | \$ (8.5) |
| Share of available miner rewards | 3.1 % | | 2.5 % | 0.6 % |
| Number of blocks won | 368 | | 221 | 147 |
| Transaction fees as a percentage of total | 7.0 % | | 2.4 % | 4.6 % |

Reconciliation to Adjusted EBITDA:

| | | | | |
|---|------------|----|---------|------------|
| Net income | \$ 337,173 | \$ | 118,699 | \$ 218,474 |
| Exclude: Interest expense | 1,256 | | 3,760 | (2,504) |
| Exclude: Income tax expense | 38,051 | | 75 | 37,976 |
| EBIT | 376,480 | | 122,534 | 253,946 |
| Exclude: Depreciation and amortization ⁽⁵⁾ | 83,548 | | 17,733 | 65,815 |
| EBITDA | 460,028 | | 140,267 | 319,761 |
| Exclude: Stock compensation expense | 51,913 | | 3,945 | 47,968 |
| Exclude: Early termination expenses ⁽⁶⁾ | 22,097 | | — | 22,097 |
| Exclude: Gain on investments | (5,236) | | — | (5,236) |
| Exclude: Net loss from extinguishment of debt | — | | 333 | (333) |
| Adjusted EBITDA | \$ 528,802 | \$ | 144,545 | \$ 384,257 |

⁽¹⁾ Includes 171 bitcoin representing the Company's share of the equity method investee, the ADGM entity, for the three months ended March 31, 2024.

⁽²⁾ The Company defines Energized Hash Rate as the total hash rate that could be generated if all installed and energized machines were running at 100% of manufacturers specifications. The Company uses this metric only as an indicator of progress in bringing mining rigs online. The Company defines Installed Hash Rate as the total hash rate that could be generated if all installed machines were running at 100% of manufacturers specifications. The Company uses this metric only as an indicator of progress in deploying mining rigs at its production sites. The Company believes that these metrics are useful as an indicator of potential bitcoin production. However, these metrics cannot be tied directly to any production level expected to be actually achieved as (a) there may be delays in the energization of Installed Hash Rate (b) the Company cannot predict when installed and energized mining rigs may be offline for any reason, including curtailment or machine failure and (c) the Company cannot predict Global Hash Rate (and therefore the Company's share of the Global Hash Rate), which has a significant impact on the Company's ability to generate bitcoin in any given period.

⁽³⁾ Defined as the daily Average operational Hash Rate online during the period.

⁽⁴⁾ Cost per Petahash Rate per day is calculated using mining cost of revenues, excluding depreciation and amortization, divided by the Average operational Hash Rate, excluding the Company's share of the hash rate for the equity method investee, the ADGM entity.

⁽⁵⁾ Includes approximately \$2.6 million of depreciation and amortization from the Company's share in the results of its equity method investee, the ADGM entity, reported in Equity in net earnings of unconsolidated affiliate for the three months ended March 31, 2024.

⁽⁶⁾ Early termination expenses represent amounts recognized as the cost to early terminate data center hosting agreements.

Revenues: The Company generated revenues of \$165.2 million for the three months ended March 31, 2024, compared to \$51.1 million in the prior year period. The \$114.1 million or approximately 223% increase in revenues was primarily driven by an \$82.9 million increase in the average price of bitcoin mined and other revenue, a \$10.4 million increase in bitcoin production, and \$20.8 million in revenues generated from providing hosting services as a result of the acquisition of GC Data Center Equity Holdings, LLC on January 12, 2024. Revenues during the quarter was negatively impacted by unexpected equipment failures, transmission line maintenance, and higher than

anticipated weather-related curtailments at our Garden City and other sites which we are working to address. The average price of bitcoin mined was 126% higher than the average price of bitcoin mined in the prior year period and average daily bitcoin production was 30.9 bitcoin in the current year period compared with 24.4 in the prior year period.

Cost of revenues – mining during the three months ended March 31, 2024, totaled \$71.2 million compared to \$33.4 million in the prior year period. The \$37.9 million or approximately 113% increase was primarily driven by the growth in the Company’s hash rate from the deployment and energization of mining rigs in existing and new hosting facilities, which increased hosting and energy costs, compared to the prior year period. Cost of revenues was also negatively impacted by an increase in the global hash rate, which increased 86% in the current period compared to the prior year period. Partially offsetting the increase was the impact of unexpected equipment failures, transmission line maintenance, and higher than anticipated weather-related curtailment at our Garden City and other sites which resulted in downtime that reduced hosting and energy costs.

Cost of revenues – hosting services of \$19.0 million primarily includes cost of power and other hosting related operating costs to provide hosting services. Hosting services includes results beginning from January 12, 2024, the acquisition date of GC Data Center Equity Holdings, LLC.

Cost of revenues – depreciation and amortization during the three months ended March 31, 2024 totaled \$78.0 million compared to \$17.7 million in the prior year period. The \$60.3 million or approximately 340% increase was primarily due to the deployment of mining rigs since the prior year period from the increased scale of the business. Depreciation and amortization also increased \$2.7 million as a result of the January 12, 2024, acquisition of GC Data Center Equity Holdings, LLC.

Total Margin was a negative \$3.0 million in the current year period compared to nearly zero in the prior year period, a decrease of approximately \$3.0 million. The following table summarizes the factors that impacted the decrease in total margin for the three months ended March 31, 2024 as compared to the prior year period:

| <u>Revenue:</u> | <i>(in thousands)</i> |
|--|-----------------------|
| • Impact of higher average price of bitcoin produced and other revenue | \$ 82,925 |
| • Impact of third-party hosting | 20,775 |
| • Impact of higher amount of bitcoin produced | 10,366 |
| <u>Cost of revenue – energy, hosting and other:</u> | |
| • Impact of higher costs due to growth in hash rate | (25,855) |
| • Impact of third-party hosting | (18,971) |
| • Impact of increased production on cost of revenues | (12,008) |
| <u>Cost of revenue – depreciation and amortization:</u> | |
| • Increased due to deployment of mining rigs | (57,643) |
| • Increased due to third-party hosting services | (2,619) |
| Total margin | \$ (3,030) |

General and administrative expenses: General and administrative expenses were \$73.3 million for the three months ended March 31, 2024, compared to \$15.1 million in the prior year period, an increase of \$58.2 million or approximately 384%. The Company’s general and administrative expenses included stock-based (non-cash) compensation expense of \$51.9 million in the current year period and \$3.9 million in the prior year period. The increase in stock-based compensation expense was primarily due to additional restricted stock unit awards granted in the current year period and as a result of an increase in the Company’s headcount, which grew from 30 employees as of March 31, 2023 to approximately 60 employees as of March 31, 2024. General and administrative expenses excluding stock-based compensation was \$21.4 million in the current year period compared with \$11.4 million in the prior year period. The \$10.0 million or approximately 88% increase in expenses was primarily due to the increased scale of the business, including payroll and benefits, professional fees, and other third-party costs associated with the growth in the business.

Gains on digital assets: The Company recognized a gain on digital assets of \$488.8 million, compared to a gain of \$137.4 million in the prior year period. The \$351.4 million or approximately 256% increase was primarily related to the increase in the price of bitcoin as of March 31, 2024 of \$71,289 compared to \$28,474 for the prior year period ended March 31, 2023.

Change in fair value of derivative: The Company acquired a commodity swap contract as a result of its January 12, 2024 acquisition of GC Data Center Equity Holdings, LLC. The commodity swap contract hedges price variability in electricity purchases and expires December 31, 2027. The commodity swap contract is a derivative instrument and remeasured at fair value each reporting period with changes recognized on the Consolidated Condensed Statement of Operations. The change in fair value of derivative is the result of the change in estimated fair value of the derivative as of March 31, 2024 compared to January 12, 2024, the acquisition date of GC Data Center Equity Holdings, LLC.

Early termination expenses: On January 30, 2024, the Company entered into a termination and transition agreement (“Agreement”) with the operator, US Bitcoin Corp (“USBTC”), of the two sites from the January 12, 2024, acquisition of GC Data Center Equity Holdings, LLC. The Company and USBTC agreed to terminate the acquired operating agreement for a termination fee of \$13.5 million. In addition, the Company entered into an agreement to early terminate a data center hosting agreement with one of its customers and in accordance with the agreement, the Company forgave the outstanding accounts receivable balance of \$8.6 million.

Amortization of intangible assets: During the three months ended March 31, 2024, the Company recorded a \$3.0 million amortization expense for intangible assets. The Company acquired customer relationships in the January 12, 2024 acquisition of GC Data Center Equity Holdings, LLC, in addition to intellectual property purchased during the three months ended March 31, 2024. There was no amortization expense of intangible assets in the prior year period.

Research and development: Research and development expenses were \$2.5 million for the three months ended March 31, 2024 compared to \$0.2 million in the prior year period. Research and development expenses consisted primarily of contractor costs, equipment, supplies, personnel, and related expenses for research and development activities which increased in the current year period.

Net loss from extinguishment of debt: In March, 2023, the Company prepaid the outstanding balance on its term loan facility with Silvergate Bank and terminated the term loan facility. The Company and Silvergate agreed to also terminate the revolving credit (“RLOC”) facilities. In connection with the termination of the credit facility, the Company recorded a loss in the amount of \$0.3 million to “Net loss from extinguishment of debt” in the Condensed Consolidated Statements of Operations.

Loss on hedge instruments: During the three months ended March 31, 2024, the Company recorded a \$2.3 million realized loss related to bitcoin hedging activities. The Company has significant bitcoin holdings on its balance sheet and from time to time will evaluate as part of its risk management and treasury management process, short-term hedging or yield enhancing opportunities. The Company has an Investment Committee composed of members of its senior executive team, that evaluates market conditions to set hedging, investments, and monetization of bitcoin strategies. There were no outstanding hedging transactions as of the three months ended March 31, 2024 and there were no such activities in the prior year period.

Equity in net income of unconsolidated affiliate: During the three months ended March 31, 2024, the Company recorded its share of net earnings for its 20% interest in the Abu Dhabi Global Markets company (the “ADGM Entity”) in the amount of \$1.3 million, which began mining operations during the third quarter of 2023. The Company’s share of the ADGM Entity’s operating results included earnings from the production of 171 bitcoin, a \$4.1 million impairment of property, plant and equipment and approximately \$2.6 million of depreciation and amortization during the three months ended March 31, 2024.

Interest expense: Interest expense was \$1.3 million for the three months ended March 31, 2024 compared to \$3.8 million in the prior year. The \$2.5 million, or approximately 67% decrease was primarily a result of lower interest costs following the exchange of \$416.8 million aggregate principal amount of Notes for shares of the Company’s common stock during the year ended December 31, 2023. Additionally, the Company prepaid and terminated its revolving line of credit and term loan facilities during March 2023.

Other non-operating income: Other non-operating income was \$2.6 million during the three months ended March 31, 2024 compared to income of \$0.8 million in the prior year period. The \$1.8 million increase was primarily due to the higher balance of cash and cash equivalents and an increase in interest rates in the current year period.

Income tax expense: The Company recorded income tax expense of \$38.1 million for the three months ended March 31, 2024 compared to an income tax expense of \$0.1 million in the prior year period. The \$38.1 million tax expense was primarily due to the establishment of deferred tax liabilities for the significant increase in fair value of bitcoin during the current year period partially offset by the release of its valuation allowance associated with deferred tax assets. During the three months ended March 31, 2024, the Company determined that sufficient taxable income will be generated to support the utilization of its deferred tax assets.

Net income: The Company recorded net income of \$337.2 million for the three months ended March 31, 2024 compared to net income of \$118.7 million in the prior year period. The \$218.5 million, or approximately 184%, increase in earnings was primarily driven by the favorable mark-to-market adjustment of digital assets, an increase in the average price of bitcoin and production, and revenues generated from providing hosting services as a result of the January 12, 2024 acquisition of GC Data Center Equity Holdings, LLC. These increases were partially offset by increased mining costs associated with the growth in our energized hash rate as we deployed additional mining rigs, increased general and administrative expenses, and increased costs related to the acquisition and operation of our new data centers, including early termination fees incurred to exit customers in pursuit of the Company's objective to self-mine at these sites.

Adjusted EBITDA: Adjusted EBITDA was \$528.8 million for the three months ended March 31, 2024 compared to an adjusted EBITDA of \$144.5 million in the prior year period. The \$384.3 million increase was primarily driven by favorable fair value adjustments to digital assets of \$488.8 million and higher production of bitcoin.

FINANCIAL CONDITION AND LIQUIDITY

The following table presents a summary of the Company's cash flow activity for the three months ended March 31, 2024 and 2023:

| <i>(in thousands)</i> | For the Three Months Ended March 31, | |
|---|---|-------------|
| | 2024 | 2023 |
| Net cash used in operating activities | \$ (88,340) | \$ (91,458) |
| Net cash used in investing activities | (416,591) | (9,383) |
| Net cash provided by financing activities | 471,886 | 113,218 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (33,045) | 12,377 |
| Cash, cash equivalents and restricted cash — beginning of period | 357,313 | 112,505 |
| Cash, cash equivalents and restricted cash — end of period | \$ 324,268 | \$ 124,882 |

Cash flows for the three months ended March 31, 2024: Cash and cash equivalents totaled \$324.3 million at March 31, 2024, a decrease of \$33.0 million from December 31, 2023.

Cash flows from operating activities resulted in a use of funds of \$88.3 million, as net income, adjusted for non-cash and non-operating items, in the amount of \$56.7 million was more than offset by the use of cash of \$145.0 million from changes in operating assets and liabilities. When the Company produces and holds bitcoin on its Condensed Consolidated Balance Sheets, it excludes such produced and held bitcoin from its operating cash flows. As the Company monetizes bitcoin in the future, those proceeds are reported as cash flows from investing activities. Changes in cash flows from operating assets and liabilities were driven by a use of funds associated with changes in digital assets of \$144.4 million due to the non-cash adjustment for bitcoin mining revenues and deposits of \$1.3 million resulting from increased deposits associated with hosting agreements.

Cash flows from investing activities resulted in a use of funds of \$416.6 million, primarily resulting from the use of funds for advances to vendors of \$225.2 million, payment for the acquisition of a business of \$183.8 million, payment of a deposit for the GC Data Center Equity Holdings, LLC acquisition of \$25.0 million, capital expenditures of \$9.1 million, purchase of digital assets of \$7.3 million, purchase of \$8.0 million of Auradine's preferred stock, and an investment in an equity method investee of \$3.0 million, partially offset by proceeds from the sale of digital assets of \$44.8 million.

Cash flows from financing activities resulted in a source of cash of \$471.9 million, primarily from the periodic issuance of common stock under the Company's 2023 ATM (as defined below) of \$489.3 million and the repurchase of shares in settlement of employee taxes upon restricted stock vesting.

Bitcoin holdings as of March 31, 2024: At March 31, 2024, the Company held approximately 17,320 bitcoin on its Condensed Consolidated Balance Sheets with a fair value of \$1,234.7 million. The Company's holdings as of March 31, 2024 excluded 61 bitcoins owned by the Company's equity method investee, the ADGM Entity, but allocable to the Company, and pending distribution to the Company. At March 31, 2024, the fair value of a single bitcoin was approximately \$71,289. As a result, the fair market value of the Company's bitcoin holdings at March 31, 2024, was approximately \$1,234.7 million. The Company expects that its future bitcoin holdings will generally increase but will fluctuate from time to time, both in number of bitcoin held and fair value in US dollars, depending upon operating and market conditions. The Company intends to add to its bitcoin holdings primarily through its production activities and will also continue to sell bitcoin as a means of generating cash to fund monthly operating costs and for general corporate purposes.

During the third quarter of 2023, the Company hedged a portion of its bitcoin holdings to mitigate near-term volatility while maintaining a long-term strategy of maximizing the size and value of the Company's treasury. Gains and losses on hedging activity will impact earnings; however, the Company believes the strategy provides resiliency to the organization and downside risk during volatile market conditions such as the halving event while maximizing the Company's bitcoin valuation potential.

At-the-Market Offering Programs and Proceeds: In October 2023, the Company commenced an at-the-market offering program (the "2023 ATM") with H.C. Wainwright & Co., LLC ("Wainwright"), acting as sales agent, which allowed the Company to sell and issue shares of its common stock from time to time with an aggregate offering price up to \$750.0 million. As of March 31, 2024, the Company had sold 44,254,912 shares of common stock under the 2023 ATM for an aggregate purchase price of \$731.2 million, net of commissions expenses, concluding the 2023 ATM. In February 2024, the Company commenced an at-the-market offering program (the

“2024 ATM”) with Wainwright acting as sales agent pursuant to an ATM Agreement, under which the Company may offer and sell shares of its common stock from time to time through Wainwright having an aggregate offering price of up to \$1,500.0 million.

Liquidity and Capital Resources: Cash and cash equivalents totaled \$324.3 million and the fair value of bitcoin holdings was \$1,234.7 million at March 31, 2024. The combined value of cash and cash equivalents and bitcoin, as of March 31, 2024, was \$1,559.0 million.

The Company expects to have sufficient liquidity, including cash on hand, cash received from sales of its bitcoin holdings, and access to public capital markets to support ongoing operations. The Company will continue to seek to fund its business activities, and especially its growth opportunities, through the public capital markets, primarily through periodic equity issuances using its at-the-market facilities.

The risks to the Company’s liquidity outlook would include events that materially diminish its access to capital markets and/or the value of its bitcoin holdings and production capabilities, including:

- Failure to effectively execute the Company’s growth strategies;
- Challenges in the bitcoin mining space and/or additional contagion events (such as the FTX collapse and subsequent bankruptcies of bitcoin mining companies in 2022 and 2023) which could damage the credibility of, and therefore investor confidence in, companies engaged in the digital assets space including Marathon;
- Declines in bitcoin prices and/or production, including the impacts from the bitcoin halving event, which would impact both the value of the Company’s bitcoin holdings and its ongoing profitability;
- Significant increases in electricity costs if these cost increases were not accompanied by increases in the price of bitcoin, as this would also reduce profitability; and
- Deteriorating macroeconomic conditions, including the impacts of inflation and increased interest rates, as well as instability in the banking system.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company contracts with service providers for hosting its equipment and operational support in data centers where the Company’s equipment is deployed. Under these arrangements, the Company expects to pay at a minimum approximately (i) \$182.8 million during the remainder of calendar year 2024, (ii) \$708.9 million in total payments during the calendar years 2025 through 2027, and (iii) \$15.7 million in total payments during the calendar year 2028. Under certain of these arrangements, the Company is required to pay variable pass-through power and service fees in addition to these estimated minimum amounts.

The Company has purchase agreements to purchase miners and other mining equipment for a total purchase price of \$517.3 million that are expected to be delivered during 2024. To date, we have made installment payments totaling \$261.1 million. We expect to make periodic payments in accordance with the payment schedule with the final payment expected to occur during 2024.

Assuming the Notes due 2026 are not converted into common stock, repurchased or redeemed prior to maturity, (i) remaining interest payments relating to the Notes will approximate \$2.5 million through the remainder of the calendar year 2024, (ii) annual interest payments of approximately \$3.3 million in each calendar year from 2025 through 2026, and (iii) principal in the amount of \$330.7 million upon the maturity in November 2026, will be payable under the Notes due 2026. Refer to Note 12 – Debt, for further information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following accounting policies relate to the significant areas involving management’s judgments and estimates in the preparation of the Company’s financial statements, and are those that it believes are the most critical to aid the understanding and evaluation of this management discussion and analysis:

- Digital assets
- Revenues

- Long-lived assets
- Income taxes
- Assets acquired and liabilities assumed in a business combination
- Goodwill impairment

Digital Assets

Digital assets (bitcoin) are included in current and other assets in the accompanying Condensed Consolidated Balance Sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and the selling of bitcoin to fund operating expenses to support operations. Digital assets awarded to the Company through its mining activities are accounted for in accordance with the Company's revenue recognition policy below.

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 Condensed Consolidated Statements of Operations 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.

Prior to the adoption of ASU 2023-08, Digital assets were accounted for as intangible assets with indefinite useful lives and are recorded at cost less impairment in accordance with Accounting Standard Codification ("ASC") 350 – Intangibles-Goodwill and Other. An intangible asset with an indefinite useful life is not amortized but 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 asset is impaired. Whenever the exchange-traded price of digital assets declines below its carrying value, the Company has determined that it is more likely than not that an impairment exists and records impairment equal to the amount by which the carrying value exceeds the fair value at that point in time. The Company has deemed the price of digital assets to be a Level 1 input under the ASC 820 - Fair Value Measurement hierarchy as these were based on observable quoted prices in the Company's principal market for identical assets. Subsequent reversal of impairment losses is not permitted.

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, 2022 and 2021. The voluntary change in accounting principle has been reflected in the Consolidated Financial Statements.

Digital assets awarded to the Company through its mining activities are included as a reconciling item within operating activities on the accompanying Condensed Consolidated Statements of Cash Flows. The sales of digital assets are included within investing activities in the accompanying Condensed Consolidated Statements of Cash Flows and any gains or losses from such sales are included in operating expenses in the Condensed Consolidated Statements of Operations.

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 and Hosting 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"). On January 12, 2024, the Company acquired two operational bitcoin mining sites for the purpose of improving efficiencies and the scale of the Company's mining operations. The acquired mining sites provide hosting services to institutional-scale crypto mining companies.

Mining 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 requestor 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 requestor. 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 requestor 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.

Mining 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.

Hosting Services

The Company operates two bitcoin mining sites, which were acquired on January 12, 2024, that provide hosting services to institutional-scale crypto mining companies. Hosting services include colocation and managed services. Colocation services include providing mining companies with sheltered data center space, electrical power, cooling, and internet connectivity. Managed services generally include providing customers with technical support and maintenance services, in addition to colocation services. The Company will not be taking on any new hosting services customers and will transition to self-mining at these two sites as existing customer agreements expire or are terminated early.

Colocation services revenue is recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance. Managed services revenue is recognized at a point-in-time as the customer simultaneously receives and consumes the benefits of the Company's performance. The transaction price for colocation services is variable based on the consumption of energy and the managed services price is a fixed rate per miner basis. The Company recognizes hosting services revenue to the extent that a significant reversal of such revenue will not occur. Hosting services customers are generally invoiced in advance of the month in which the Company satisfies its performance obligation, and deferred revenue is recorded for any upfront payments received in advance of the Company's performance. The monthly transaction price is generally variable based on the amount of megawatt hours ("MWh") consumed by the customers equipment and when other monthly contracted services are performed. At the end of each month, the customer is billed for the actual amount owed for services performed. The Company recognizes revenue for hosting services under the right-to-invoice practical expedient in ASC 606-10-55-18, which allows for the recognition of revenue over time as the Company's right-to-invoice for final payment corresponds directly with the value of services transferred to the customer to-date.

Expenses associated with providing hosting services are recorded as cost of revenues and depreciation on hosting equipment is recorded as a separate component of cost of revenues.

Long-Lived Assets

The Company has long-lived assets that consist primarily of property and equipment stated at cost, net of accumulated depreciation and impairment, as applicable. The depreciation charge is calculated on a straight-line basis and depends on the estimated useful lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. 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 updates the estimated useful lives of its asset group of bitcoin mining rigs periodically as information on the operations of the mining rigs indicates changes

are required. The Company assesses and adjusts the estimated useful lives of its mining rigs when there are indicators that the productivity of the mining assets are higher or lower than the assigned estimated useful lives.

Management reviews the Company's long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to the undiscounted future cash flows expected to be generated thereby. If such assets are not recoverable based on that test, impairment is recorded in the amount by which the carrying amount of the assets exceeds their fair value as determined in accordance with ASC 820.

Income Taxes

The primary objectives of accounting for income taxes are to recognize the amount of income taxes payable or refundable for the current year, and to recognize deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The Company accounts for income taxes in accordance with ASC 740 - *Income Taxes*, using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based on enacted tax rates and are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities and for operating losses and tax credit carryforwards. 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. Management must make assumptions, judgments and estimates to determine the Company's income tax benefit or expense and deferred tax assets and liabilities. The Company recognizes tax positions when they are more likely than not of being sustained. Recognized tax positions are measured at the largest amount of benefit greater than 50% likely of being realized. Each period, the Company evaluates tax positions and adjust related tax assets and liabilities in light of changing facts and circumstances.

Assets Acquired and Liabilities Assumed in a Business Combination

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805 -*Business Combinations*, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, measured at the acquisition date fair value. The determination of fair value involves assumptions, estimates and judgments. Any purchase consideration in excess of the estimated fair values of net assets acquired is recorded as goodwill.

Goodwill Impairment

Goodwill is not subject to amortization, and instead, assessed for impairment annually, or more frequently when events or changes in circumstances indicate is it more likely than not that the fair value of a reporting unit is less than its carrying amount in accordance with ASC 350.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 – Summary of Significant Accounting Policies to the Company's Condensed Consolidated Financial Statements for a discussion of recent accounting standards and pronouncements.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk exposures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements.

Market Price Risk of Bitcoin. We hold a significant amount of bitcoin, as such, we are exposed to the impact of market price changes in bitcoin on its bitcoin holdings. This exposure would generally manifest itself in the following areas:

- Declines in the fair market value of bitcoin will impact the cash value that would be realized if we were to sell our bitcoin for cash, therefore having a negative impact on our liquidity.
- We occasionally enter into derivative financial instruments to manage our exposure resulting from fluctuations in the price of bitcoin.

At March 31, 2024, we held approximately 17,320 bitcoin and the fair value of a single bitcoin was approximately \$71,289, meaning that the fair value of our bitcoin holdings on that date was approximately \$1,234.7 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its principal executive officer and principal 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 Quarterly 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 principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that its disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2024 due to the previously identified material weakness.

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 Quarterly Report.

Remediation

The Company's Board of Directors and management take internal control over financial reporting and the integrity of its financial statements seriously. Management continues to work to improve its controls related to the material weaknesses described above. Management will continue to implement measures to remediate the material weaknesses, 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 implementation firms under Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") to enable the Company to improve the Company's controls related to its material weaknesses; and
- Continue to evaluate existing processes and implement new processes and controls where necessary in connection with remediating the Company's material weaknesses, 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 the requirements of SOX to enhance and progress the industry forward to be fully compliant with SOX.

The Company recognizes that the material weaknesses 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 its 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 three months ended March 31, 2024 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.

PART II

ITEM 1. LEGAL PROCEEDINGS

Other than as disclosed in Note 14 - Legal Proceedings—*Ho v. Marathon* in the notes to the Company's Condensed Consolidated Financial Statements included in this Quarterly Report, there have been no material changes to our legal proceedings as previously disclosed in our Annual Report.

ITEM 1A. RISK FACTORS

We are not aware of any material changes to the risk factors set forth under the caption "Risk Factors" in Part II, Item 1A of our Annual Report, which are incorporated herein by reference. The risks described in our Annual Report are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, operating results, liquidity, and future prospects.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Repurchased | Average Price Paid Per Share ⁽¹⁾ | Total Number of Shares Purchased as Part of Publicly Amounted Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|------------------------------------|---|---|--|
| January 1, 2024 through January 31, 2024 | 670,776 | \$ 17.75 | — | \$ — |
| February 1, 2024 through February 29, 2024 | 121,977 | 23.20 | — | — |
| March 1, 2024 through March 31, 2024 | 68,585 | 26.20 | — | — |
| Total | 861,338 | \$ 19.20 | — | \$ — |

⁽¹⁾ The average price paid for shares in connection with vesting of restricted stock units are averages of the closing stock price at the vesting date which is used to calculate the number of shares withheld.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Director and Officer Trading Plans and Arrangements

Neither the Company nor any of its directors or Section 16 officers has adopted, modified, or terminated any trading plans or arrangements that are intended to satisfy the affirmative defense conditions of Rule 10b5-1 or plans that are "non-Rule 10b5-1 plans," as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

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

| Exhibit Number | Exhibit Description | Form | Date of First Filing | Exhibit Number | Provided Herewith |
|----------------|--|------|----------------------|----------------|-------------------|
| 10.1# | Amended Executive Employment Agreement, dated May 26, 2022, by and between Marathon Digital Holdings, Inc. and James Crawford | | | | X |
| 10.2# | Amended Executive Employment Agreement, dated April 4, 2023, by and between Marathon Digital Holdings, Inc. and Adam Swick | | | | 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 |

Indicates management contract or compensatory plan.

* 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.

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 09, 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)

AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

This AMENDED EXECUTIVE EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into as of May 26th, 2022 and effective February 23, 2022, by and between Marathon Digital Holdings, Inc., a Nevada corporation headquartered at 1180 N. Town Center Drive, Suite 100, Las Vegas, NV 89144 (“Company”) and James Crawford, an individual (“Executive”), which amends the original Executive Employment Agreement between the parties dated as of August 31, 2017 (the “Original Agreement”). As used herein, the “Effective Date” means the date of the Original Agreement, which is August 31, 2017, or the date of this Agreement as set forth above, as the context requires.

WITNESSETH:

WHEREAS the Executive desires to be employed by the Company as Chief Operating Officer and the Company wishes to employ the Executive in such capacities.

NOW, THEREFORE, in consideration of the foregoing and their respective covenants and agreements contained in this document, the Company and the Executive hereby agree as follows:

1. Employment and Duties. The Company agrees to employ, and the Executive agrees to serve as the Company’s Chief Operating Officer. The duties and responsibilities of the Executive shall include the duties and responsibilities as the Company’s Chief Executive Officer may from time to time assign to the Executive and reasonably commensurate with those duties and responsibilities normally associated with and appropriate for someone in the position of Chief Operating Officer.

The Executive shall devote all of his business time and best efforts to the performance of his duties under this Agreement and shall be subject to, and shall comply with the Company policies, practices and procedures and all codes of ethics or business conduct applicable to his position, as in effect from time to time. Notwithstanding the foregoing, the Executive shall be entitled to (i) serve as a member of the board of directors of a reasonable number of companies, subject to the advance approval of the Board, which approval shall not be unreasonably withheld, conditioned or delayed; (ii) serve on civic, charitable, educational, religious, public interest or public service boards, subject to the advance approval of the Board, which approval shall not be unreasonably withheld, and (iii) manage the Executive’s personal and family investments, in each case, to the extent such activities do not materially interfere, as determined by the Board in good faith, with the performance of the Executive’s duties and responsibilities hereunder.

2. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a period of two (2) years following the date of this Agreement and shall be automatically renewed for successive one (1) year periods thereafter unless either party provides the other party with written notice of his or its intention not to renew this Agreement at least three (3) months prior to the expiration of the initial term or any renewal term of this Agreement. “Employment Period” shall mean the initial two (2) year term plus renewals, if any.

3. Place of Employment. The Executive’s services shall be performed at the Company’s offices located at 1180 N. Town Center Drive, Suite 100, Las Vegas, NV 89144, or such other location(s) as mutually agreed upon in writing between the Company and the Executive.

4. Base Salary. The Company agrees to pay the Executive a base salary (“Base Salary”) of \$300,000 per annum. The parties agree that at the end of each year of the Employment Period including renewals, Executive’s Base Salary shall increase by three percent (3%) to reflect increased cost of living (“COL Adjustment”), and the Base Salary shall thereafter include all COL Adjustments. The Base Salary shall be paid in periodic installments in accordance with the Company’s regular payroll practices. The Base Salary may only be increased but not decreased without the written consent of the Executive.

(a) Annual Bonus. The Executive shall be eligible to receive an annual bonus the (“Annual Bonus”) of up to 100% of the Base Salary, to be paid in cash, as reasonably determined by the Compensation Committee and/or the Board of Directors of the Company (the “Compensation Committee”). The Annual Bonus shall be paid by the Company to the Executive promptly after determination that the relevant targets, if any, have been met,

it being understood that the attainment of any financial targets associated with any bonus shall not be determined until following the completion of the Company's annual audit and public announcement of such results and shall be paid promptly following the Company's announcement of earnings, subject to cash availability. In the event that the Compensation Committee is unable to act or if there shall be no such Compensation Committee, then all references herein to the Compensation Committee (except in the proviso to this sentence) shall be deemed to be references to the Board. Upon his termination from employment, the Executive shall be entitled to receive a pro-rata portion of the Annual Bonus calculated based upon the last day of the fiscal quarter in which his employment is terminated, regardless of whether he is employed by the Company through the conclusion of the fiscal quarter or year, as the case may be, on which the Annual Bonus is based. The Annual Bonus shall be paid no later than June 30th of the year following when the Annual Bonus is earned, subject to cash availability. Frederick Thiel, the Company's Chairman and Chief Executive Officer and the Compensation Committee will work to define a set of goals and objectives for the term of the Agreement as a basis for determining a bonus award(s). Such goals will be quantitative as well as qualitative in nature.

(b) Equity Awards. The Company provides our Executive's with the opportunity to earn a grant of Restricted Stock Units (RSU's) which are convertible into common stock, for which Executive has been granted 150,000 RSUs (the "Compensating Shares") as approved by the Board of Directors ("Executive Award"), subject to the vesting schedule displayed below ("Vesting Schedule"). For avoidance of doubt: vesting of the Compensation Shares shall vest in 25% increments on each of February 23, 2023, February 23, 2024, February 23 2025 and February 23, 2026. In the event of a Change of Control, the remaining Unvested RSU's will vest immediately.

(c) In addition to the Executive Award the Executive shall be eligible for such grants of awards under any applicable Company incentive plan (or any successor or replacement plan adopted by the Board and approved by the stockholders of the Company) (the "Plan") as the Compensation Committee or Board may from time to time determine (the "Share Awards"). Share Awards shall be subject to the applicable Plan terms and conditions, provided, however, that Share Awards shall be subject to any additional terms and conditions as are provided herein or in any award certificate(s), which shall supersede any conflicting provisions governing Share Awards provided under the Plan.

5. Severance Compensation

(a) Upon termination of employment for any reason, the Executive shall be entitled to: (A) all Base Salary earned through the date of termination to be paid according to Section 4; (B) any Annual Bonuses, pro-rated, to be paid in accordance with Section 4(a) above.; (C) all accrued but unused vacation time, and (d) reimbursement of all reasonable expenses as set forth in Section 7.

(b) Upon termination of employment by Company for any reason other than for cause ("Cause") as defined in Section 10(c), or upon termination of employment by Executive for good reason ("Good Reason") as defined in Section 10(d)(1), Executive shall be entitled to receipt of all vested and unvested shares contemplated in the Executive Award in accord with the Executive Vesting Schedule as if no termination occurred.

(c) In the event of a termination by the Company without Cause, by the Executive for Good Reason or by the Executive within one hundred eighty days (180) days of the occurrence of a Change of Control (as defined below) and subject to the additional provisions of Section 10(d)(3), then in addition to the severance compensation set forth in Section 5(a) and 5(b), Executive shall also be entitled to the following enhanced separation benefits ("Enhanced Separation Benefits"): (i) the greater of Executive's continued Base Salary through the balance of the Employment Period, as renewed, or) twelve (12) months of Executive's then Base Salary; (ii) continued participation in Company welfare benefit plans (including health benefits) on the same terms as immediately prior to termination and to be paid in full by the Company for the period of time set forth in this Section 5(c) (not to be less than nine months of continuation of benefits) and (iii) immediate vesting of all stock options/equity awards.

(d) Upon termination of Executive's continued benefits (either pursuant to Section 5(a), 5(b) or 5(c) as the case may be), the Executive may continue coverage with respect to the Company's group health plans as permitted by the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for himself and each of his "Qualified Beneficiaries" as defined by COBRA ("COBRA Coverage"). The Company shall reimburse the amount of any COBRA premium paid for COBRA Coverage timely elected by and for the Executive and any Qualified Beneficiary of the Executive, and not otherwise reimbursed, during the period that ends on the earliest of (x) the date the Executive or the Qualified Beneficiary, as the case may be, ceases to be eligible for COBRA Coverage, (y) the last day of the consecutive eighteen (18) month period following the date of the Executive's termination of employment and (z) the date the Executive or the Qualified Beneficiary, as the case may be, is covered by another group health plan. To reimburse any COBRA premium payment under this paragraph, the Company must receive documentation of the COBRA premium payment within ninety (90) days of its payment.

6. Clawback Rights. The Annual Bonus, and any and all stock based compensation (such as options and equity awards) (collectively, the "Clawback Benefits") shall be subject to "Clawback Rights" as follows: during the period that the Executive is employed by the Company and upon the termination of the Executive's employment and for a period of three (3) years thereafter, if there is a restatement of any financial results from which any metrics were determined to be achieved which were the basis of the granting and calculation of such Clawback Benefits to the Executive, the Executive agrees to repay any amounts which were determined by reference to any Company financial results which were later restated (as defined below), to the extent the Clawback Benefits amounts paid exceed the Clawback Benefits amounts that would have been paid, based on the restatement of the Company's financial information. All Clawback Benefits amounts resulting from such restated financial results shall be retroactively adjusted by the Compensation Committee to take into account the restated results, and any excess portion of the Clawback Benefits resulting from such restated results shall be immediately surrendered to the Company and if not so surrendered within ninety (90) days of the revised calculation being provided to the Executive by the Compensation Committee following a publicly announced restatement, the Company shall have the right to take any and all action to effectuate such adjustment. The calculation of the revised Clawback Benefits amount shall be determined by the Compensation Committee in good faith and in accordance with applicable law, rules and regulations. All determinations by the Compensation Committee with respect to the Clawback Rights shall be final and binding on the Company and the Executive. The Clawback Rights shall terminate following a Change of Control as defined in Section 10(f), subject to applicable law, rules and regulations. For purposes of this Section 6, a restatement of financial results that requires a repayment of a portion of the Clawback Benefits amounts shall mean a restatement resulting from material non-compliance of the Company with any financial reporting requirement under the federal securities laws and shall not include a restatement of financial results resulting from subsequent changes in accounting pronouncements or requirements which were not in effect on the date the financial statements were originally prepared ("Restatements"). The parties acknowledge it is their intention that the foregoing Clawback Rights as relates to Restatements conform in all respects to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and require recovery of all "incentive-based" compensation, pursuant to the provisions of the Dodd-Frank Act and any and all rules and regulations promulgated thereunder from time to time in effect. Accordingly, the terms and provisions of this Agreement shall be deemed automatically amended from time to time to assure compliance with the Dodd-Frank Act and such rules and regulations as hereafter may be adopted and in effect.

7. Expenses. The Executive shall be entitled to prompt reimbursement by the Company for all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive while employed (in accordance with the policies and procedures established by the Company for its senior executive officers) in the performance of his duties and responsibilities under this Agreement; provided, that the Executive shall properly account for such expenses in accordance with Company policies and procedures. Reimbursement of such expenses shall be paid out even after Executive's termination for any reason, so long as the expenses were incurred during Executive's employment with the Company.

8. Other Benefits. During the term of this Agreement, the Executive shall be eligible to participate in incentive, stock purchase, savings, retirement (401(k)), and welfare benefit plans, including, without limitation, health, medical, dental, vision, life (including accidental death and dismemberment) and disability insurance plans (collectively, "Benefit Plans"), in substantially the same manner and at substantially the same levels as the Company makes such opportunities available to the Company's managerial or salaried executive employees and/or its senior

executive officer. The Company shall pay one hundred percent (100%) of the cost for any group medical, vision and/or dental coverage elected by and for the Executive.

9. Vacation. During the term of this Agreement, the Executive shall be entitled to accrue, on a pro rata basis, thirty (30) paid vacation days per year. Vacation shall be taken at such times as are mutually convenient to the Executive and the Company and no more than fifteen (15) consecutive days shall be taken at any one time without Company approval in advance.

10. Termination of Employment.

(a) Death. If the Executive dies during the Employment Period, this Agreement and the Executive's employment with the Company shall automatically terminate and the Company's obligations to the Executive's estate and to the Executive's Qualified Beneficiaries shall be those set forth in Section 5(a) and 5(d) regarding severance compensation.

(b) Disability. In the event that, during the term of this Agreement the Executive shall be prevented from performing his essential functions hereunder to the full extent required by the Company by reason of Disability (as defined below), this Agreement and the Executive's employment with the Company shall automatically terminate. The Company's obligation to the Executive under such circumstances shall be those set forth in Section 5(a) and 5(d) regarding severance compensation. For purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents the performance by the Executive, with or without reasonable accommodation, of his essential functions hereunder for an aggregate of ninety (90) days or longer during any twelve (12) consecutive months. The determination of the Executive's Disability shall be made by an independent physician who is reasonably acceptable to the Company and the Executive (or his representative), be final and binding on the parties hereto and be made taking into account such competent medical evidence as shall be presented to such independent physician by the Executive and/or the Company or by any physician or group of physicians or other competent medical experts employed by the Executive and/or the Company to advise such independent physician.

(c) Cause.

(1) At any time during the Employment Period, the Company may terminate this Agreement and the Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (a) the willful and continued failure of the Executive to perform substantially his material duties and responsibilities for the Company (other than any such failure resulting from the Executive's death or Disability) after a written demand by the Board for substantial performance is delivered to the Executive by the Company, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties and responsibilities, which willful and continued failure is not cured by the Executive within thirty (30) days following his receipt of such written demand; (b) the conviction of, or plea of guilty or *nolo contendere* to, a felony, or (c) fraud, dishonesty or gross misconduct which is materially and demonstratively injurious to the Company. Termination under clauses (b) or (c) of this Section 10(c)(1) shall not be subject to cure.

(2) For purposes of this Section 10(c), no act, or failure to act, on the part of the Executive shall be considered "willful" unless done, or omitted to be done, by him in bad faith and without reasonable belief that his action or omission was in, or not opposed to, the best interest of the Company. Between the time the Executive receives written demand regarding substantial performance, as set forth in subparagraph (1) above, and prior to an actual termination for Cause, the Executive will be entitled to appear (with counsel) before the full Board to present information regarding his views on the Cause event. Under no circumstances shall Executive be terminated under Section 10(c)(1)(a) before the expiration of the 30-day cure period. After such hearing, termination for Cause must be approved by a majority vote of the full Board (other than the Executive). For terminations pursuant to Sections 10(c)(1)(b) and (c), the Board may suspend the Executive with full pay and benefits until a final determination by the full Board has been made.

(3) Upon termination of this Agreement for Cause, the Company shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter,

except for the obligation to pay the Executive pursuant to Section 5(a). The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(d) For Good Reason or a Change of Control or Without Cause.

(1) At any time during the term of this Agreement and subject to the conditions set forth in Section 10(d)(2) below, the Executive may terminate this Agreement and the Executive's employment with the Company for "Good Reason" or on account of a "Change of Control" (as defined in Section 10(f)). For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events without Executive's consent: (A) the assignment to the Executive of duties that are significantly different from, and/or that result in a substantial diminution of, the duties that he assumed on the Effective Date (including reporting to anyone other than solely and directly to the Board); (B) the assignment to the Executive of a title that is different from and subordinate to the title Executive Chairman and Chief Executive Officer of the Company, provided, however, for the absence of doubt following a Change of Control, should the Executive be required to serve in a diminished capacity in a division or unit of another entity (including the acquiring entity), such event shall constitute Good Reason regardless of the title of the Executive in such acquiring company, division or unit; (C) material breach by the Company of this Agreement, or (D) a required relocation of the Executive's place of employment (as defined in Section 3) by more than a 50 mile radius.

(2) The Executive shall not be entitled to terminate this Agreement for Good Reason unless and until he shall have delivered written notice to the Company within ninety (90) days of the date upon which the facts giving rise to Good Reason occurred of his intention to terminate this Agreement and his employment with the Company for Good Reason, which notice specifies in reasonable detail the circumstances claimed to provide the basis for such termination for Good Reason, and the Company shall not have eliminated the circumstances constituting Good Reason within thirty (30) days of its receipt from the Executive of such written notice. In the event the Executive elects to terminate this Agreement for Good Reason in accordance with Section 10(d)(1), such election must be made within the twenty-four (24) months following the initial existence of one or more of the conditions constituting Good Reason as provided in Section 10(d)(1). In the event the Executive elects to terminate this Agreement for a Change in Control in accordance with Section 10(d)(1), such election must be made within one hundred eighty (180) days of the occurrence of the Change of Control.

(3) In the event that the Executive terminates this Agreement and his employment with the Company for Good Reason or within one hundred eighty (180) days of the occurrence of a Change of Control, or the Company terminates this Agreement and the Executive's employment with the Company without Cause, the Company shall pay or provide to the Executive (or, following his death, to the Executive's heirs, administrators or executors) the Enhanced Separation Benefits set forth in Sections 5(c) and 5(d); provided, that the Executive executes an agreement releasing Company and its affiliates from any liability associated with this Agreement (excepting any payment obligations) and such release is irrevocable at the time the separation payment is first payable under this Section 10 and the Executive complies with his other obligations under this Agreement. Subject to the terms hereof, one-half (1/2) of the compensation of the Enhanced Separation Benefits payment shall be paid within thirty (30) days of the Executive's termination of employment ("Initial Payment"), provided that the Executive has executed a release (excepting payment obligations) and that if the release execution period begins in one taxable year and ends in another taxable year, the Initial Payment shall not be made until the beginning of the taxable year immediately following termination. The balance of the compensation of the Enhanced Separation Benefits shall be paid in substantially equal installments on the Company's regular payroll dates beginning with the first payroll date coincident with or immediately following the Initial Payment and ending on the payroll date coincident with or immediately following the twelve (12) month anniversary of the Initial Payment. The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(4) The Executive shall not be required to mitigate the amount of any payment provided for in this Section 10(d) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 10(d) be reduced by any compensation earned by the Executive as the result of employment by another employer or business or by profits earned by the Executive from any other source at any time before and after the termination date. The Company's obligation to make any payment pursuant to, and otherwise to perform its

obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Company may have against the Executive for any reason.

(e) Without "Good Reason" by the Executive. At any time during the term of this Agreement, the Executive shall be entitled to terminate this Agreement and the Executive's employment with the Company without Good Reason and other than for a Change of Control by providing prior written notice of at least thirty (30) days to the Company. Upon termination by the Executive of this Agreement or the Executive's employment with the Company without Good Reason and other than for a Change of Control, the Company shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter, except for the obligations set forth in Sections 5(a). The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(f) Change of Control. For purposes of this Agreement, "Change of Control" shall mean the occurrence of any one or more of the following: (i) the accumulation (if over time, in any consecutive twelve (12) month period), whether directly, indirectly, beneficially or of record, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more than fifty percent (50%) or more of the shares of the outstanding Common Stock of the Company, whether by merger, consolidation, sale or other transfer of shares of Common Stock (other than a merger or consolidation where the stockholders of the Company prior to the merger or consolidation are the holders of a majority of the voting securities of the entity that survives such merger or consolidation) for purposes of clarity the Company expects to sell a number of shares and/or convert outstanding senior debt to either preferred or common stock not limited to the period of this contract to raise funds and stabilize its balance sheet and any such sales shall not constitute a change of control for purposes of this section or Agreement, (ii) a sale of all or substantially all of the assets of the Company or (iii) during any period of twelve (12) consecutive months, the individuals who, at the beginning of such period, constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board.

(g) Any termination of the Executive's employment by the Company or by the Executive (other than termination by reason of the Executive's death) shall be communicated by written Notice of Termination to the other party of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, provided, however, failure to provide timely notification shall not affect the employment status of the Executive.

11. Confidential Information.

(a) Disclosure of Confidential Information. The Executive recognizes, acknowledges and agrees that he has had and will continue to have access to secret and confidential information regarding the Company, its subsidiaries and their respective businesses ("Confidential Information"), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information is not in or does not hereafter become part of the public domain, or become known to others through no fault of the Executive. The Executive acknowledges that such information is of great value to the Company, is the sole property of the Company, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Company herein, the Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by the Executive during the course of his employment, which is treated as confidential by the Company, and not otherwise in the public domain. The provisions of this Section 11 shall survive the termination of the Executive's employment hereunder.

(b) The Executive affirms that he does not possess and will not rely upon the protected trade secrets or confidential or proprietary information of any prior employer(s) in providing services to the Company or its subsidiaries.

(c) In the event that the Executive's employment with the Company terminates for any reason, the Executive shall deliver forthwith to the Company any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, the Executive shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

12. Section 409A.

The provisions of this Agreement are intended to comply with or are exempt from Section 409A of the Code ("Section 409A") and the related Treasury Regulations and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The Company and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions necessary, appropriate or desirable to avoid imposition of any additional tax under Section 409A or income recognition prior to actual payment to the Executive under this Agreement.

It is intended that any expense reimbursement made under this Agreement shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made under this Agreement shall be determined to be "deferred compensation" subject to Section 409A ("Deferred Compensation"), then (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year (provided that this clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect) and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense was incurred.

With respect to the time of payments of any amount under this Agreement that is Deferred Compensation, references in the Agreement to "termination of employment" and substantially similar phrases, including a termination of employment due to the Executive's Disability, shall mean "Separation from Service" from the Company within the meaning of Section 409A (determined after applying the presumptions set forth in Treasury Regulation Section 1.409A-1(h)(1)). Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if the Executive is a "specified employee" within the meaning of Section 409A at the time of the Executive's termination, then only that portion of the severance and benefits payable to the Executive pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered Deferred Compensation (together, the "Deferred Separation Benefits"), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following the Executive's termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Separation Benefits in excess of the Section 409A Limit otherwise due to the Executive on or within the six (6) month period following the Executive's termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of the Executive's termination of employment. All subsequent Deferred Separation Benefits, if any, will be payable in accordance with the payment

schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Executive dies following termination but prior to the six (6) month anniversary of the Executive's termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Executive's death and all other Deferred Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, "Section 409A Limit" shall mean a sum equal to (x) the amounts payable within the terms of the "short-term deferral" rule under Treasury Regulation Section 1.409A-1(b)(4) plus (y) the amount payable as "separation pay due to involuntary separation from service" under Treasury Regulation Section 1.409A-1(b)(9)(iii) equal to the lesser of two (2) times: (i) the Executive's annualized compensation from the Company based upon his annual rate of pay during the Executive's taxable year preceding his taxable year when his employment terminated, as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive's employment is terminated.

13. Miscellaneous.

(a) Neither the Executive nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided, however, that the Company shall have the right to delegate its obligation of payment of all sums due to the Executive hereunder, provided that such delegation shall not relieve the Company of any of its obligations hereunder.

(b) During the term of this Agreement, the Company (i) shall indemnify and hold harmless the Executive and his heirs and representatives to the maximum extent provided by the laws of the State of Nevada and by Company's bylaws and (ii) shall cover the Executive under the Company's directors' and officers' liability insurance on the same basis as it covers other senior executive officers and directors of the Company.

(c) This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to the Executive's employment by the Company, supersedes all prior understandings and agreements, whether oral or written, between the Executive and the Company, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(d) This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

(e) The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by reputable national overnight delivery service (e.g., Federal Express) for overnight delivery to the party at the address set forth in the preamble to this Agreement, or to such other address as either party may hereafter give the other party notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after deposited in the mail or one business day after deposited with an overnight delivery service for overnight delivery.

(g) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of Nevada for any disputes arising out of this Agreement, or the Executive's employment with the Company. The prevailing party in any dispute arising out of this Agreement shall be entitled to his or its reasonable attorney's fees and costs.

(h) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instruments. The parties hereto have executed this Agreement as of the date set forth above.

(i) The Executive represents and warrants to the Company, that he has the full power and authority to enter into this Agreement and to perform his obligations hereunder and that the execution and delivery of this Agreement and the performance of his obligations hereunder will not conflict with any agreement to which the Executive is a party.

(j) The Company represents and warrants to the Executive that it has the full power and authority to enter into this Agreement and to perform its obligations hereunder and that the execution and delivery of this

Agreement and the performance of its obligations hereunder will not conflict with any agreement to which the Company is a party.

[Signature page follows immediately]

IN WITNESS WHEREOF, the Executive and the Company have caused this Executive Employment Agreement to be executed as of the date first above written.

MARATHON DIGITAL HOLDINGS, INC.

By: /s/ Fred Thiel
Name: Fred Thiel
Title: Chief Executive Officer

/s/ James Crawford
James Crawford

AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

This AMENDED EXECUTIVE EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into as of April 4, 2023, and effective March 1, 2023 (the “Effective Date”), by and between Marathon Digital Holdings, Inc., a Nevada corporation headquartered at 101 NE 3rd Avenue, Suite 1200, Fort Lauderdale, FL 33301 (“Company”) and Adam Swick, an individual (“Executive”).

WITNESSETH:

WHEREAS the Executive desires to be employed by the Company as Chief Growth Officer, and the Company wishes to employ the Executive in such capacities.

NOW, THEREFORE, in consideration of the foregoing and their respective covenants and agreements contained in this document, the Company and the Executive hereby agree as follows:

1. Employment and Duties. The Company agrees to employ, and the Executive agrees to serve as the Company’s Chief Growth Officer. The duties and responsibilities of the Executive shall include the duties and responsibilities as the Company’s Chief Executive Officer may from time to time assign to the Executive and reasonably commensurate with those duties and responsibilities normally associated with and appropriate for someone in the position of Chief Growth Officer.

The Executive shall devote all of his business time and best efforts to the performance of his duties under this Agreement and shall be subject to, and shall comply with the Company policies, practices and procedures and all codes of ethics or business conduct applicable to his position, as in effect from time to time. Notwithstanding the foregoing, the Executive shall be entitled to (i) serve as a member of the board of directors of a reasonable number of companies, subject to the advance approval of the Board, which approval shall not be unreasonably withheld, conditioned or delayed; (ii) serve on civic, charitable, educational, religious, public interest or public service boards, subject to the advance approval of the Board, which approval shall not be unreasonably withheld, and (iii) manage the Executive’s personal and family investments, in each case, to the extent such activities do not materially interfere, as determined by the Board in good faith, with the performance of the Executive’s duties and responsibilities hereunder.

2. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a period of three (3) years following the date of this Agreement and shall be automatically renewed for successive one (1) year periods thereafter unless either party provides the other party with written notice of his or its intention not to renew this Agreement at least three (3) months prior to the expiration of the initial term or any renewal term of this Agreement. “Employment Period” shall mean the initial three (3) year term plus renewals, if any.

3. Place of Employment. The Executive’s services shall be performed at the Company’s offices located at 1180 N. Town Center Drive, Suite 100, Las Vegas, NV 89144, or

such other location(s) as mutually agreed upon in writing between the Company and the Executive.

4. Base Salary. The Company agrees to pay the Executive a base salary ("Base Salary") of \$300,000 per annum. The parties agree that at the end of each year of the Employment Period including renewals, Executive's Base Salary shall increase by three percent (3%) to reflect increased cost of living ("COL Adjustment"), and the Base Salary shall thereafter include all COL Adjustments. The Base Salary shall be paid in periodic installments in accordance with the Company's regular payroll practices. The Base Salary may only be increased but not decreased without the written consent of the Executive.

(a) Annual Bonus. The Executive shall be eligible to receive an annual bonus the ("Annual Bonus") of up to 100% of the Base Salary, to be paid in cash, as reasonably determined by the Compensation Committee and/or the Board of Directors of the Company (the "Compensation Committee"). The Annual Bonus shall be paid by the Company to the Executive promptly after determination that the relevant targets, if any, have been met, it being understood that the attainment of any financial targets associated with any bonus shall not be determined until following the completion of the Company's annual audit and public announcement of such results and shall be paid promptly following the Company's announcement of earnings, subject to cash availability. In the event that the Compensation Committee is unable to act or if there shall be no such Compensation Committee, then all references herein to the Compensation Committee (except in the proviso to this sentence) shall be deemed to be references to the Board. Upon his termination from employment, the Executive shall be entitled to receive a pro-rata portion of the Annual Bonus calculated based upon the last day of the fiscal quarter in which his employment is terminated, regardless of whether he is employed by the Company through the conclusion of the fiscal quarter or year, as the case may be, on which the Annual Bonus is based. The Annual Bonus shall be paid no later than June 30th of the year following when the Annual Bonus is earned, subject to cash availability. Frederick Thiel, the Company's Chairman and Chief Executive Officer and the Compensation Committee will work to define a set of goals and objectives for the term of the Agreement as a basis for determining a bonus award(s). Such goals will be quantitative as well as qualitative in nature.

(b) Equity Awards. The Company provides our Executive's with the opportunity to earn grant of Restricted Stock Units (RSUs) which are convertible into common stock, for which Executive has been granted 166,817 RSUs (the "Compensating Shares") as approved by the Board of Directors ("Executive Award"), subject to the vesting schedule displayed below ("Vesting Schedule"). For avoidance of doubt: vesting of the Compensation Shares shall vest 41,704 RSUs on March 1, 2024, and 10,426 every three months for 11 consecutive three-month periods, and then for one three-month period for 10,427 RSUs. In the event of a Change of Control, the remaining unvested RSUs will vest immediately.

(c) In addition to the Executive Award the Executive shall be eligible for such grants of awards under any applicable Company incentive plan (or any successor or replacement plan adopted by the Board and approved by the stockholders of the Company) (the "Plan") as the Compensation Committee or Board may from time to time determine (the "Share Awards"). Share Awards shall be subject to the applicable Plan terms and conditions, provided, however, that Share Awards shall be subject to any additional terms and conditions as are provided herein or in

any award certificate(s), which shall supersede any conflicting provisions governing Share Awards provided under the Plan.

5. Severance Compensation.

(a) Upon termination of employment for any reason, the Executive shall be entitled to:

(A) all Base Salary earned through the date of termination to be paid according to Section 4; (B) any Annual Bonuses, pro-rated, to be paid in accordance with Section 4(a) above.; (C) all accrued but unused vacation time, and (d) reimbursement of all reasonable expenses as set forth in Section 7.

(b) Upon termination of employment by Company for any reason other than for cause (“Cause”) as defined in Section 10(c), or upon termination of employment by Executive for good reason (“Good Reason”) as defined in Section 10(d)(1), Executive shall be entitled to receipt of all vested and unvested shares contemplated in the Executive Award in accord with the Executive Vesting Schedule as if no termination occurred.

(c) In the event of a termination by the Company without Cause, by the Executive for Good Reason or by the Executive within one hundred eighty days (180) days of the occurrence of a Change of Control (as defined below) and subject to the additional provisions of Section 10(d)(3), then in addition to the severance compensation set forth in Section 5(a) and 5(b), Executive shall also be entitled to the following enhanced separation benefits (“Enhanced Separation Benefits”): (i) the greater of Executive’s continued Base Salary through the balance of the Employment Period, as renewed, or) twelve (12) months of Executive’s then Base Salary; (ii) continued participation in Company welfare benefit plans (including health benefits) on the same terms as immediately prior to termination and to be paid in full by the Company for the period of time set forth in this Section 5(c) (not to be less than nine months of continuation of benefits) and (iii) immediate vesting of all stock options/equity awards.

(d) Upon termination of Executive’s continued benefits (either pursuant to Section 5(a), 5(b) or 5(c) as the case may be), the Executive may continue coverage with respect to the Company’s group health plans as permitted by the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) for himself and each of his “Qualified Beneficiaries” as defined by COBRA (“COBRA Coverage”). The Company shall reimburse the amount of any COBRA premium paid for COBRA Coverage timely elected by and for the Executive and any Qualified Beneficiary of the Executive, and not otherwise reimbursed, during the period that ends on the earliest of (x) the date the Executive or the Qualified Beneficiary, as the case may be, ceases to be eligible for COBRA Coverage, (y) the last day of the consecutive eighteen (18) month period following the date of the Executive’s termination of employment and (z) the date the Executive or the Qualified Beneficiary, as the case may be, is covered by another group health plan. To reimburse any COBRA premium payment under this paragraph, the Company must receive documentation of the COBRA premium payment within ninety (90) days of its payment.

6. Clawback Rights. The Annual Bonus, and any and all stock based compensation (such as options and equity awards) (collectively, the “Clawback Benefits”) shall be subject to “Clawback Rights” as follows: during the period that the Executive is employed by the Company and upon the termination of the Executive’s employment and for a period of three (3) years

thereafter, if there is a restatement of any financial results from which any metrics were determined to be achieved which were the basis of the granting and calculation of such Clawback Benefits to the Executive, the Executive agrees to repay any amounts which were determined by reference to any Company financial results which were later restated (as defined below), to the extent the Clawback Benefits amounts paid exceed the Clawback Benefits amounts that would have been paid, based on the restatement of the Company's financial information. All Clawback Benefits amounts resulting from such restated financial results shall be retroactively adjusted by the Compensation Committee to take into account the restated results, and any excess portion of the Clawback Benefits resulting from such restated results shall be immediately surrendered to the Company and if not so surrendered within ninety (90) days of the revised calculation being provided to the Executive by the Compensation Committee following a publicly announced restatement, the Company shall have the right to take any and all action to effectuate such adjustment. The calculation of the revised Clawback Benefits amount shall be determined by the Compensation Committee in good faith and in accordance with applicable law, rules and regulations. All determinations by the Compensation Committee with respect to the Clawback Rights shall be final and binding on the Company and the Executive. The Clawback Rights shall terminate following a Change of Control as defined in Section 10(f), subject to applicable law, rules and regulations. For purposes of this Section 6, a restatement of financial results that requires a repayment of a portion of the Clawback Benefits amounts shall mean a restatement resulting from material non-compliance of the Company with any financial reporting requirement under the federal securities laws and shall not include a restatement of financial results resulting from subsequent changes in accounting pronouncements or requirements which were not in effect on the date the financial statements were originally prepared ("Restatements"). The parties acknowledge it is their intention that the foregoing Clawback Rights as relates to Restatements conform in all respects to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and require recovery of all "incentive-based" compensation, pursuant to the provisions of the Dodd-Frank Act and any and all rules and regulations promulgated thereunder from time to time in effect. Accordingly, the terms and provisions of this Agreement shall be deemed automatically amended from time to time to assure compliance with the Dodd-Frank Act and such rules and regulations as hereafter may be adopted and in effect.

7. Expenses. The Executive shall be entitled to prompt reimbursement by the Company for all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive while employed (in accordance with the policies and procedures established by the Company for its senior executive officers) in the performance of his duties and responsibilities under this Agreement; provided, that the Executive shall properly account for such expenses in accordance with Company policies and procedures. Reimbursement of such expenses shall be paid out even after Executive's termination for any reason, so long as the expenses were incurred during Executive's employment with the Company.

8. Other Benefits. During the term of this Agreement, the Executive shall be eligible to participate in incentive, stock purchase, savings, retirement (401(k)), and welfare benefit plans, including, without limitation, health, medical, dental, vision, life (including accidental death and dismemberment) and disability insurance plans (collectively, "Benefit Plans"), in substantially the same manner and at substantially the same levels as the Company makes such opportunities

available to the Company's managerial or salaried executive employees and/or its senior executive officer.

9. Vacation. During the term of this Agreement, the Executive shall be entitled to accrue, on a pro rata basis, thirty (30) paid vacation days per year. Vacation shall be taken at such times as are mutually convenient to the Executive and the Company and no more than fifteen (15) consecutive days shall be taken at any one time without Company approval in advance.

10. Termination of Employment.

(a) Death. If the Executive dies during the Employment Period, this Agreement and the Executive's employment with the Company shall automatically terminate and the Company's obligations to the Executive's estate and to the Executive's Qualified Beneficiaries shall be those set forth in Section 5(a) and 5(d) regarding severance compensation.

(b) Disability. In the event that, during the term of this Agreement the Executive shall be prevented from performing his essential functions hereunder to the full extent required by the Company by reason of Disability (as defined below), this Agreement and the Executive's employment with the Company shall automatically terminate. The Company's obligation to the Executive under such circumstances shall be those set forth in Section 5(a) and 5(d) regarding severance compensation. For purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents the performance by the Executive, with or without reasonable accommodation, of his essential functions hereunder for an aggregate of ninety (90) days or longer during any twelve (12) consecutive months. The determination of the Executive's Disability shall be made by an independent physician who is reasonably acceptable to the Company and the Executive (or his representative), be final and binding on the parties hereto and be made taking into account such competent medical evidence as shall be presented to such independent physician by the Executive and/or the Company or by any physician or group of physicians or other competent medical experts employed by the Executive and/or the Company to advise such independent physician.

(c) Cause.

(1) At any time during the Employment Period, the Company may terminate this Agreement and the Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (a) the willful and continued failure of the Executive to perform substantially his material duties and responsibilities for the Company (other than any such failure resulting from the Executive's death or Disability) after a written demand by the Board for substantial performance is delivered to the Executive by the Company, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties and responsibilities, which willful and continued failure is not cured by the Executive within thirty (30) days following his receipt of such written demand; (b) the conviction of, or plea of guilty or *nolo contendere* to, a felony, or (c) fraud, dishonesty or gross misconduct which is materially and demonstratively injurious to the Company. Termination under clauses (b) or (c) of this Section 10(c)(1) shall not be subject to cure.

(2) For purposes of this Section 10(c), no act, or failure to act, on the part of the Executive shall be considered “willful” unless done, or omitted to be done, by him in bad faith and without reasonable belief that his action or omission was in, or not opposed to, the best interest of the Company. Between the time the Executive receives written demand regarding substantial performance, as set forth in subparagraph (1) above, and prior to an actual termination for Cause, the Executive will be entitled to appear (with counsel) before the full Board to present information regarding his views on the Cause event. Under no circumstances shall Executive be terminated under Section 10(c)(1)(a) before the expiration of the 30-day cure period. After such hearing, termination for Cause must be approved by a majority vote of the full Board (other than the Executive). For terminations pursuant to Sections 10(c)(1)(b) and (c), the Board may suspend the Executive with full pay and benefits until a final determination by the full Board has been made.

(3) Upon termination of this Agreement for Cause, the Company shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter, except for the obligation to pay the Executive pursuant to Section 5(a). The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(d) For Good Reason or a Change of Control or Without Cause.

(1) At any time during the term of this Agreement and subject to the conditions set forth in Section 10(d)(2) below, the Executive may terminate this Agreement and the Executive’s employment with the Company for “Good Reason” or on account of a “Change of Control” (as defined in Section 10(f)). For purposes of this Agreement, “Good Reason” shall mean the occurrence of any of the following events without Executive’s consent: (A) the assignment to the Executive of duties that are significantly different from, and/or that result in a substantial diminution of, the duties that he assumed on the Effective Date (including reporting to anyone other than solely and directly to the Board); (B) the assignment to the Executive of a title that is different from and subordinate to the title Executive Chairman and Chief Executive Officer of the Company, provided, however, for the absence of doubt following a Change of Control, should the Executive be required to serve in a diminished capacity in a division or unit of another entity (including the acquiring entity), such event shall constitute Good Reason regardless of the title of the Executive in such acquiring company, division or unit; (C) material breach by the Company of this Agreement, or (D) a required relocation of the Executive's place of employment (as defined in Section 3) by more than a 50 mile radius.

(2) The Executive shall not be entitled to terminate this Agreement for Good Reason unless and until he shall have delivered written notice to the Company within ninety (90) days of the date upon which the facts giving rise to Good Reason occurred of his intention to terminate this Agreement and his employment with the Company for Good Reason, which notice specifies in reasonable detail the circumstances claimed to provide the basis for such termination for Good Reason, and the Company shall not have eliminated the circumstances constituting Good Reason within thirty (30) days of its receipt from the Executive of such written notice. In the event the Executive elects to terminate this Agreement for Good Reason in accordance with Section 10(d)(1), such election must be made within the twenty-four (24) months following the initial existence of one or more of the conditions constituting Good Reason as provided in Section 10(d)(1). In the

event the Executive elects to terminate this Agreement for a Change in Control in accordance with Section 10(d)(1), such election must be made within one hundred eighty (180) days of the occurrence of the Change of Control.

(3) In the event that the Executive terminates this Agreement and his employment with the Company for Good Reason or within one hundred eighty (180) days of the occurrence of a Change of Control, or the Company terminates this Agreement and the Executive's employment with the Company without Cause, the Company shall pay or provide to the Executive (or, following his death, to the Executive's heirs, administrators or executors) the Enhanced Separation Benefits set forth in Sections 5(c) and 5(d); provided, that the Executive executes an agreement releasing Company and its affiliates from any liability associated with this Agreement (excepting any payment obligations) and such release is irrevocable at the time the separation payment is first payable under this Section 10 and the Executive complies with his other obligations under this Agreement. Subject to the terms hereof, one-half (1/2) of the compensation of the Enhanced Separation Benefits payment shall be paid within thirty (30) days of the Executive's termination of employment ("Initial Payment"), provided that the Executive has executed a release (excepting payment obligations) and that if the release execution period begins in one taxable year and ends in another taxable year, the Initial Payment shall not be made until the beginning of the taxable year immediately following termination. The balance of the compensation of the Enhanced Separation Benefits shall be paid in substantially equal installments on the Company's regular payroll dates beginning with the first payroll date coincident with or immediately following the Initial Payment and ending on the payroll date coincident with or immediately following the twelve (12) month anniversary of the Initial Payment. The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(4) The Executive shall not be required to mitigate the amount of any payment provided for in this section 10(d) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 10(d) be reduced by any compensation earned by the Executive as the result of employment by another employer or business or by profits earned by the Executive from any other source at any time before and after the termination date. The Company's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Company may have against the Executive for any reason.

(e) Without "Good Reason" by the Executive. At any time during the term of this Agreement, the Executive shall be entitled to terminate this Agreement and the Executive's employment with the Company without Good Reason and other than for a Change of Control by providing prior written notice of at least thirty (30) days to the Company. Upon termination by the Executive of this Agreement or the Executive's employment with the Company without Good Reason and other than for a Change of Control, the Company shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter, except for the obligations set forth in Sections 5(a). The Company shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(f) Change of Control. For purposes of this Agreement, "Change of Control" shall mean the occurrence of any one or more of the following: (i) the accumulation (if over time, in

any consecutive twelve (12) month period), whether directly, indirectly, beneficially or of record, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more than fifty percent (50%) or more of the shares of the outstanding Common Stock of the Company, whether by merger, consolidation, sale or other transfer of shares of Common Stock (other than a merger or consolidation where the stockholders of the Company prior to the merger or consolidation are the holders of a majority of the voting securities of the entity that survives such merger or consolidation) for purposes of clarity the Company expects to sell a number of shares and/or convert outstanding senior debt to either preferred or common stock not limited to the period of this contract to raise funds and stabilize its balance sheet and any such sales shall not constitute a change of control for purposes of this section or Agreement, (ii) a sale of all or substantially all of the assets of the Company or (iii) during any period of twelve (12) consecutive months, the individuals who, at the beginning of such period, constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board.

(g) Any termination of the Executive's employment by the Company or by the Executive (other than termination by reason of the Executive's death) shall be communicated by written Notice of Termination to the other party of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, provided, however, failure to provide timely notification shall not affect the employment status of the Executive.

11. Confidential Information.

(a) Disclosure of Confidential Information. The Executive recognizes, acknowledges and agrees that he has had and will continue to have access to secret and confidential information regarding the Company, its subsidiaries and their respective businesses ("Confidential Information"), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information is not in or does not hereafter become part of the public domain, or become known to others through no fault of the Executive. The Executive acknowledges that such information is of great value to the Company, is the sole property of the Company, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Company herein, the Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by the Executive during the course of his employment, which is treated as confidential by the Company, and not otherwise in the public domain. The provisions of this Section 11 shall survive the termination of the Executive's employment hereunder.

(b) The Executive affirms that he does not possess and will not rely upon the protected trade secrets or

confidential or proprietary information of any prior employer(s) in providing services to the Company or its subsidiaries.

(c) In the event that the Executive's employment with the Company terminates for any reason, the Executive shall deliver forthwith to the Company any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, the Executive shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

12. Section 409A.

The provisions of this Agreement are intended to comply with or are exempt from Section 409A of the Code ("Section 409A") and the related Treasury Regulations and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The Company and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions necessary, appropriate or desirable to avoid imposition of any additional tax under Section 409A or income recognition prior to actual payment to the Executive under this Agreement.

It is intended that any expense reimbursement made under this Agreement shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made under this Agreement shall be determined to be "deferred compensation" subject to Section 409A ("Deferred Compensation"), then (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year (provided that this clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect) and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense was incurred.

With respect to the time of payments of any amount under this Agreement that is Deferred Compensation, references in the Agreement to "termination of employment" and substantially similar phrases, including a termination of employment due to the Executive's Disability, shall mean "Separation from Service" from the Company within the meaning of Section 409A (determined after applying the presumptions set forth in Treasury Regulation Section 1.409A-1(h)(1)). Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination

from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if the Executive is a “specified employee” within the meaning of Section 409A at the time of the Executive’s termination, then only that portion of the severance and benefits payable to the Executive pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered Deferred Compensation (together, the “Deferred Separation Benefits”), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following the Executive’s termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Separation Benefits in excess of the Section 409A Limit otherwise due to the Executive on or within the six (6) month period following the Executive’s termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of the Executive’s termination of employment. All subsequent Deferred Separation Benefits, if any, will be payable in accordance with the payment schedule

applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Executive dies following termination but prior to the six (6) month anniversary of the Executive’s termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Executive’s death and all other Deferred Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, “Section 409A Limit” shall mean a sum equal to (x) the amounts payable within the terms of the “short-term deferral” rule under Treasury Regulation Section 1.409A-1(b)(4) plus (y) the amount payable as “separation pay due to involuntary separation from service” under Treasury Regulation Section 1.409A-1(b)(9)(iii) equal to the lesser of two (2) times:

(i) the Executive’s annualized compensation from the Company based upon his annual rate of pay during the Executive’s taxable year preceding his taxable year when his employment terminated, as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive’s employment is terminated.

13. Miscellaneous.

(a) Neither the Executive nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided, however, that the Company shall have the right to delegate its obligation of payment of all sums due to the Executive hereunder, provided that such delegation shall not relieve the Company of any of its obligations hereunder.

(b) During the term of this Agreement, the Company (i) shall indemnify and hold harmless the Executive and his heirs and representatives to the maximum extent provided by the laws of the State of Nevada and by Company's bylaws and (ii) shall cover the Executive under the Company's directors' and officers' liability insurance on the same basis as it covers other senior executive officers and directors of the Company.

(c) This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to the Executive's employment by the Company, supersedes all prior understandings and agreements, whether oral or written, between the Executive and the Company, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(d) This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

(e) The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by reputable national overnight delivery service (e.g., Federal Express) for overnight delivery to the party at the address set forth in the preamble to this Agreement, or to such other address as either party may hereafter give the other party notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after deposited in the mail or one business day after deposited with an overnight delivery service for overnight delivery.

(g) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of Nevada for any disputes arising out of this Agreement, or the Executive's employment with the Company. The prevailing party in any dispute arising out of this Agreement shall be entitled to his or its reasonable attorney's fees and costs.

(h) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instruments. The parties hereto have executed this Agreement as of the date set forth above.

(i) The Executive represents and warrants to the Company, that he has the full power and authority to enter into this Agreement and to perform his obligations hereunder and that the execution and delivery of this Agreement and the performance of his obligations hereunder will not conflict with any agreement to which the Executive is a party.

(i) The Company represents and warrants to the Executive that it has the full power and authority to enter into this Agreement and to perform its obligations hereunder and that the execution and delivery of this Agreement and the performance of its obligations hereunder will not conflict with any agreement to which the Company is a party.

[Signature page follows immediately]

IN WITNESS WHEREOF, the Executive and the Company have caused this Executive Employment Agreement to be executed as of the date first above written.

MARATHON DIGITAL HOLDINGS, INC.

By: /s/ Fred Thiel
Name: Fred Thiel
Title: Chief Executive Officer

/s/ Adam Swick
Adam Swick

**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 quarterly report on Form 10-Q of Marathon Digital Holdings, Inc. for the period ended March 31, 2024;
 2. Based on my knowledge, this quarterly 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 quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 9, 2024

By:

/s/ Fred Thiel

Fred Thiel

Chief Executive Officer and Chairperson of the Board (Principal Executive Officer)

**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 quarterly report on Form 10-Q of Marathon Digital Holdings, Inc. for the period ended March 31, 2024;
 2. Based on my knowledge, this quarterly 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 quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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.
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Dated: May 9, 2024

By:

/s/ Salman Khan

Salman Khan

Chief Financial Officer

(Principal Financial and Accounting Officer)

**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 Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2024

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

Dated: May 9, 2024

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