

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 1, 2024**

GRYPHON DIGITAL MINING, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-39096

(Commission File Number)

83-2242651

(IRS Employer
Identification No.)

1180 N. Town Center Drive, Suite 100, Las Vegas, NV

(Address of principal executive offices)

89144

(Zip Code)

Registrant's telephone number, including area code: (877) 646-3374

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 | GRYP | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

On April 1, 2024, Gryphon Digital Mining, Inc. (the “Company”) issued a press release announcing Ivy Crypto, Inc.’s (formerly known as Gryphon Digital Mining, Inc.) (“Ivy”) financial results for the fourth quarter and fiscal year ended December 31, 2023. The Company also held a conference call regarding these financial results. A copy of the press release is furnished hereto as Exhibit 99.1.

The information provided in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. Such information shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as otherwise expressly set forth by specific reference in such filing.

Item 7.01 Regulation FD Disclosure

On April 1, 2024, the Company published an updated investor presentation to its website (the “Investor Presentation”). The Company may use the Investor Presentation, possibly with modifications, in presentations from time to time thereafter to current and potential investors, analysts, lenders, business partners, acquisition candidates, customers, employees and others with an interest in the Company and its business.

The Investor Presentation contains forward-looking statements. See page two of the Investor Presentation for a discussion of certain forward-looking statements that are included therein and the risks and uncertainties related thereto.

A copy of the Investor Presentation is attached hereto as Exhibit 99.2.

The information provided in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section. Such information shall not be deemed incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as otherwise expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

As previously disclosed, on February 9, 2024, the Company completed the transactions contemplated by that certain agreement and plan of merger (the “Merger”) by and between the Company, Akerna Merger Co., a wholly-owned subsidiary of the Company, and Ivy, dated January 27, 2023, as amended on April 28, 2023 and June 14, 2023 (the “Merger Agreement”).

Gryphon hereby expressly incorporates by reference (1) the audited annual financial statements of Ivy as at and for the fiscal year ended December 31, 2023 and the report of the independent public accountant, and (2) the unaudited pro forma condensed combined financial information of the Company giving effect to the Merger and other related transactions contemplated by the Merger Agreement, which are filed as Exhibits 99.3 and 99.4, respectively, to this Current Report on Form 8-K into the Company’s registration statement on Form S-3 (File No. 333-277060).

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are filed as part of this report:

| Exhibit Number | Description |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------|
| 99.1 | Press Release dated as of April 1, 2024 |
| 99.2 | Investor Presentation |
| 99.3 | Audited annual financial statements of Ivy Crypto, Inc as at and for the year ended December 31, 2023 and 2022 |
| 99.4 | Unaudited pro forma condensed consolidated financial information |
| 99.5 | Consent of RBSM LLP |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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, hereunto duly authorized.

Dated: April 1, 2024

GRYPHON DIGITAL MINING, INC.

By: /s/ Robby Chang

Name: Robby Chang

Title: Chief Executive Officer

FOR IMMEDIATE RELEASE

Gryphon Digital Mining, Inc. Reports Fiscal Year 2023 Financial Results

Las Vegas, NV — Gryphon Digital Mining, Inc. (Nasdaq: GRYP) (“Gryphon” or the “Company”), a bitcoin mining company that is independently certified to be 100% renewable and pursuing a negative carbon strategy, today reported financial results for its fiscal year ended December 31, 2023.

Rob Chang, CEO of Gryphon, commented, “2023 and the year to date has been a transformational period for Gryphon, culminating in our Nasdaq listing in February. Our positive net cash flow in 2023 and Breakeven Cost (as defined below) per Bitcoin of approximately \$18,200 demonstrate our industry leading operational efficiency. Our current self-mining hashrate stands at 0.9 exahash, and we have ambitious plans to expand. Our aim is to quickly reach 10 exahash, propelling us from a smaller player to a significant industry presence - all the while leading the way in financial sustainability and efficiency.”

Mr. Chang added, “Gryphon’s management team, featuring former c-suite executives from industry giants Marathon and Riot, brings industry leading experience and a proven track record of success. With such pedigreed experience, we think we are well-equipped to achieve our goals and establish ourselves as a premier player in the market. In sum, with our strong foundation, operational efficiency, and strategic expansion plans, Gryphon believes it is well-positioned to navigate the challenges of the post-halving landscape, achieve a position as an industry leader, and deliver long-term value to our shareholders.”

Financial Highlights of Fiscal Year 2023

- Total mining revenue for 2023 of \$21.1 million, compared to the prior year \$21.4 million in 2022.
- Breakeven Cost¹ per Bitcoin in 2023 was \$18,217, compared to \$14,964 in 2022. The company is focused on Breakeven Costs, which we believe is the best measure of what it costs to mine bitcoin on an operating basis. Some of our peers only focus on electricity costs and leave out the other costs to mine. We believe that a focus on the Breakeven Costs to produce a bitcoin at the mine level has the potential to offer the transparency needed to compare operations on an apples-to-apples basis.
- The Company recognized a net loss for the year of (\$28.6) million, which includes non-cash expenses of \$36.5 million. Non-cash expenses mainly consisted of depreciation, non-cash machine impairment and the non-cash notional valuation of the company’s BTC loan. This compares to net income in 2022 of \$3.5 million, which was also subject to non-cash expenses, and benefited from \$24.5 million in non-cash gains due to a non-cash gain on the extinguishment of debt and the non-cash notional valuation of the company’s BTC loan.
- Adjusted EBITDA² was \$4.8 million, compared to \$7.4 million in the prior year.

1. The Company defines Breakeven Cost per Bitcoin as (a) Cost of Revenues (excluding depreciation) divided by (b) total bitcoin generated and received from the hashrate contributed to the mining pool operator. The Company mined approximately 739 and 815 Bitcoin, respectively for the year ended December 31, 2023 and 2022, respectively.

2. 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) impairments of miners pursuant to ASC 360, (iii) impairments of digital currency pursuant to ASC 350 (iv) realized gain from use of digital assets as it relates to the bitcoin denominated note payable and (v) gain/loss on debt extinguishment.

Balance Sheet Highlights as of December 31, 2023 Assets

- Cash and cash equivalents: \$915,000
- Bitcoin: 67.2
- Total current assets: \$5.4 million
- Total mining assets (including deposits & intangible assets): \$13.4 million
- Total assets: \$18.8 million

Liabilities and Stockholders' Equity

- Current liabilities: \$19.4 million
- Total liabilities: \$19.4 million

As of February 29, 2024, the Company had cash holdings of \$1.4 million, Bitcoin holdings of approximately 60.4 Bitcoin with a fair market value of \$3.7 million and 330.3 Bitcoin of Bitcoin denominated debt.

2024 Outlook

Based on an average price of Bitcoin of \$70,000 and an average network hashrate of 550 exahash for 2024, we are currently projecting gross profit of approximately \$16.6 million from mining operations. We have posted a gross profit sensitivity analysis in our investor presentation, which can be found on slide 15 of our investor deck on our company website.

Sphere 3D Litigation

On March 25, 2024, Gryphon filed a motion with the United States District Court for the Southern District of New York seeking permission to file a motion for prejudgment attachment, seeking to secure \$10 million in equity proceeds that Sphere recently received from a settlement related to Core Scientific's bankruptcy exit. We want to ensure that the funds are available to satisfy any judgment we may receive due to Sphere's breach of contract, where it entered into at least four hosting agreements with other providers, violating the exclusivity clause of its agreement with Gryphon. We are seeking damages amounting to at least \$30 million. Over the last four months, Sphere has revealed its growing financial troubles. On November 28, 2023, in a filing in the Core Bankruptcy Action, Sphere's counsel acknowledged that the company was operating with a \$200 million net loss and that recent losses had overtaken revenue by a two-to-one margin. Sphere's stated rationale for terminating the contract – that a malicious actor had diverted bitcoin transfers from Sphere to a third party – was not only unfounded, but was, in fact, evidence of gross negligence on the part of Sphere that allowed activities from malicious actors where Gryphon became the victim. Gryphon engaged an independent third party security firm who confirmed that Gryphon's systems were not compromised.

Conference Call Information

Date: April 2, 2024

Time: 9:00am ET

Toll Free: 888-506-0062

International: 973-528-0011

Participant Access Code: 949507

Webcast Link: <https://www.webcaster4.com/Webcast/Page/3030/50238>

Conference Call Replay Information

Toll Free: 877-481-4010

International: 919-882-2331

Replay Passcode: 50238

Webcast Replay: <https://www.webcaster4.com/Webcast/Page/3030/50238>

Non-GAAP Figures

In addition to our results determined in accordance with GAAP, the Company also provides adjusted EBITDA and Breakeven Costs which are non-GAAP measures. Each of these are not financial measures of performance under GAAP and, as a result, these measures may not be comparable to similarly titled measures of other companies. Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements 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 our Interim Reports on Form 10-Q and our Annual Reports on Form 10-K as filed with the Securities and Exchange Commission. Management uses Adjusted EBITDA and Breakeven Cost 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 our financial performance and uses the non-GAAP financial measures only supplementally. Reconciliations for each of these non-GAAP measures to the nearest GAAP financial measures are provided below.

Breakeven Cost

| | 2022 | 2023 |
|-------------------------------------------|------------------|------------------|
| Mining Revenues | \$ 21,362,000 | \$ 21,052,000 |
| Bitcoin mined | 815 | 739 |
| Value of one mined bitcoin | \$ 26,211 | \$ 28,487 |
| Cost of Revenues (excluding depreciation) | \$ 12,196,000 | \$ 13,462,000 |
| Cost to mine one bitcoin | \$ 14,964 | \$ 18,217 |

Adjusted EBITDA

| | 2023 | 2022 |
|--------------------------------------------|-----------------|-----------------|
| Net Income (Loss) | \$ (28,599,000) | \$ 3,536,000 |
| Interest (income) expense | \$ 758,000 | \$ 1,111,000 |
| Income tax expense (benefit) | \$ (176,000) | \$ 176,000 |
| Depreciation | \$ 14,958,000 | \$ 12,536,000 |
| EBITDA | \$ (13,059,000) | \$ 17,359,000 |
| Adjustments: | | |
| Non-cash/non-recurring operating expenses: | | |
| Stock-based compensation expense | \$ (152,000) | \$ 3,285,000 |
| Realized gain from use of digital assets | \$ (3,899,000) | \$ - |
| Change in fair value of notes payable | \$ 13,297,000 | \$ (11,690,000) |
| Gain/loss on debt extinguishment | \$ - | \$ (10,220,000) |
| Impairment of miners | \$ 8,335,000 | \$ - |
| Impairment of digital assets | \$ 275,000 | \$ 8,704,000 |
| Adjusted EBITDA | \$ 4,797,000 | \$ 7,438,000 |

About Gryphon Digital Mining

Gryphon Digital Mining, Inc. is an innovative venture in the bitcoin space dedicated to helping bring digital assets onto the clean energy grid. With a talented leadership team coming from globally recognized brands, Gryphon is assembling thought leaders to improve digital asset network infrastructure. Its Bitcoin mining operation going into 2024 is independently certified as 100% renewable and the company is also pursuing a carbon-negative strategy. More information is available on <https://gryphondigitalmining.com/>.

Investor Notice

Investing in our securities involves a high degree of risk. Before making an investment decision, you should carefully consider the risks, uncertainties and forward-looking statements described under “Risk Factors” in Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024. If any of these risks were to occur, our business, financial condition or results of operations would likely suffer. In that event, the value of our securities could decline, and you could lose part or all of your investment. The risks and uncertainties we describe are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In addition, our past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results in the future. See “Cautionary Statements Regarding Forward-Looking Statements” below.

Cautionary Statements Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “think,” “aim,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements are based on management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. The forward-looking statements speak only as of the date of this press release or as of the date they are made. Except as otherwise required by applicable law, Gryphon disclaims any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this press release. Gryphon cautions you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond the control of Gryphon. In addition, Gryphon cautions you that the forward-looking statements contained in this press release are subject to the risks set forth in our filings with the Securities and Exchange Commission (the “SEC”), including the section under “Risk Factors” in Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024.

INVESTOR CONTACT:

Name: James Carbonara
Company: Hayden IR
Phone: (646)-755-7412
Email: james@haydenir.com

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Balance Sheets
As of December 31,

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 915,000 | \$ 267,000 |
| Restricted cash | 8,000 | 2,000 |
| Accounts receivable | 486,000 | 470,000 |
| Prepaid expense | 581,000 | 85,000 |
| Marketable securities | 403,000 | 235,000 |
| Digital assets held for other parties | 908,000 | 41,000 |
| Digital asset | 2,097,000 | 6,746,000 |
| Total current assets | 5,398,000 | 7,846,000 |
| Mining equipment, net | 12,916,000 | 34,368,000 |
| Deposits | 420,000 | 60,000 |
| Intangible asset | 100,000 | 100,000 |
| Total assets | \$ 18,834,000 | \$ 42,374,000 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,649,000 | \$ 2,993,000 |
| Liability related to digital assets held for other parties | 916,000 | 41,000 |
| Note payable – current portion | 14,868,000 | 9,126,000 |
| Total current liabilities | 19,433,000 | 12,160,000 |
| Note payable – long term | - | 3,510,000 |
| Total liabilities | 19,433,000 | 15,670,000 |
| Commitments and contingencies (Note 8) | - | - |
| Stockholders' (deficit) equity | | |
| Preferred stock, par value \$0.0001, 13,000,000 authorized and none outstanding | - | - |
| Series seed preferred stock, par value \$0.0001, 6,000,000 shares authorized, and 8,845,171 shares issued and outstanding, respectively | - | - |
| Series seed II preferred stock, par value \$0.0001, 1,000,000 shares authorized and 460,855 issued and outstanding, respectively | - | - |
| Common stock, \$0.0001 par value, 100,000,000 shares authorized; 25,109,630 and 24,856,428 shares issued and outstanding, respectively | 2,000 | 2,000 |
| Additional paid-in capital | 46,599,000 | 45,303,000 |
| Subscription receivable | (25,000) | (25,000) |
| Accumulated deficit | (47,175,000) | (18,576,000) |
| Total stockholders' (deficit) equity | (599,000) | 26,704,000 |
| Total liabilities and stockholders' equity | \$ 18,834,000 | \$ 42,374,000 |

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statements of Operations
For the Years Ended December 31,

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------------------|------------------------|---------------------|
| Revenues | | |
| Mining revenues | \$ 21,052,000 | \$ 21,362,000 |
| Management services | 873,000 | 361,000 |
| Total revenues | <u>21,925,000</u> | <u>21,723,000</u> |
| Operating expenses | | |
| Cost of revenues (excluding depreciation) | 13,462,000 | 12,196,000 |
| General and administrative expenses | 4,760,000 | 2,175,000 |
| Stock-based compensation (income) expense | (152,000) | 3,285,000 |
| Impairment of digital assets | 275,000 | 8,704,000 |
| Realized gain on sale of digital assets | (535,000) | (609,000) |
| Impairment of miners | 8,335,000 | - |
| Depreciation expense | 14,958,000 | 12,536,000 |
| Total operating expenses | <u>41,103,000</u> | <u>38,287,000</u> |
| Loss from operations | <u>(19,178,000)</u> | <u>(16,564,000)</u> |
| Other (expense) income | | |
| Unrealized income (loss) on marketable securities | 168,000 | (1,499,000) |
| Realized gain from use of digital assets | 3,899,000 | - |
| Loss on disposal of asset | (55,000) | - |
| Gain on extinguishment of debt | - | 12,966,000 |
| Loss on extinguishment of debt | - | (2,746,000) |
| Gain on termination of merger agreement | - | 1,734,000 |
| Change in fair value of notes payable | (13,297,000) | 11,690,000 |
| Other income | 446,000 | 30,000 |
| Interest expense | (758,000) | (1,111,000) |
| Amortization of debt discount | - | (788,000) |
| Total other (expense) income | <u>(9,597,000)</u> | <u>20,276,000</u> |
| (Loss) income before provision for income taxes | <u>(28,775,000)</u> | <u>3,712,000</u> |
| Provision for income taxes | <u>176,000</u> | <u>(176,000)</u> |
| Net (loss) income | <u>\$ (28,599,000)</u> | <u>\$ 3,536,000</u> |
| Net (loss) income per share - basic | <u>\$ (1.15)</u> | <u>\$ 0.14</u> |
| Net (loss) income per share - diluted | <u>(1.15)</u> | <u>0.10</u> |
| Weighted average shares outstanding – basic | <u>24,964,486</u> | <u>24,872,847</u> |
| Weighted average shares outstanding – diluted | <u>24,964,486</u> | <u>36,023,187</u> |

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statement of Changes in Stockholders' (Deficit) Equity
For the Years Ended December 31, 2023 and 2022

| | Series Seed Preferred Stock | | Series Seed II Preferred Stock | | Common Stock | | Additional Paid-in Capital | Subscription Receivable | Retained Earnings | Total Stockholders' Equity |
|----------------------------------------------------------------------------------|-----------------------------|--------|--------------------------------|--------|--------------|----------|----------------------------|-------------------------|-------------------|----------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance as of December 31, 2021 | 8,845,171 | \$ - | 460,855 | \$ - | 24,494,820 | \$ 2,000 | \$41,192,000 | \$ (25,000) | \$(22,112,000) | \$ 19,057,000 |
| Common stock issued for compensation | - | - | - | - | - | - | 1,467,000 | - | - | 1,467,000 |
| Common stock issued for conversion of convertible debentures | - | - | - | - | 75,467 | - | 277,000 | - | - | 277,000 |
| Common stock issued for conversion of accrued interest on convertible debentures | - | - | - | - | 7,239 | - | 41,000 | - | - | 41,000 |
| Restricted common stock awards issued for compensation | - | - | - | - | 235,718 | - | 2,056,000 | - | - | 2,056,000 |
| Additional paid-in capital for services contributed by the Company's president | - | - | - | - | - | - | 252,000 | - | - | 252,000 |
| Common stock issued for Board of Director | - | - | - | - | 43,184 | - | 18,000 | - | - | 18,000 |
| Net income | - | - | - | - | - | - | - | - | 3,536,000 | 3,536,000 |
| Balance as of December 31, 2022 | 8,845,171 | \$ - | 460,855 | \$ - | 24,856,428 | \$ 2,000 | \$45,303,000 | \$ (25,000) | \$(18,576,000) | \$ 26,704,000 |
| Common stock issued for compensation | - | - | - | - | 112,510 | - | 382,000 | - | - | 382,000 |
| Restricted common stock awards issued for compensation | - | - | - | - | 71,975 | - | 620,000 | - | - | 620,000 |
| Restricted common stock awards issued for payment of service | - | - | - | - | 141,558 | - | 44,000 | - | - | 44,000 |
| Additional paid-in capital for services contributed by the Company's president | - | - | - | - | - | - | 250,000 | - | - | 250,000 |
| Cancelled common stocks | - | - | - | - | (72,842) | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | - | (28,599,000) | (28,599,000) |
| Balance as of December 31, 2023 | 8,845,171 | \$ - | 460,855 | \$ - | 25,109,630 | \$ 2,000 | \$46,599,000 | \$ (25,000) | \$(47,175,000) | \$ (599,000) |

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statements of Cash Flows
For the Years Ended December 31,

| CASH FLOWS FROM OPERATING ACTIVITIES: | 2023 | 2022 |
|------------------------------------------------------------------------|--------------------|--------------------|
| Net income (loss) | \$ (28,599,000) | \$ 3,536,000 |
| Adjustments to reconcile net loss to cash used in operating activities | | |
| Impairment of digital assets | 275,000 | 8,704,000 |
| Realized gain from sale of digital assets | (535,000) | (609,000) |
| Realized gain from use of digital assets | (3,899,000) | - |
| Impairment of miners | 8,335,000 | - |
| Amortization of debt discount | - | 788,000 |
| Depreciation expense | 14,958,000 | 12,536,000 |
| Forfeiture of restricted stock grants | (1,910,000) | - |
| Compensation cost related to common stock awards | - | 2,873,000 |
| Compensation cost related to restricted common stock awards | 1,508,000 | 160,000 |
| Compensation for services contributed by the Company's president | 250,000 | 252,000 |
| Unrealized (gain) loss on marketable securities | (168,000) | 1,499,000 |
| Gain on termination of merger agreement | - | (1,734,000) |
| Gain on extinguishment of debt | - | (12,966,000) |
| Loss on extinguishment of debt | - | 2,746,000 |
| Loss on asset disposal | 55,000 | - |
| Change in fair value of notes payable | 13,193,000 | (11,690,000) |
| Interest expense | 758,000 | 478,000 |
| Digital asset | (21,052,000) | (21,362,000) |
| Other | 67,000 | - |
| Changes in operating assets and liabilities | | |
| Proceeds from the sale of digital assets | 18,512,000 | 30,559,000 |
| Accounts receivable | (456,000) | (1,089,000) |
| Prepaid expense | (249,000) | 54,000 |
| Accounts payable and accrued liabilities | 1,968,000 | (184,000) |
| Net cash used in operating activities | <u>3,011,000</u> | <u>14,551,000</u> |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Deposit for purchase of bitcoin mining machines | - | (8,150,000) |
| Purchase of mining equipment | (1,894,000) | (846,000) |
| Refundable deposit | (360,000) | - |
| | <u>(2,254,000)</u> | <u>(8,996,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of notes payable | - | 2,500,000 |
| Payment for insurance payable | (109,000) | (37,000) |
| Issuance of note payable for insurance premiums | - | - |
| Loan modification payment for BTC note | - | - |
| Payment for convertible debentures | - | (8,665,000) |
| Net cash used in financing activities | <u>(109,000)</u> | <u>(6,202,000)</u> |
| Net change in cash | 648,000 | (647,000) |
| Cash-beginning of period | 267,000 | 916,000 |
| Cash-end of period | <u>\$ 915,000</u> | <u>\$ 269,000</u> |
| Reconciliation of cash and cash equivalents and restricted cash | | |
| Cash and cash equivalents | \$ 915,000 | \$ 267,000 |
| Restricted cash | 8,000 | 2,000 |
| Cash and cash equivalents and restricted cash | <u>\$ 923,000</u> | <u>\$ 269,000</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid for interest | \$ - | \$ 839,000 |
| Cash paid for income taxes | <u>\$ 176,000</u> | <u>\$ -</u> |
| Non-Cash investing and financing activities: | | |
| Digital assets used for purchase of mining equipment | | \$ 538,000 |
| Digital assets used as deposits for mining equipment | \$ - | \$ - |
| Digital assets received for purchase of common stock | \$ - | \$ - |
| Relative fair value of warrants issued with convertible notes | \$ - | \$ - |
| Deposits reclassified upon receipt of mining equipment | \$ - | \$ - |
| Cancellation of common stock subscription | \$ - | \$ - |
| Proceeds from loan - Digital assets | \$ - | \$ 27,592,000 |
| Convertible debt conversion to equity | \$ - | \$ 414,000 |

| | | |
|------------------------------------------------------------------------|--------------|--------------|
| Interest conversion to equity | \$ - | \$ 41,000 |
| Accrued expense for issuance of common stock | \$ 845,000 | \$ - |
| Digital assets used for principal and interest payment of note payable | \$ 7,922,000 | \$ 3,440,000 |



Nasdaq: GRYP
April 2024

Disclaimer

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By their nature, forward-looking statements involve numerous current assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from those anticipated by the Company and described in the forward-looking statements. With respect to the forward-looking statements contained in this Presentation, assumptions have been made regarding, among other things: current and future prices for bitcoin; future global economic and financial conditions; current and future regulatory and legal regimes, demand for bitcoin and the product mix of such demand and levels of activity in the cryptocurrency finance markets and in such other areas in which the Company may operate, and supply and the product mix of such supply; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, current finance markets and proposed changes to those markets, supply and demand; and, where applicable, each of those assumptions set forth in the footnotes provided herein in respect of particular forward-looking statements.



Disclaimer

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: volatility in market prices and demand for bitcoin; effects of competition and pricing pressures; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the industries in which bitcoin are used; alternatives methods to cryptocurrency; increases in power rates and changing demand for bitcoin; potential conflicts of interests; actual results differing materially from management estimates and assumptions. These and other risks and uncertainties are more fully described in the Company's periodic filings with the SEC, including the Registration Statement on Form S-4 filed by Akerna Corp. (File No. 333-271857) and Annual Report on Form 10-K for the year ended December 31, 2023. You should not place undue reliance on these forward-looking statements, which are made only as of the date hereof or as of the dates indicated in the forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in its forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will materialize or prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking statements contained in this Presentation are expressly qualified by this cautionary statement. Readers should not place undue reliance on forward-looking statements. These statements speak only as of the date of this Presentation. Except as may be required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements or information whether as a result of new information, future events or otherwise.

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Mission Statement

To create a financially nimble, highly profitable, and environmentally responsible bitcoin miner



Investment Highlights

Creating an industry leader in bitcoin mining.

Size & Scale

- 0.91 exahash of self mining
- Approx. \$4.4M in value of BTC produced in Jan-Feb based on an average price of \$46,281
- **Breakeven Cost per BTC**
~\$18,217/BTC*

Leadership Team

- CEO & Director, Rob Chang, previously served as CFO of Riot Blockchain and as MD at Cantor Fitzgerald
- CFO, Sim Salzman, previously served as CFO of Marathon Digital Holdings
- Chief Technical Advisor, Chris Ensey, is the former CEO & COO of Riot Blockchain and has developed over 100 MW in mining operations
- Chairperson, Brittany Kaiser, globally-renowned expert in blockchain technology and digital assets

ESG

- **Independently Certified 100% Renewable Energy Operation** as one of the inaugural recipients of the Green Proofs for Bitcoin certification
- **100% Renewable Energy Miner** pursuing a **negative carbon strategy** with the acquisition of carbon offset credits and mining operations

*As of Dec 31, 2023 for the Company's self-mining revenue stream. The Company defines Breakeven cost per Bitcoin as (a) Cost of Revenues (excluding depreciation) divided by (b) total bitcoin generated and received from the hashrate contributed to the mining pool operator. See Appendix: Non-GAAP Reconciliations.



Management Team

Industry leading management team



Rob Chang
CEO & Director

- Former CFO, Riot Blockchain
- Former Managing Director, Head of Metals & Mining Research, Cantor Fitzgerald
- Current Board Member: Fission Uranium and Ur-Energy
- Member: Young Presidents Organization (YPO)



Sim Salzman
CFO

- Former CFO, Marathon Digital Holdings
- Oversaw market cap growth from \$500 million to \$8 billion over 12 months
- Former CFO, Las Vegas Monorail Company
- Former Senior Auditor, BDO & RSM



Chris Ensey
Chief Technical Advisor

- Former CEO and COO, Riot Blockchain
- Former CTO, BlueVoyant
- Former COO and Founder, Dunbar Cybersecurity
- Former Principal Security Strategist & Associate Director, IBM



Board of Directors

Compelling Pedigreed Leadership



Steven Gutterman
Independent Director

- CEO, Falcon International, one of the largest private cannabis companies in California
- Former COO & EVP, E*Trade Bank and other senior roles at E*Trade Financial
- Former President of Harvest Health & Recreation Inc., which was acquired for \$2.1 billion



Brittany Kaiser
Chair of the Board

- Globally renowned blockchain thought-leader, having co-authored 22 laws in the US to promote and protect blockchain businesses
- Current Member of the Congressional Standing Committee on Blockchain, Fintech and Digital Innovation for Wyoming
- Keynote speaker on blockchain, data & privacy for governments, corporate training & universities



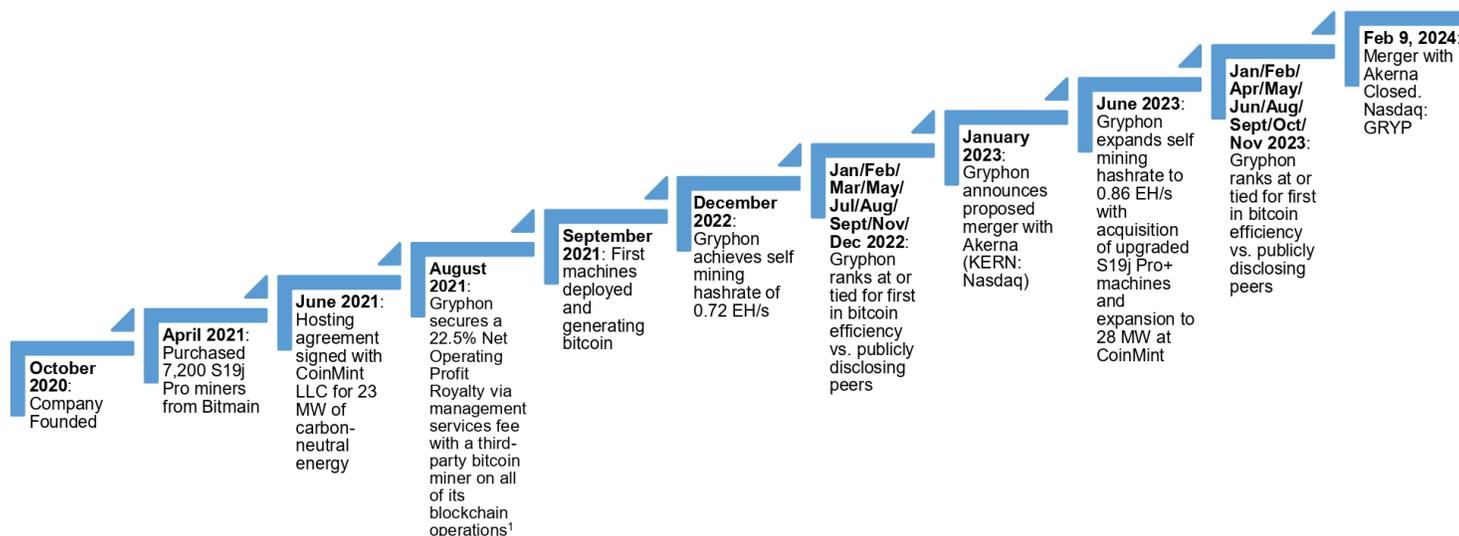
Heather Cox
Independent Director

- Member of the Board of Directors, NRG Energy
- Former Chief Digital Health and Analytics Officer, Humana
- Former Chief Technology and Digital Officer, USAA
- Former CEO of Citi FinTech, Citigroup



Company Overview - History

Substantial Growth in Just Over 3 Short Years



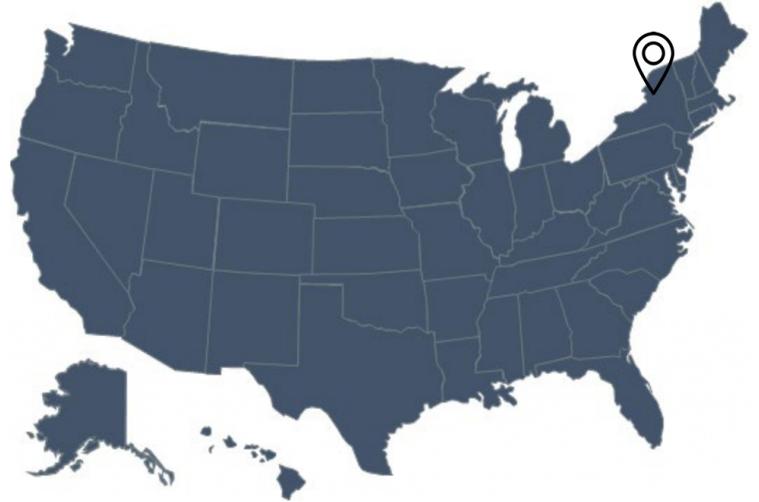
¹ Royalty partner has purported to terminate this arrangement and has taken back possession of its blockchain operations. Gryphon is pursuing litigation to recover damages for breach of the agreement in the amount of \$30 million and while Gryphon is confident it will prevail, no assurance can be given as to the timing, the result or the ability to recover damages.



Location – 28 MW Hydro-Powered Energy

Partnering with one of the largest digital currency data centers in the world

- Hydro-powered host in an economic opportunity zone
- Direct cost pass-through with profit sharing model
 - \$18,217/BTC cost*
- Gryphon has secured 28 MW of power for its ~9,000 machines
- Hosting and share structure reduces capital investment and financial risk



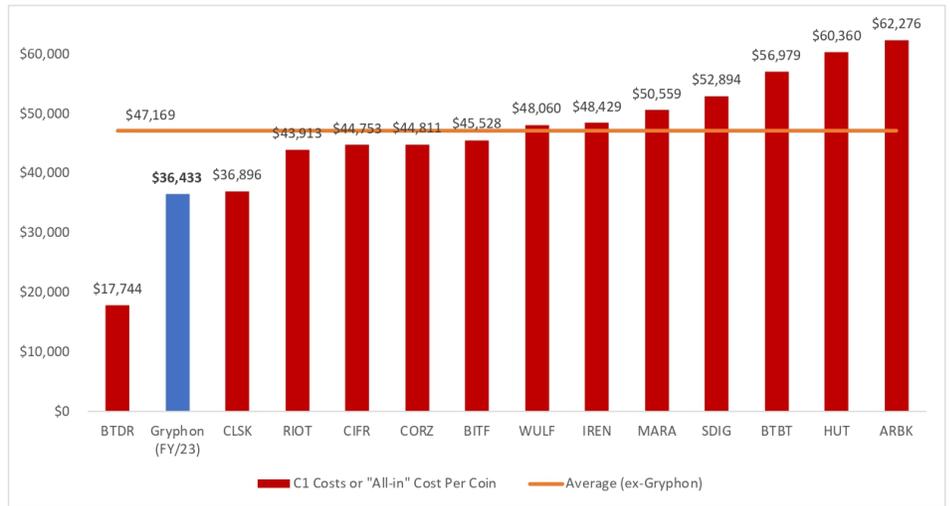
*As at Dec 31, 2023. See Appendix: Non-GAAP Reconciliation.



“All-In” Cost-per-Coin*

An Industry Leader in Cost per Coin Post Halving

- Gryphon's cost per bitcoin produced post halving is among the industry leaders
- Calculated based on Cantor Fitzgerald Research Methodology**
- Gryphon's forecast “All-in” Cost-per-Coin would be \$36,433/BTC post halving***
- Gryphon cost as of 12/31/23 while Cantor costs are based on Q3/23 figures, which Gryphon believes are likely to be lower than FY/23 data due to a lower global hashrate



* Source: Cantor Fitzgerald Research, January 25, 2024

** Cantor Fitzgerald Research that defines “All-in” Cost-per-Coin as Electricity Costs + (Cash OpEx+ Interest Expense + Lease Expense Hosting/Ancillary Gross Profit) / Realized BTC per Day

*** Gryphon's forecast of an “All-In” cost would be similar to the “Breakeven Costs” as defined in the Appendix multiplied by 2x given the estimated Bitcoin earned post halving would decrease by 50%.



Leading Bitcoin Efficiency

Gryphon also outperforms peers in Bitcoin Efficiency*

- Gryphon is an industry leader in Bitcoin Efficiency, posting a market leading 49 BTC/EH in February 2024
 - Peer average Bitcoin Efficiency of 44 BTC/EH
- Gryphon has consistently placed at or near the top of these publicly available bitcoin efficiency scores
 - Top 4 efficiency among all peers since inception
 - At or tied for 1st in six of the last 12 months
- Superior performance driven by Gryphon's experienced mining team, fleet of efficient miners, and royalty stream

| | Gryphon | Peer Average | Peer Rank |
|--------|---------|--------------|-----------|
| Sep-21 | 218 | 181 | 2 |
| Oct-21 | 199 | 165 | 3 |
| Nov-21 | 173 | 148 | 2 |
| Dec-21 | 166 | 151 | 3 |
| Jan-22 | 183 | 141 | 1 |
| Feb-22 | 134 | 118 | 1 |
| Mar-22 | 146 | 132 | 1 |
| Apr-22 | 136 | 121 | 2 |
| May-22 | 132 | 107 | 1 |
| Jun-22 | 129 | 108 | 2 |
| Jul-22 | 139 | 112 | 1 |
| Aug-22 | 141 | 118 | 1 |
| Sep-22 | 122 | 105 | 1 |
| Oct-22 | 115 | 105 | 2 |
| Nov-22 | 106 | 94 | 1 |
| Dec-22 | 115 | 96 | 1 |
| Jan-23 | 113 | 94 | 1 |
| Feb-23 | 94 | 81 | 1 |
| Mar-23 | 94 | 81 | 2 |
| Apr-23 | 86 | 71 | 1 |
| May-23 | 101 | 84 | 1 |
| Jun-23 | 81 | 65 | 1 |
| Jul-23 | 80 | 67 | 2 |
| Aug-23 | 78 | 63 | 1 |
| Sep-23 | 73 | 60 | 1 |
| Oct-23 | 68 | 60 | 1 |
| Nov-23 | 67 | 60 | 2 |
| Dec-23 | 72 | 66 | 2 |
| Jan-24 | 60 | 55 | 4 |
| Feb-24 | 49 | 44 | 2 |

*Bitcoin Efficiency is a measure of the number of bitcoin generated per exahash of hashing power deployed
Source: Company Reports



22.5% MSA with Sphere 3D

Litigation for Damages Pursuant to 22.5% MSA

- Gryphon had an agreement to manage all of Sphere 3D's blockchain operations for a five-year period
- Gryphon had the right to earn 22.5% of gross operating profit royalty from all of Sphere 3D's current and future blockchain operations through August 2026
- Sphere 3D's fully deployed 15,000 miners are expected to have over 1.5 Exahash and generate 940 BTC in 2024 based on current network hashrate*
- Sphere has purported to terminate this arrangement and has taken back possession of its blockchain operations. Gryphon is pursuing litigation to recover damages for breach of the agreement in the amount of \$30 million and while Gryphon is confident it will prevail, no assurance can be given as to the timing, the result or the ability to recover damages.



*Based on a network hashrate of 540 EH and assuming the network hashrate declines by 50% post halving and recovering to pre-halving levels by November 2024



Key Success Factor: Certified Renewable

Independently verified certification based on clean energy use

- Certified 100% renewable energy operation heading into 2024
- Gryphon Digital Mining was among a select inaugural group of 5 miners to be awarded a “Green Proofs for Bitcoin” certification
- Certifications were issued to Bitcoin miners based on their clean energy use and contributions to grid stability via demand response
- Developed in partnership with over 35 miners, NGOs, grid operators, and other energy and crypto market participants, its approach to scoring is aligned with best practices for sustainability leadership and to approaches to corporate ESG reporting
- Full carbon emissions report for 2022 and 2023 published



2024E Gross Profit Sensitivity Analysis – Self Mining Only¹

| Global Hash Rate (TH/s) | BTC - USD | | | | | | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | \$60,000 | \$65,000 | \$70,000 | \$75,000 | \$80,000 | \$85,000 | \$90,000 | \$95,000 | \$100,000 | \$125,000 | \$150,000 |
| 400,000,000 | \$21,474,220 | \$23,348,167 | \$25,222,113 | \$27,096,059 | \$28,970,006 | \$30,843,952 | \$32,717,898 | \$34,591,845 | \$36,465,791 | \$45,835,523 | \$55,205,255 |
| 450,000,000 | \$18,364,753 | \$20,031,975 | \$21,699,197 | \$23,366,419 | \$25,033,641 | \$26,700,863 | \$28,368,085 | \$30,035,307 | \$31,702,529 | \$40,038,639 | \$48,374,749 |
| 500,000,000 | \$15,877,180 | \$17,379,022 | \$18,880,865 | \$20,382,707 | \$21,884,550 | \$23,386,392 | \$24,888,235 | \$26,390,077 | \$27,891,919 | \$35,401,132 | \$42,910,344 |
| 550,000,000 | \$13,841,893 | \$15,208,425 | \$16,574,956 | \$17,941,488 | \$19,308,020 | \$20,674,552 | \$22,041,084 | \$23,407,616 | \$24,774,148 | \$31,606,807 | \$38,439,467 |
| 600,000,000 | \$12,145,820 | \$13,399,593 | \$14,653,366 | \$15,907,139 | \$17,160,912 | \$18,414,686 | \$19,668,459 | \$20,922,232 | \$22,176,005 | \$28,444,871 | \$34,713,736 |
| 650,000,000 | \$10,710,681 | \$11,869,043 | \$13,027,405 | \$14,185,767 | \$15,344,129 | \$16,502,491 | \$17,660,853 | \$18,819,214 | \$19,977,576 | \$25,769,386 | \$31,561,195 |
| 700,000,000 | \$9,480,563 | \$10,557,143 | \$11,633,724 | \$12,710,305 | \$13,786,886 | \$14,863,467 | \$15,940,047 | \$17,016,628 | \$18,093,209 | \$23,476,113 | \$28,859,017 |

¹ Based on Company internal data

* Gryphon Net Debt ~\$11.4 million as of Dec 31, 2023

** Post halvening hashrate estimated to be 30% lower than beginning of the year. Bitcoin price forecast to be 1.5x opening price at the beginning of the year six months after halvening





**GRYPHON
DIGITAL MINING**

Nasdaq: GRYP

Contact:
james@haydenir.com



Appendix: Non-GAAP Reconciliations

Breakeven Costs (ie. Cost to mine one bitcoin)

The Company defines Breakeven Cost per Bitcoin as (a) Cost of Revenues (excluding depreciation) divided by (b) total bitcoin generated and received from the hashrate contributed to the mining pool operator. The Company mined approximately 739 and 815 Bitcoin, respectively for the year ended December 31, 2023 and 2022, respectively. The breakeven analysis is an operational metric that does not take capital expenditures or financing mechanics into consideration. The calculation only considers direct operational costs, such as electricity and hosting. The mining equipment was originally financed primarily through equity capital raises and cash flows resulting from the sale of bitcoin generating by mining operations.

Value of one mined bitcoin

The Company defines Value of one mined bitcoin as total Mining Revenues divided by total Bitcoin mined during each respective year.

| | 2023 | | 2022 | |
|-------------------------------------------|-----------|---------------|-----------|---------------|
| Mining Revenues | \$ | 21,052,000 | \$ | 21,362,000 |
| Bitcoin mined | | 739 | | 815 |
| Value of one mined bitcoin | \$ | 28,487 | \$ | 26,211 |
| Cost of Revenues (excluding depreciation) | \$ | 13,462,000 | \$ | 12,196,000 |
| Cost to mine one bitcoin | \$ | 18,217 | \$ | 14,964 |



Appendix: Non-GAAP Reconciliations

Adjusted EBITDA

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) impairments of miners pursuant to ASC 360, (iii) impairments of digital currency pursuant to ASC 350 (iv) realized gain from use of digital assets as it relates to the bitcoin denominated note payable and (v) gain/loss on debt extinguishment.

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------|-----------------|-----------------|
| Net Income (Loss) | \$ (28,599,000) | \$ 3,536,000 |
| Interest (income) expense | \$ 758,000 | \$ 1,111,000 |
| Income tax expense (benefit) | \$ (176,000) | \$ 176,000 |
| Depreciation | \$ 14,958,000 | \$ 12,536,000 |
| EBITDA | \$ (13,059,000) | \$ 17,359,000 |
| Adjustments: | | |
| Non-cash/non-recurring operating expenses: | | |
| Stock-based compensation expense | \$ (152,000) | \$ 3,285,000 |
| Realized gain from use of digital assets | \$ (3,899,000) | \$ - |
| Change in fair value of notes payable | \$ 13,297,000 | \$ (11,690,000) |
| Gain/loss on debt extinguishment | \$ - | \$ (10,220,000) |
| Impairment of miners | \$ 8,335,000 | \$ - |
| Impairment of digital assets | \$ 275,000 | \$ 8,704,000 |
| Adjusted EBITDA | \$ 4,797,000 | \$ 7,438,000 |



IVY CRYPTO, INC.
(formerly Gryphon Digital Mining, Inc.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
For the Years Ended December 31, 2023 and 2022

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| Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the years ended December 31, 2023 and 2022 | 4 |
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| Notes to the Consolidated Financial Statements | 6 |



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders
Ivy Crypto, Inc. (formerly Gryphon Digital Mining, Inc.)**

Opinion on the Financial Statements

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

The Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the accompanying financial statements, the Company has incurred a loss from operations and has an accumulated deficit that raise substantial doubt about the company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RBSM LLP

RBSM LLP

April 1, 2024

We have served as the Company's auditor since 2020

Larkspur, California

PCAOB ID 587

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Balance Sheets
As of December 31,

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 915,000 | \$ 267,000 |
| Restricted cash | 8,000 | 2,000 |
| Accounts receivable | 486,000 | 470,000 |
| Prepaid expense | 581,000 | 85,000 |
| Marketable securities | 403,000 | 235,000 |
| Digital assets held for other parties | 908,000 | 41,000 |
| Digital asset | 2,097,000 | 6,746,000 |
| Total current assets | 5,398,000 | 7,846,000 |
| Mining equipment, net | 12,916,000 | 34,368,000 |
| Deposits | 420,000 | 60,000 |
| Intangible asset | 100,000 | 100,000 |
| Total assets | \$ 18,834,000 | \$ 42,374,000 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,649,000 | \$ 2,993,000 |
| Liability related to digital assets held for other parties | 916,000 | 41,000 |
| Note payable – current portion | 14,868,000 | 9,126,000 |
| Total current liabilities | 19,433,000 | 12,160,000 |
| Note payable – long term | - | 3,510,000 |
| Total liabilities | 19,433,000 | 15,670,000 |
| Commitments and contingencies (Note 8) | - | - |
| Stockholders' (deficit) equity | | |
| Preferred stock, par value \$0.0001, 13,000,000 authorized and none outstanding | - | - |
| Series seed preferred stock, par value \$0.0001, 6,000,000 shares authorized, and 8,845,171 shares issued and outstanding, respectively | - | - |
| Series seed II preferred stock, par value \$0.0001, 1,000,000 shares authorized and 460,855 issued and outstanding, respectively | - | - |
| Common stock, \$0.0001 par value, 100,000,000 shares authorized; 25,109,630 and 24,856,428 shares issued and outstanding, respectively | 2,000 | 2,000 |
| Additional paid-in capital | 46,599,000 | 45,303,000 |
| Subscription receivable | (25,000) | (25,000) |
| Accumulated deficit | (47,175,000) | (18,576,000) |
| Total stockholders' (deficit) equity | (599,000) | 26,704,000 |
| Total liabilities and stockholders' equity | \$ 18,834,000 | \$ 42,374,000 |

The accompanying notes are an integral part of these consolidated financial statements.

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statements of Operations
For the Years Ended December 31,

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------------------|------------------------|---------------------|
| Revenues | | |
| Mining revenues | \$ 21,052,000 | \$ 21,362,000 |
| Management services | 873,000 | 361,000 |
| Total revenues | <u>21,925,000</u> | <u>21,723,000</u> |
| Operating expenses | | |
| Cost of revenues (excluding depreciation) | 13,462,000 | 12,196,000 |
| General and administrative expenses | 4,760,000 | 2,175,000 |
| Stock-based compensation (income) expense | (152,000) | 3,285,000 |
| Impairment of digital assets | 275,000 | 8,704,000 |
| Realized gain on sale of digital assets | (535,000) | (609,000) |
| Impairment of miners | 8,335,000 | - |
| Depreciation expense | 14,958,000 | 12,536,000 |
| Total operating expenses | <u>41,103,000</u> | <u>38,287,000</u> |
| Loss from operations | <u>(19,178,000)</u> | <u>(16,564,000)</u> |
| Other (expense) income | | |
| Unrealized income (loss) on marketable securities | 168,000 | (1,499,000) |
| Realized gain from use of digital assets | 3,899,000 | - |
| Loss on disposal of asset | (55,000) | - |
| Gain on extinguishment of debt | - | 12,966,000 |
| Loss on extinguishment of debt | - | (2,746,000) |
| Gain on termination of merger agreement | - | 1,734,000 |
| Change in fair value of notes payable | (13,297,000) | 11,690,000 |
| Other income | 446,000 | 30,000 |
| Interest expense | (758,000) | (1,111,000) |
| Amortization of debt discount | - | (788,000) |
| Total other (expense) income | <u>(9,597,000)</u> | <u>20,276,000</u> |
| (Loss) income before provision for income taxes | <u>(28,775,000)</u> | <u>3,712,000</u> |
| Provision for income taxes | <u>176,000</u> | <u>(176,000)</u> |
| Net (loss) income | <u>\$ (28,599,000)</u> | <u>\$ 3,536,000</u> |
| Net (loss) income per share - basic | <u>\$ (1.15)</u> | <u>\$ 0.14</u> |
| Net (loss) income per share - diluted | <u>(1.15)</u> | <u>0.10</u> |
| Weighted average shares outstanding – basic | <u>24,964,486</u> | <u>24,872,847</u> |
| Weighted average shares outstanding – diluted | <u>24,964,486</u> | <u>36,023,187</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statement of Changes in Stockholders' (Deficit) Equity
For the Years Ended December 31, 2023 and 2022

| | Series Seed Preferred Stock | | Series Seed II Preferred Stock | | Common Stock | | Additional Paid-in Capital | Subscription Receivable | Retained Earnings | Total Stockholders' Equity |
|----------------------------------------------------------------------------------|-----------------------------|--------|--------------------------------|--------|--------------|----------|----------------------------|-------------------------|-------------------|----------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance as of December 31, 2021 | 8,845,171 | \$ - | 460,855 | \$ - | 24,494,820 | \$ 2,000 | \$ 41,192,000 | \$ (25,000) | \$ (22,112,000) | \$ 19,057,000 |
| Common stock issued for compensation | - | - | - | - | - | - | 1,467,000 | - | - | 1,467,000 |
| Common stock issued for conversion of convertible debentures | - | - | - | - | 75,467 | - | 277,000 | - | - | 277,000 |
| Common stock issued for conversion of accrued interest on convertible debentures | - | - | - | - | 7,239 | - | 41,000 | - | - | 41,000 |
| Restricted common stock awards issued for compensation | - | - | - | - | 235,718 | - | 2,056,000 | - | - | 2,056,000 |
| Additional paid-in capital for services contributed by the Company's president | - | - | - | - | - | - | 252,000 | - | - | 252,000 |
| Common stock issued for Board of Director | - | - | - | - | 43,184 | - | 18,000 | - | - | 18,000 |
| Net income | - | - | - | - | - | - | - | - | 3,536,000 | 3,536,000 |
| Balance as of December 31, 2022 | 8,845,171 | - | 460,855 | - | 24,856,428 | 2,000 | 45,303,000 | (25,000) | (18,576,000) | 26,704,000 |
| Common stock issued for compensation | - | - | - | - | 112,510 | - | 382,000 | - | - | 382,000 |
| Restricted common stock awards issued for compensation | - | - | - | - | 71,975 | - | 620,000 | - | - | 620,000 |
| Restricted common stock awards issued for payment of service | - | - | - | - | 141,558 | - | 44,000 | - | - | 44,000 |
| Additional paid-in capital for services contributed by the Company's president | - | - | - | - | - | - | 250,000 | - | - | 250,000 |
| Cancelled common stocks | - | - | - | - | (72,842) | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | - | (28,599,000) | (28,599,000) |
| Balance as of December 31, 2023 | 8,845,171 | \$ - | 460,855 | \$ - | 25,109,630 | \$ 2,000 | \$ 46,599,000 | \$ (25,000) | \$ (47,175,000) | \$ (599,000) |

The accompanying notes are an integral part of these consolidated financial statements.

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Consolidated Statements of Cash Flows
For the Years Ended December 31,

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | \$ (28,599,000) | \$ 3,536,000 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities | | |
| Impairment of digital assets | 275,000 | 8,704,000 |
| Realized gain from sale of digital assets | (535,000) | (609,000) |
| Realized gain from use of digital assets | (3,899,000) | - |
| Impairment of miners | 8,335,000 | - |
| Amortization of debt discount | - | 788,000 |
| Depreciation expense | 14,958,000 | 12,536,000 |
| Forfeiture of restricted stock grants | (1,910,000) | - |
| Compensation cost related to common stock awards | - | 2,873,000 |
| Compensation cost related to restricted common stock awards | 1,508,000 | 160,000 |
| Compensation for services contributed by the Company's President | 250,000 | 252,000 |
| Unrealized (gain) loss on marketable securities | (168,000) | 1,499,000 |
| Gain on termination of merger agreement | - | (1,734,000) |
| Gain on extinguishment of debt | - | (12,966,000) |
| Loss on extinguishment of debt | - | 2,746,000 |
| Loss on asset disposal | 55,000 | - |
| Change in fair value of notes payable | 13,193,000 | (11,690,000) |
| Interest expense | 758,000 | 478,000 |
| Digital asset revenue | (21,052,000) | (21,362,000) |
| Other | 67,000 | - |
| Changes in operating assets and liabilities | | |
| Proceeds from the sale of digital assets | 18,512,000 | 30,559,000 |
| Accounts receivable | (456,000) | (1,089,000) |
| Prepaid expense | (249,000) | 54,000 |
| Accounts payable and accrued liabilities | 1,968,000 | (184,000) |
| Net cash provided by operating activities | <u>3,011,000</u> | <u>14,551,000</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposit for purchase of bitcoin mining machines | - | (8,150,000) |
| Purchase of mining equipment | (1,894,000) | (846,000) |
| Refundable deposit | (360,000) | - |
| Net cash used in investing activities | <u>(2,254,000)</u> | <u>(8,996,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of notes payable | - | 2,500,000 |
| Payment for insurance payable | (109,000) | (37,000) |
| Payment for convertible debentures | - | (8,665,000) |
| Net cash used in financing activities | <u>(109,000)</u> | <u>(6,202,000)</u> |
| Net change in cash | 648,000 | (647,000) |
| Cash-beginning of period | 267,000 | 914,000 |
| Cash-end of period | <u>\$ 915,000</u> | <u>\$ 267,000</u> |
| Reconciliation of cash and cash equivalents and restricted cash | | |
| Cash and cash equivalents | \$ 915,000 | \$ 267,000 |
| Restricted cash | 8,000 | 2,000 |
| Cash and cash equivalents and restricted cash | <u>\$ 923,000</u> | <u>\$ 269,000</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | \$ - | \$ 839,000 |
| Cash paid for income taxes | <u>\$ 176,000</u> | <u>\$ -</u> |
| Non-cash investing and financing activities | | |
| Digital assets used for purchase of mining equipment | \$ - | \$ 538,000 |
| Proceeds from loan – digital assets | \$ - | \$ 27,592,000 |
| Convertible debt conversion to equity | \$ - | \$ 414,000 |
| Interest conversion to equity | \$ - | \$ 41,000 |
| Accrued expense for issuance of common stock | \$ 845,000 | \$ - |
| Digital assets used for principal and interest payment of note payable | <u>\$ 7,770,000</u> | <u>\$ 3,440,000</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Ivy Crypto, Inc.
(formerly Gryphon Digital Mining, Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Ivy Crypto, Inc. (formerly known as Gryphon Digital Mining, Inc.) (the “Company”) was incorporated under the provisions and by the virtue of the provisions of the General Corporation Law of the State of Delaware on October 22, 2020, with the office located in Las Vegas, Nevada. The Company will operate a digital asset (commonly referred to as cryptocurrency) mining operation using specialized computers equipped with application-specific integrated circuit (ASIC) chips (known as “miners”) to solve complex cryptographic algorithms in support of the Bitcoin blockchain (in a process known as “solving a block”) in exchange for cryptocurrency rewards (primarily Bitcoin).

On April 20, 2022, the Company formed a limited liability company named Gryphon Opco I LLC (“GOI”). GOI aims to engage in any activity for which limited liability companies may be organized in the State of Delaware.

Termination of Merger — Sphere 3D Corp.

On June 3, 2021, the Company entered into an Agreement and Plan of Merger (“Merger Agreement”) with Sphere 3D Corp. (“Sphere 3D”). Upon completion of the merger (the “Merger”), the Sphere 3D Corp. will change its name to Gryphon Digital Mining, Inc.

As consideration for the merger transaction, Sphere 3D will issue 111,000,000 shares of its common stock to the shareholders of the Company, such that on closing, the Sphere 3D shareholders will own approximately 23% of the consolidated company and the Company shareholders will own approximately the remaining 77% on a fully diluted basis, subject to adjustments for additional capital raises by either entity. As of the Merger Agreement, the Company had 21,282,593 shares of common stock and share equivalents. Each share, and share equivalent, will be converted into 5.22 shares of Sphere 3D common stock. As of the Merger Agreement, the value of a share of the Company’s common stock was approximately \$8.50, for total consideration of approximately \$181,000,000.

On December 29, 2021, the Company and Sphere 3D entered into Amendment No. 1 to the Merger Agreement to give effect to the issuances by the Company of its equity securities subsequent to June 3, 2021. The parties agreed upon an increase in the number of Sphere 3D common shares that will be issued by Sphere 3D in the Merger from approximately 111,000,000 to approximately 122,000,000, with an effective exchange ratio of approximately 5.31. In addition, among other matters, the parties revised the termination provisions of the Merger Agreement to allow either party to terminate the Merger Agreement prior to March 31, 2022, upon a breach of the agreement by the other party following an opportunity to cure such breach, and to allow either party to terminate the Merger Agreement on or after March 31, 2022, for any reason or no reason by notice to the other party. In addition, upon termination, each party agreed to release the other party and its affiliates from any claims or proceedings such party shall have at the time of such termination against the other party existing by reason of, based upon, or arising out of the Merger Agreement.

On April 4, 2022, the Company and Sphere 3D mutually agreed to terminate their Merger Agreement announced on June 3, 2021, and as amended on December 29, 2021, due to changing market conditions, the passage of time, and the relative financial positions of the companies, among other factors.

Lastly, in accordance with the Amended Merger Agreement, the Company received 850,000 shares of Sphere 3D’s restricted common stock that were held in a third-party escrow account, and the existing indebtedness owed by the Company to Sphere 3D in the principal amount of \$12,500,000 and accrued interest of \$466,000 shall be forfeited.

Akerna Merger Agreement

On January 27, 2023, the Company, Akerna Corp. (“Akerna”) and Akerna Merger Co. (“Merger Sub”), entered into an agreement and plan of merger (as amended, the “Akerna Merger Agreement”).

On February 9, 2024, the Company completed the transactions contemplated by the Akerna Merger Agreement.

Under the terms of the Akerna Merger Agreement, Merger Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Akerna (the “Merger”). At the effective time of the Merger (the “Effective Time”), each share of the Company’s common stock, par value \$0.0001 per share (the “Company Common Stock”), and the Company’s preferred stock, par value \$0.0001 per share (the “Company Preferred Stock,” collectively referred to herein with the Company Common Stock as the “Company Shares”), outstanding immediately prior to the Effective Time was converted into the right to receive approximately 1.727 shares of common stock (“Conversion Rate”), par value \$0.001 per share (the “Akerna Stock”). All share and per-share data has been adjusted for the conversion rate.

Following the Merger, the former holders of the Company’s equity securities hold 92.5% of Akerna’s common stock on a fully diluted basis, with the remaining 7.5% being held by the legacy shareholders of Akerna. The Company Common Stock outstanding of 14,536,298, as of December 31, 2023, was converted into 25,109,630 shares of Akerna common stock.

Also, the Akerna management group resigned, and the Company’s management group was installed as the management group of Akerna. The Company’s board of directors comprised the majority of the members of Akerna’s board.

Effective with the merger, Akerna's operations were sold off to an independent third party, so the company's continued operations will be the Company’s operation.

Each outstanding warrant to purchase shares of the Company’s common stock that was issued and outstanding at the Effective Time remained issued and outstanding and was assumed by Akerna and is exercisable for shares of Akerna’s common stock pursuant to its existing terms and conditions as adjusted to reflect the ratio of exchange of Company Shares for shares of Akerna Stock.

Immediately after giving effect to the Merger, Akerna had 38,733,554 shares of Akerna Stock outstanding on a fully diluted basis.

In connection with the Merger, Akerna changed its name to “Gryphon Digital Mining, Inc.” and the Company changed its name to Ivy Crypto, Inc.

Reclassification

Certain reclassifications have been made to the 2022 consolidated financial statements in order to conform to the current period presentations. These classifications did not impact the net income for the year ended December 31, 2022.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary from the date of inception (April 20, 2022). All material intercompany transactions and balances have been eliminated in consolidation.

Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which contemplate the continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the ordinary course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. The Company’s future results are subject to substantial risks and uncertainties.

Since the Company began revenue generation in September 2021, management has financed the Company's operations through equity and debt financing and the sale of the digital assets earned through mining operations.

On December 31, 2023, the Company had cash, cash equivalents and restricted cash totaling \$923,000 and digital assets totaling \$2,097,000. During the twelve months ended December 31, 2023, the Company made payments on the loan denominated in Bitcoin of \$7,900,000 for principal and interest payments.

The Company may incur additional losses from operations and negative cash outflows from operations in the foreseeable future. In the event the Company continues to incur losses, it may need to raise debt or equity financing to finance its operations until operations are cashflow positive. However, there can be no assurance that such financing will be available in sufficient amounts and on acceptable terms, when and if needed, or at all. The precise amount and timing of the funding needs cannot be determined accurately at this time and will depend on several factors, including the market price for the underlying commodity mined by the Company and its ability to procure the required mining equipment and operate profitably. The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. The most significant accounting estimates inherent in the preparation of the Company's financial statements include revenue recognition, impairment analysis of long-lived assets, stock-based compensation, and the valuation allowance associated with the Company's deferred tax assets.

Fair Values of Financial Instruments

The Company adopted the provisions of Accounting Standards Codification ("ASC") subtopic 825-10, Financial Instruments ("ASC 825-10") which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates their fair value. The Company maintains its cash and cash equivalents in banks insured by the Federal Deposit Insurance Corporation ("FDIC") in accounts that, at times, may be in excess of the federally insured limit of \$250,000 per bank. The Company minimizes this risk by placing its cash deposits with major financial institutions. As of December 31, 2023 and 2022, the Company had cash and equivalents of \$665,000 and \$17,000, in excess of the federal insurance limit. Also, the Company holds cash for third parties in the amounts of \$8,000 and \$2,000 as of December 31, 2023 and 2022, respectively. The Company has never suffered a loss due to such excess balances.

Accounts Receivable

As of December 31, 2023, accounts receivable includes amounts due from Sphere 3D from the revenue share agreement. The Company collected these amounts in the first quarter of 2024. See “Note 12—Subsequent Event” for more information.

As of December 31, 2022, accounts receivable pertained to proceeds (fiat currency) not yet received for the sale of digital assets or cryptocurrencies due to the cut-off period. Management has assessed the consideration of credit risk, and subsequent to the reporting periods where a balance existed, the Company has received payment in full of all outstanding accounts receivable and, as such, does not believe an allowance is necessary.

Prepaid Expense

Prepaid expenses which consist of payments for an insurance policy and are expected to be realized and consumed within twelve months after the reporting period.

Digital Assets Held for Other Parties

In accordance with the Securities and Exchange Commission’s Staff Accounting Bulletin 121, the Company records an obligation liability and a corresponding digital asset held for other parties’ assets based on the fair value of the cryptocurrency held for other parties at each reporting date. In accordance with ASC 820, the Company has fair valued these digital assets and the associated liability by using the Coinbase closing price of Bitcoin on the reporting date. This balance also includes the cash balance held for other parties.

Digital Assets

Digital assets or cryptocurrencies, (including Bitcoin, Ethereum, DAI, and USDT) are included in current assets in the accompanying balance sheets. Cryptocurrencies purchased are recorded at cost and cryptocurrencies obtained by the Company through its sale of common stock are accounted for based on the value of the specific digital asset on the date received.

Pursuant to ASC Topic 210-10-20, the Company considered the operating cycle, intent and purpose and realizability of bitcoin to properly classify the asset on its balance sheet. As the Company intends to convert its mined bitcoin rewards received into cash and use the proceeds generated within its normal operating cycle of business (within one year of receipt), the Company may classify bitcoin as a current asset under ASC 210-10-20. As such, the Company classified the bitcoin mined and earned as a current asset. Given the volatility of the bitcoin market, the Company regularly reviews and reassesses the classification of bitcoin to ensure alignment with the Company’s current intent and market conditions.

The Company accounts for digital assets as indefinite-lived intangible assets in accordance with ASC 350, Intangibles

- Goodwill and Other. The Company has ownership of and control over the cryptocurrencies and uses third-party custodial services to secure them. The digital assets are initially recorded at cost and are subsequently remeasured on the balance sheets at cost, net of any impairment losses incurred since acquisition.

An impairment analysis is performed at each reporting period to identify whether events or changes in circumstances, in particular decreases in the quoted prices on active exchanges, indicate that it is more likely than not that the digital assets held by the Company are impaired. The fair value of digital assets is determined on a nonrecurring basis in accordance with ASC 820, Fair Value Measurement, based on quoted prices on the active exchange(s) that the Company has determined is its principal market for cryptocurrencies (Level 1 inputs). If the carrying value of the digital asset exceeds the fair value based on the lowest price quoted in the active exchanges during the period, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the price determined.

Bitcoin awarded to the Company through its mining activities are accounted for in connection with the Company’s revenue recognition policy. Bitcoin is classified on the Company’s Consolidated Balance Sheet as a current asset due to the Company’s ability to sell it in a highly liquid marketplace and its intent to liquidate its Bitcoin to support operations when needed.

Cryptocurrencies awarded to the Company through its mining activities are included within operating activities in the accompanying consolidated statements of cash flows. The cash received from the sales of cryptocurrencies earned through our mining activities is included within operating activities in the accompanying consolidated statements of cash flows, and any realized gains or losses from such sales are included in operating expenses in the consolidated statements of operations. The Company accounts for its gains or losses in accordance with the specific identification (Spec ID) method of accounting. This alternative allows the Company to select the exact bitcoin to sell based on the original acquisition date.

Impairment losses are recognized within “Operating expenses” in the statements of operations in the period in which the impairment is identified. The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains are not recorded until realized upon sale or disposition.

Investment in marketable equity securities

The Company measures its investments in marketable equity securities at fair value at each balance sheet date, with unrealized holding gains and losses recorded in other income (expense), as the shares have a readily determinable fair value since they are publicly traded.

Mining Equipment

Mining Equipment is stated at cost, including purchase price and all shipping and customs fees, and depreciated using the straight-line method over the estimated useful lives of the assets, generally three years for cryptocurrency mining equipment.

In accordance with ASC 360-10-35, the Company reviews the carrying amounts of mining equipment when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an arm’s length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

At the point in time a miner becomes inoperable and not repairable, the Company records an expense amounting to the carrying value, which is the cost basis less accumulated depreciation at the time of write off.

LEASES

Effective July 2021, the Company accounts for its leases under ASC 842, *Leases* (“ASC 842”). Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the balance sheet as both a right-of-use asset and a lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company’s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term.

In calculating the right-of-use asset and the lease liability, the Company elects to combine lease and non-lease components as permitted under ASC 842. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

Derivatives

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and would then be re-valued at each reporting date, with changes in the fair value reported in the condensed statements of operations. If there are stock-based derivative financial instruments, the Company will use a probability-weighted average series Binomial lattice option pricing models to value the derivative instruments at inception and on subsequent valuation dates.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. Derivative liability will be measured initially and subsequently at fair value.

Revenue Recognition

The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company 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
- Step 5: Recognize revenue when the Company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company 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 distinct bundle of goods or services is identified.

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 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 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.

Cryptocurrency mining:

The Company has entered into contracts with digital asset mining pool operators to provide the service of performing hash computations for the mining pool operator. The contracts are terminable at any time for any reason by either party without cause and without penalty and the Company's enforceable right to compensation only begins when the Company provides the service of performing hash computations for the mining pool operator. The contract is for a continuous 24-hour period each day. The Company's access and usage rights to the pool and service automatically renew for a successive 24-hour period (00:00:00 UTC and 23:59:59 UTC) unless terminated in accordance with the terms set forth by the terms of service. In exchange for performing hash computations for the mining pool, Gryphon is entitled to a fractional share of the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are netted as a reduction of the transaction price). Gryphon's fractional share is based on the proportion of hash computations Gryphon performed for the mining pool operator to the total hash computations contributed by all mining pool participants in solving the current algorithm during the 24-hour period. Hashrate is the measure of the computational power per second used when mining. It is measured in units of hash per second, meaning how many calculations per second that can be performed. The consideration the Company will receive, comprised of block rewards, transaction fees less mining pool operator fees are aggregated in a sub-balance account held by the mining pool operator. That balance, due to the Company, is calculated by the mining pool operator based on the hashrate provided and hash computations completed by the Company for the mining pool from midnight-to-midnight (00:00:00 UTC and 23:59:59 UTC) UTC time, and a sub-account balance is credited one hour later at 1AM UTC time. The balance is then withdrawn to the Company's whitelisted wallet address, once a day, between the hours of 9am to 5pm UTC time. The rate of payment occurs once per day, as long as the minimum payout threshold of 0.01 bitcoin has accumulated in the sub-account balance, in accordance with the mining pool operator's terms of service. Pursuant to ASC 606-10-55-42, the Company assessed if the customer's option to renew represented a material right that represents a separate performance obligation and noted the renewal is not a material right. The definition of a material right is a promise in a contract to provide goods or services to a customer at a price that is significantly lower than the stand-alone selling price of the good or service. The mining pool operator does not provide any discounts and as such there is no economic benefit to the customer and as such a separate performance obligation does not exist under 606-10-55-42. In addition, there are no options for renewal that are separately identifiable from other promises in the contract such as an ability to extend the contract at a reduced price.

The performance obligation of the Bitcoin miner under the mining contracts with Foundry Pool USA involves the service of performing hash computations to facilitate the verification of digital asset transactions. The Company's miners contribute computing power (i.e., hashrate) that perform hash calculations to the mining pool operator, engaging in the process of validating and securing transactions through the generation of cryptographic hashes. The mining pool then utilizes a specific mining algorithm (e.g. SHA-256) to submit shares (proof of work) to the mining pool's server as they contribute to solving the cryptographic puzzles required to mine a block. The Company reviews and analyzes its individual pool performance using a dashboard provided by Foundry Pool USA that includes real-time statistics on hashrate, shares submitted and earnings. The service of performing hash computations in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of providing these services is the only performance obligation in the Company's contracts with mining pool operators. The Company performs hash computations for one mining pool operator, Foundry USA. Foundry USA operates its pool on the Full Pay Per Share (FPPS) payout method. FPPS is a variant of the Pay Per Share (PPS) method, where miners receive a fixed payout for each valid share submitted, regardless of whether the pool finds a block.

Regardless of the pool's success, the Company will receive consistent rewards based on the number of valid shares it contributes. The transaction consideration the Company receives is non-cash consideration, in the form of bitcoin. The Company measures the bitcoin at fair value on the date earned using the average price (calculated by averaging the daily open price and the daily close price) quoted by its Principal Market at the date the Company completed the service of performing hash computations for the mining pool operator. There are no deferred revenues or other liability obligations recorded by the Company since there are no payments in advance of the performance. At the end of each 24 hour period (00:00:00 UTC and 23:59:59 UTC), there are no remaining performance obligations. By utilizing the average daily price of bitcoin on the date earned, the Company eliminates any differences that may arise due to the volatility in trading price between bitcoin and fiat currency during the period where the Company establishes and completes the contract. The consideration is all variable. There is no significant financing component in these transactions.

If authoritative guidance is enacted by the Financial Accounting Standards Board ("FASB"), the Company may be required to change its policies, which could affect the Company's financial position and results from operations.

Master service agreement:

The Company has entered into an agreement with Sphere 3D to be an exclusive provider of management services for all blockchain and cryptocurrency-related operations including but not limited to services relating to all mining equipment owned, purchased, leased, operated, or otherwise controlled by Sphere 3D and/or its subsidiaries and/or its affiliates at any location. For the said services the Company will receive 22.5% of the net operating profit of all of Sphere 3D's blockchain and cryptocurrency-related operations. The net operating profits in defined as the value of the digital asset mined less energy cost and profit paid to the host facility.

As Sphere 3D has the ultimate right to determine the facility location for each machine. The Company has the responsibility for the following:

- 1) Ensuring the machines are installed in the facility selected by Sphere.
- 2) Selecting and connecting the machines to a mining pool.
- 3) To review the mining reports and maintain a wallet for the coins earned for the mining operation.
- 4) To maintain a custodial wallet for the coins earned from the Sphere machines.
- 5) To sell and/or transfer the coins at the request of Sphere.

At the time the digital assets are mined, they are transferred into the custodial wallet maintained by the Company. As of the receipt of the digital asset, the Company has completed its performance obligation, the transaction price is determinable, net operating profit can be calculated so that the Company can determine its revenue under the contract; therefore, the Company records as revenue the management fee received. See Note 8 — Commitments and contingencies “Sphere 3D MSA” and Note 12 – Subsequent Events.

Cost of Revenues

The Company's cost of revenue consists primarily of direct costs of earning bitcoin related to mining operations, including electric power costs, other utilities, labor, insurance whether incurred directly from self-mining operations or reimbursed, including any revenue sharing arrangements under co-location agreements, but excluding depreciation and amortization, which are separately stated in the Company's Consolidated Statements of Operations.

ASC 606-10-32-25 through 32-27 in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) provides guidance on the consideration of whether fees paid to a mining pool operator should be considered payments to a customer and treated as a reduction of the transaction price or revenue. The Company's management reviewed the standards and completed the following assessment.

Identifying the Customer: ASC 606-10-32-25 states that an entity should determine whether the counterparty to a contract is a customer. If the counterparty is a customer, the entity should apply the revenue recognition guidance to that contract. Under ASC 606-10-32-25, the Company identified the mining pool operator as the customer as the Company entered into a contractual agreement with the pool operator whereas the Company is to provide services in the form of contributing hashing power to the pool.

Mining Pool Operator as a Customer: As the Company has determined the mining pool operator to be a customer, any fees paid to the mining pool operator would be part of the transaction price of the contract. Any fees paid by the Company as a miner to the pool operator would be revenue earned by the pool operator, and the pool operator is treated as the customer.

Transaction Price: ASC 606-10-32-26 provides guidance on determining the transaction price. The Company considered the effects of variable consideration, constraints on variable consideration, the existence of a significant financing component in the contract, and non-cash consideration. The Company receives variable consideration given the variable nature of the amount of mining power (hashrate) contributed on a daily basis (24-hour period per recurring contract term). The Company completes an analytical procedure as part of its monthly close process to determine the reasonableness of consideration received. There are no significant financing components of the transaction or delays in the timing of payments from the customer to the Company, whereas the Company would need to adjust the transaction price for the time value of money. As the Company receives non-cash consideration, in the form of bitcoin, ASC 606-10-32-26 specifies that the Company should measure non-cash consideration at fair value. The fair value of the non-cash consideration would be included in the determination of the transaction price. The Company does not receive the gross amounts of bitcoin earned prior to the transaction fees deduction by the pool operator. As such, the consideration received is net or inclusive of the transaction fees incurred and charged by the customer (pool operator).

Variable Consideration: If the fees paid to the mining pool operator are variable, an entity should estimate the amount of consideration to which it will be entitled. This involves considering the likelihood and magnitude of a significant revenue reversal. ASC 606-10-32-26 emphasizes the need to assess whether there are constraints on variable consideration. In the instance where there is uncertainty about the amount of consideration, it is reasonable for the Company to consider a likelihood of a significant reversal of revenue. The Company reviews daily bitcoin rewards received and reviews various factors, such as mining difficulty, the price of bitcoin and the Company's contribution to the pool operator. The Company estimates the amount of variable consideration the Company should receive and prepares a monthly workpaper documenting the difference in actual bitcoin rewards received vs. estimated bitcoin earned. The Company assessed, given the pool operators payout methodology and the revenue reasonableness test completed by management, there does not exist a likelihood of a significant reversal of revenue.

Reduction of Transaction Price: ASC 606-10-32-27 states that an entity should reduce the transaction price for variable consideration only to the extent that it is probable that a significant revenue reversal will not occur when the uncertainty is subsequently resolved. The Company assessed various factors, identifying the variable consideration, estimating the variable consideration, considered constraints (although none existed such as performance metrics or targets), probability, documentation, regular review and monitoring of performance with open communication with pool operators combined with dashboard usage. Due to the Company utilizing Foundry Pool's FPPS methodology and the previous mentioned factors, there was zero likelihood of a significant reversal of revenue as the Company receives payouts as a pool participant on a daily basis calculated from midnight-to-midnight UTC time, regardless of if the Pool Operator receives any block rewards.

In summary, fees paid to the mining pool operator are considered payments to a customer and treated as a reduction of the transaction price/revenue. The Company has carefully assessed the variable nature of these fees, considered the likelihood and magnitude of any potential adjustments, and documented that management has applied the revenue recognition guidance accordingly.

Stock-Based Compensation

We account for our stock-based compensation under ASC 718 "*Compensation — Stock Compensation*" using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments, or the issuance of those equity instruments may settle that.

We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock-based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Common stock awards

The Company grants common stock awards to non-employees in exchange for services provided. The Company measures the fair value of these awards using the fair value of the services provided or the fair value of the awards granted, whichever is more reliably measurable. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized on a straight-line basis as services are rendered. The share-based payments related to common stock awards for the settlement of services provided by non-employees are recorded in accordance with ASC 718 on the statement of operations in the same manner and charged to the same account as if such settlements had been made in cash.

Warrants

The Company has issued warrants to purchase shares of its common stock in connection with certain financing, consulting, and collaboration arrangements. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as expense over the requisite service period or at the date of issuance if there is not a service period.

Income Taxes

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

ASC Topic 740, Income Taxes, (“ASC 740”), also clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. Based on the Company’s evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company’s financial statements. The Company believes that its income tax positions and deductions would be sustained at the audit and does not anticipate any adjustments that would result in material changes to its financial position.

Earnings Per Share

The Company uses ASC 260, “Earnings Per Share” for calculating the basic and diluted earnings (loss) per share. The Company computes basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based on the weighted average number of shares of common stock plus the effect of warrants potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and warrants and stock awards. For periods with a net loss, basic and diluted loss per share is the same, in that any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the years ended December 31,:

| Numerator | 2023 | 2022 |
|-----------------------------------|---------------------|-------------------|
| Net (loss) income | \$ (28,599,000) | \$ 3,536,000 |
| Effect of dilutive instruments | - | - |
| Numerator for diluted EPS | <u>(28,599,000)</u> | <u>3,536,000</u> |
| Denominator | | |
| Denominator – for basic EPS | <u>24,964,486</u> | <u>24,872,847</u> |
| Effect of dilutive instruments | | |
| Series Seed preferred stock | - | 8,845,171 |
| Series Seed II preferred stock | - | 460,855 |
| Warrants to purchase common stock | - | 1,844,314 |
| Dilutive potential common shares | <u>-</u> | <u>11,150,340</u> |
| Denominator for diluted EPS | <u>24,964,486</u> | <u>36,023,187</u> |

Securities that could potentially dilute loss per share in the future were not included in the computation of diluted loss per share for the year ended December 31, 2023 because their inclusion would be anti-dilutive. Common stock equivalents amounted to 11,150,807 for the year ended December 31, 2023.

Recent Accounting Pronouncements

The Company's management reviewed all recently issued accounting standard updates ("ASU's") not yet adopted by the Company and does not believe the future adoptions of any such ASU's may be expected to cause a material impact on the Company's consolidated financial condition or the results of its operations, except for the following.

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

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

NOTE 2 — DIGITAL ASSETS

The following table summarizes the digital currency (Bitcoins) transactions for:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------------------|----------------------|----------------------|
| Digital assets beginning balance | \$ 6,746,000 | \$ 6,000 |
| Revenue recognized from mined digital assets | 21,052,000 | 21,362,000 |
| Revenue share from Sphere 3D | 321,000 | 618,000 |
| Cost of digital assets sold for cash | (17,977,000) | (30,270,000) |
| Cost of digital assets transferred for noncash expenditures | (7,770,000) | (3,978,000) |
| Reversal of receivables from BitGo | - | 120,000 |
| Impairment loss on digital assets | (275,000) | (8,704,000) |
| Digital asset loan from Anchorage | - | 27,592,000 |
| Digital assets ending balance | <u>\$ 2,097,000</u> | <u>\$ 6,746,000</u> |

During the year then ended December 31, 2023, the Company realized gains amounting to \$535,000, related to the sale of digital assets for cash. Also, during the year then ended December 31, 2023, the Company realized gains amounting to \$3,899,000 from use of digital assets.

During the year then ended December 31, 2022, the Company realized gains amounting to \$609,000, related to the disposal of its digital assets.

The table below shows the costs of the digital assets transferred for payment of expenses for the year then ended December 31:

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| Payment for principal and interest | \$ 7,770,000 | \$ 3,440,000 |
| Payment for mining equipment | - | 538,000 |

NOTE 3 — MARKETABLE SECURITIES

In accordance with the Amended Merger Agreement, the Company received 850,000 shares of Sphere 3D's restricted common stock that are held in a third-party escrow account upon providing written notice of the merger termination.

On April 4, 2022, the Company and Sphere 3D mutually agreed to terminate their Merger Agreement announced on June 3, 2021, and as amended on December 29, 2021, due to changing market conditions, the passage of time, and the relative financial positions of the companies, among other factors.

According to the terms, the Company has received 850,000 shares of Sphere 3D.

On June 29, 2023, Sphere 3D had a 1:7 reverse stock split. Shares were reduced from 850,000 to 121,428.

The shares are accounted for in accordance with ASC 320 — Investments — Debt and Equity Securities; as such, the shares will be classified as available-for-sale securities and will be measured at each reporting period at fair value with the unrealized gain or (loss) as a component of other income (expense).

The table below summarizes the movement in this account for the periods:

| | December 31, 2023 | December 31, 2022 |
|--------------------------------|----------------------|----------------------|
| Fair value beginning of period | \$ 235,000 | \$ 1,734,000 |
| Change in fair value | 168,000 | (1,499,000) |
| Fair value end of period | <u>\$ 403,000</u> | <u>\$ 235,000</u> |

NOTE 4 — DEPOSITS

The deposits are summarized as follows:

| | As of December 31, 2023 | As of December 31, 2022 |
|----------------------------|-------------------------------|-------------------------------|
| Beginning Balance | \$ 60,000 | \$ 16,365,000 |
| Cash deposit | - | 8,150,000 |
| Deposit paid | 360,000 | - |
| Delivered mining equipment | - | (24,355,000) |
| Converted carbon credit | - | (100,000) |
| Ending Balance | <u>\$ 420,000</u> | <u>\$ 60,000</u> |

In 2021, the Company entered into a purchase agreement with Bitmain to acquire a total of 7,200 miners, to be shipped and delivered during 2021 and 2022. As of December 31, 2022, the Company received 7,130 miners and the contract was deemed to be completed by the Company.

In 2022, the Company had a \$60,000 refundable deposit to Coinmint.

As of December 31, 2023, the Company had a \$420,000 refundable deposit paid to Coinmint.

NOTE 5 — MINING EQUIPMENT, NET

Mining equipment consisted of 8,532, of which 229 were placed into service after December 31, 2023, and 7,410 units of bitcoin mining machines as of December 31, 2022, respectively. The following table summarizes the carrying amount of the Company's mining equipment:

| | As of December 31, 2023 | As of December 31, 2022 |
|-----------------------------|-------------------------------|-------------------------------|
| Mining equipment | | |
| Balance, beginning of year | \$ 47,599,000 | \$ 21,844,000 |
| Additions | 1,894,000 | 25,755,000 |
| Disposals | (105,000) | - |
| Impairment | (8,335,000) | - |
| Revaluation from impairment | (25,075,000) | - |
| Ending balance | <u>\$ 15,978,000</u> | <u>\$ 47,599,000</u> |
| Accumulated depreciation | | |
| Balance, beginning of year | \$ 13,231,000 | \$ 695,000 |
| Additions | 14,958,000 | 12,536,000 |
| Disposals | (51,000) | - |
| Revaluation from impairment | (25,076,000) | - |
| Ending balance | <u>\$ 3,062,000</u> | <u>\$ 13,231,000</u> |
| Net carrying amount | <u>\$ 12,916,000</u> | <u>\$ 34,368,000</u> |

During the year ended December 31, 2023, the Company retired 18 miners of bitcoin mining machines. The cost of the fixed assets retired, and the corresponding accumulated depreciation amounted to \$105,000 and \$50,000, respectively, for a loss on disposition of approximately \$54,000. A total of 323 units amounting to \$498,000 have been acquired but not yet received as of December 31, 2023.

Due to the significant decrease in fair values of bitcoin mining machines as of December 31, 2023, the Company assessed the need for an impairment write-down of mining equipment (held as fixed assets). In accordance with ASC 360-10, the Company determined that the fixed asset category had carrying values in excess of fair value, and accordingly, the Company recognized impairment charges for mining equipment of approximately \$8,335,000.

NOTE 6 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table summarizes accounts payable and accrued expenses:

| | As of December 31, 2023 | As of December 31, 2022 |
|------------------|-------------------------------|-------------------------------|
| Accounts payable | \$ 2,234,000 | \$ 113,000 |
| Accrued expenses | 1,415,000 | 2,880,000 |
| Total | \$ 3,649,000 | \$ 2,993,000 |

NOTE 7 — NOTES PAYABLE

The following table summarizes the fair value of the BTC Note, as of December 31,:

| | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Beginning Balance | \$ 12,636,000 | \$ - |
| Additions | - | 27,592,000 |
| Payment | (6,105,000) | (2,997,000) |
| Amended principal payment | (4,856,000) | |
| Adjustment to fair value | 13,193,000 | (11,690,000) |
| Realized Gain (GOI) | - | (269,000) |
| Ending balance | \$ 14,868,000 | \$ 12,636,000 |
| Less – current portion | 14,868,000 | 9,126,000 |
| Ending balance – noncurrent portion | \$ - | \$ 3,510,000 |

On May 25, 2022, GOI (the “Borrower”) entered into an Equipment Loan and Security Agreement (the “BTC Note”) with a lender amounting to 933.333333 Bitcoin (“BTC”) at an annual interest rate of 5%.

The Loan is secured by (1) 7,200 S19j Pros Application Specific Integrated Circuit (ASIC) miners used for Bitcoin mining, (2) The Colocation Mining Services Agreement, dated as of July 1, 2022, by and between Borrower and Coinmint, and (3) The Contribution Agreement, dated as of May 25, 2022, by and between Borrower and the Company.

The Company evaluated the Loan in accordance with ASC 815 Derivatives and Hedging. Based on this evaluation, the Company has determined that the Loan will require derivative accounting and will be adjusted to fair value every reporting period. The fair value is determined by using the trading value at closing, as of the reporting date, as disclosed on Coinbase.

On March 29, 2023, the Company executed an amendment to the BTC Note (“Amendment”). The maturity date was extended from May 2024 to March 2026, and the interest rate was increased to 6% per annum, to be applied to the number of bitcoins remaining to be paid at the beginning of each month.

The monthly principal and interest payments, starting with the April 2023 payment, have been adjusted to be 100% of net monthly mining revenue, defined as, for each calendar month, the sum of (a) all of Borrower’s revenue generated from all Bitcoin generated by the Borrower with the Collateral *less* (b) the sum of the Borrower SG&A in connection with Bitcoin mining operations, but not to exceed the greater of (x) \$100,000 and (y) the amount that is previously preapproved by the Lender in writing for such calendar month; provided, however that, to the extent that SG&A is capped by clause (b) above, any unapplied SG&A may be rolled forward to subsequent months until fully deducted. Notwithstanding the foregoing, unless otherwise approved by Lender, the aggregate amount of SG&A during any rolling twelve-month period shall not exceed \$750,000. Provided that if at the end of a fiscal quarter, commencing with the fiscal quarter ending June 30, 2023, if (x) the aggregate principal amount payment received by the Lender for such fiscal quarter exceeds 38.6363638 Bitcoin and (y) the average principal amount payment received by the Lender for each fiscal quarter (commencing fiscal quarter ending September 30, 2023 and through and including the fiscal quarter for which such determination is to be made) exceeds 38.6363638 Bitcoin per fiscal quarter, then, the Borrower shall pay to the Lender 75% of Net Monthly Mining Revenue for the immediately succeeding fiscal quarter (and thereafter, in the following fiscal quarter would shift to 100%).

Also, as part of the Amendment, the Company has agreed not to convey, sell, lease, transfer, assign, or otherwise dispose of any of the Company’s digital assets outside of the ordinary course of business.

Additionally, the Company is required thereunder to maintain a collateral (mining equipment, digital assets or US dollars) coverage ratio of 110% (Collateral Coverage Ratio”). A breach of the Collateral Coverage Ratio shall not be deemed to have occurred until the lender has provided notice to the Company of such breach. If the Collateral Coverage Ratio decreases below 110%, the Company will have to provide the lender with additional collateral in the form of bitcoin, U.S. dollars, or additional equipment. If the Company is unable to do so within 15 days, the Company may default on the BTC Note, which could have a material adverse effect on the Company’s operations, financial condition, and results of operations. As of December 31, 2023, the Company was not aware of a breach of the Collateral Coverage Ratio.

The Amendment also added a conversion provision whereby the lender has a limited right to convert all or any portion of the outstanding principal on the BTC Note into a number of shares of the Company or any public company that the Company is a subsidiary of, if the Company is not the public company (the “Conversion Right”). The Conversion Right is available at any time during the one-month period (the “Conversion Period”) after which the market capitalization of the Company, or its public company parent if the Company is not the public company, for the first time exceeds \$125,000,000 for five consecutive days. The conversion price is equal to \$150,000,000 divided by the number of shares of the Company, or its public company parent if the Company is not the public company, common stock outstanding immediately prior to the lender’s exercise of the Conversion Right during the Conversion Period.

As consideration for the Amendment, the Company agreed to make a one-time payment of 173.17 bitcoins, which had a fair value of approximately \$4,856,000 on the date of payment, therefore, reducing the principal balance of bitcoins from 636.81 to 463.64, and a closing fee of \$104,000, which was offset with the adjustment for the change in fair value, as defined under debt modification accounting.

The Company has evaluated the Amendment in accordance with ASC 470-50 Modification and Extinguishments. Based on the change in the interest rate from 5.0% to 6.0%, caused there to be a significant change in the cashflows of the BTC Note. Also, given that the BTC Note carried on the Consolidated Balance Sheet at fair value, any gain or loss from the extinguishment would be adjusted through the change in fair value.

Also, based on the repayment terms and the interest calculation, the Company is unable to determine what would be the current portion and long-term portions as of December 31, 2023, so the Company will present the BTC Note as current.

For the year then ended December 31, 2023, the Company recognized interest expense amounting to \$758,000 or which \$77,000 is still accrued.

For the year then ended December 31, 2022, the Company recognized interest expense amounting to \$532,000 of which \$54,000 is still accrued.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Commitments

On January 14, 2021, the Company entered into a consulting agreement (“Consulting Agreement”) with Chang Advisory Inc. for Robby Chang (“Consultant”), to serve as the Company’s Chief Executive Officer and as a member of the Board of Directors. The Consulting agreement will continue until terminated by either the Consultant or the Company. The Consultant will be paid \$175,000 (Canadian dollars) per year and shall increase to approximately \$300,000 (Canadian dollars) upon the closing of either i) an equity financing totaling at least \$5,000,000 (Canadian dollars); or (ii) a debt and equity financing totaling at least \$10,000,000 (Canadian dollars) (either (i) or (ii) being a “Qualifying Financing”). If a Qualifying Financing occurs within 90 days from the Effective Date, then the invoicing exception for the first ninety days shall no longer apply and the Consultant shall be entitled to immediately invoice for all completed 30-day periods up to the date of the Qualifying Financing. Upon the closing of the private placement offering on March 16, 2021, the Company meet the criteria for a Qualified Offering; therefore, the consulting compensation increased to \$300,000 (Canadian dollars) annually.

The Compensation Committee shall review Consultant’s Annual Fee not less frequently than on December 31st during the Engagement Term. The consultant will be eligible for periodic increases in the Annual Fee under the Company’s normal policies and procedures for executive salary increases, which currently provide for annual reviews of executive salaries. Consultant’s Annual Fee for any year may not be reduced below the Consultant’s Annual Fee for the prior year without the written consent of both Consultant and the Company.

Also, Robby Chang has shares of common stock of the Company. On February 2, 2021, the Company determined that the fair market value of a share of common stock was approximately \$2.40; therefore, the cash proceeds amounting to that were initially received by the Company were below the fair market value of the shares. The additional value was considered by management to be compensation for Robby Chang as he provides services to the Company. Compensation expenses recognized amounted to \$4,540,000.

Coinmint Co-location Mining Services Agreement

On July 1, 2021, the Company entered into an agreement with Coinmint, (the “Coinmint Agreement”), pursuant to which Coinmint agreed to provide up to approximately 22.0 MW of power and to perform all maintenance necessary to operate Company’s miners at the Coinmint facility. In exchange, Coinmint is reimbursed for direct production expenses and receives a performance fee based on the net cryptocurrencies generated by the Company’s miners deployed at the Coinmint facility. The initial term of the Coinmint Agreement is fifteen months with automatic renewals for subsequent three (3) month terms until and unless terminated as provided in the agreement.

The Company entered into the second amendment of the colocation mining service agreement (“CMS Amendment”) with Coinmint, LLC. The CMS Amendment has an effective date of July 1, 2023. The CMS Amendment provides (1) for the Company to obtain an additional 3MW of capacity for a total capacity of 27.5 MW, (2) the performance fee rate was set at 30% for less than or equal to 29.5 W/TH for Bitmain Antminer S19 ProXP, Bitmain Antminer S19j Pro+, and Bitmain Antminer S19 in low power mode and 33% for greater than 29.5 W/TH for Bitmain Antminer S19 in normal mode.

The Company determined the agreement with Coinmint does not meet the definition of a lease in accordance with Accounting Standards Codification (“ASC”) 842, Leases.

Core Scientific Co-location Mining Service Agreement and Sub-License and Delegation Agreement

On September 12, 2021, the Company entered into an agreement with Core Scientific, Inc. (“Core”) (the “Core Agreement”) pursuant to which Core agreed to provide the power to operate the Company’s miners and to provide all services required to maintain and operate the Company’s miners for a set fee for each kWh used by the Company’s miners. The term of the Core Agreement is forty-eight months, with automatic renewals for subsequent twelve-month periods.

The Company determined the agreement with Core does not meet the definition of a lease in accordance with Accounting Standards Codification (“ASC”) 842, Leases.

On October 8, 2021, the Company entered into a Sub-License and Delegation Agreement (“SL&DA”) with Sphere 3D, whereby the Company (i) exclusively sub-licensed to Sphere its rights to access and use the Company Facility pursuant to Order 2 and (ii) delegated to Sphere all its obligations to make payments to Core pursuant to Order 2. Sphere accepted such sub-license and delegation in all respects. Per SL&DA, Sphere sent \$16,308,000 to the Company, which was subsequently sent to Core as part of the prepayments outlined in Order 2.

On December 29, 2021, the Company and Sphere 3D, agreed to amend the SL&DA to provide the Company the right to recapture the usage of up to 50% of the hosting capacity to be managed by Core if the Merger Agreement is terminated prior to consummation of the Merger.

As of December 31, 2023 and 2022, the Company made the following payments to Core which were fully reimbursed by Sphere 3D as follows:

| Payment Amount | Percentage and Period covered |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| \$ 73,000 | 100% prepayment for October 2021 services made in October 2021 |
| 205,000 | 70% prepayment of the estimated services for November 2021 through February 2022 made in October 2021 |
| 15,296,000 | 30% prepayment of the estimated services for March 2022 through November 2022 made in October 2021 |
| 756,000 | 40% prepayment of the estimated services for March 2022; and 30% prepayment for the estimated services for November 2021 made in October 2021 |
| 1,489,000 | 40% prepayment for hosting services for April 2022; and 30% prepayment for the estimated hosting services for December 2021 made in November 2021 |
| 2,223,000 | 40% prepayment for hosting services for May 2022; and 30% prepayment for the estimated hosting services for January 2022 made in December 2021 |
| 2,957,000 | 40% prepayment for hosting services for June 2022; and 30% prepayment for the estimated hosting services for February 2022 made in January 2022 |
| 3,485,000 | 40% prepayment for hosting services for July 2022; and 30% prepayment for the estimated hosting services for March 2022 made in February 2022 |
| 4,035,000 | 40% prepayment for hosting services for August 2022; and 30% prepayment for the estimated hosting services for April 2022 made in March 2022 |
| 4,585,000 | 40% prepayment for hosting services for September 2022; and 30% prepayment for estimated hosting services for May 2022 made in April 2022 |
| <u>\$ 35,104,000</u> | |

Sphere 3D MSA

On August 19, 2021, Gryphon entered into a Master Services Agreement, or the Sphere MSA, with Sphere 3D. The Sphere 3D MSA has a term of three years, beginning on August 19, 2021, and terminating on August 18, 2024, with one-year automatic renewal terms thereafter. Under the Sphere MSA, Gryphon is Sphere 3D's exclusive provider of management services for all blockchain and cryptocurrency-related operations, including but not limited to services relating to all mining equipment owned, purchased, leased, operated, or otherwise controlled by Sphere 3D and/or its subsidiaries and/or its affiliates at any location, with Gryphon receiving a percentage of the net operating profit of all of Sphere 3D's blockchain and cryptocurrency-related operations.

On December 29, 2021, the Company and Sphere 3D entered into Amendment No. 1 to the Sphere 3D MSA, to provide greater certainty as to the term of the Sphere 3D MSA. Sphere 3D and Gryphon agreed to extend the initial term of the Sphere 3D MSA from three to four years, or to five years in the event Sphere 3D does not receive delivery of a specified minimum number of Bitcoin mining machines during 2022.

The cryptocurrency earned from the Sphere 3D's mining operations is held in a wallet, in which the Company holds the cryptographic key information and maintains the internal recordkeeping of the cryptocurrency. The Company's contractual arrangements state that Sphere 3D retains legal ownership of the cryptocurrency; has the right to sell, pledge, or transfer the cryptocurrency; and benefits from the rewards and bears the risks associated with the ownership, including as a result of any cryptocurrency price fluctuations. Sphere 3D also bears the risk of loss as a result of fraud or theft unless the loss was caused by the Company's gross negligence or the Company's willful misconduct. The Company does not use any of the cryptocurrency resulting from the Sphere 3D MSA as collateral for any of the Company's loans or other financing arrangements, nor does it lend, or pledge cryptocurrency held for Sphere.

A threat actor representing to be the Sphere 3D CFO inserted themselves into an email exchange between the Sphere 3D CFO and the Company's CEO, which also included Sphere 3D's CEO, regarding the transfer of Sphere 3D's BTC from the Company's wallet to Sphere 3D's wallet. The threat actor requested that the BTC be transferred to an alternate wallet. As a result, 26 BTC, with a value of approximately \$560,000 at the time, was transferred to a wallet controlled by the threat actor. Via counsel, Gryphon engaged with US Federal law enforcement to recover the BTC. Despite these attempts by law enforcement to recover the BTC, recovery was not possible. Gryphon subsequently wired the commensurate amount in USD to Sphere 3D to make them whole for the stolen BTC. Gryphon also engaged a nationally recognized third-party firm to perform a forensic analysis. The analysis revealed that the threat actor did not enter the email exchange via Gryphon's IT systems. Sphere 3D made a claim with its insurance carrier. If Sphere 3D is reimbursed by its insurance carrier, the Company would request reimbursement from Sphere 3D. The Company has also subsequently modified its control systems to protect against any future attempted incursions. The Company made a payment to Sphere 3D in June 2023 for \$560,000, which was classified as a general and administrative expense on the unaudited condensed consolidated statement of operations.

As of December 31, 2023 and 2022, the Company held approximately 21.47 and 2.498 bitcoin, respectively, with a value of approximately \$908,000 and \$41,000, respectively. Also, as of December 31, 2023 and 2022, the Company held approximately \$8,000 and \$2,000, respectively, of cash generated from the sale of Sphere 3D BTC, to be used to make payments related to the Sphere MSA. See Note 12 – Subsequent Events.

Banking Relationship

On March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services, which appointed the Federal Deposit Insurance Corporation (FDIC) as a receiver. All of Signature's deposit accounts and loans were transferred into Signature Bridge Bank, N.A. On March 19, 2023, Flagstar Bank, N.A. entered into an agreement with FDIC to purchase the deposits and loans from Signature Bridge Bank.

On March 12, 2023, a Joint Statement by the U.S. Treasury, Federal Reserve, and FDIC, and a statement by the Federal Reserve Board, was issued stating that actions were approved, enabling the FDIC to complete its resolutions of Signature Bank in a manner that fully protects all depositors. As of the issuance date of these consolidated financial statements, the Company has full access to its funds deposited with Arival Bank.

Employment Agreement

The Company entered into an employment agreement ("Employment Agreement") with an individual to be the Company's CFO. The Employment Agreement is effective on June 19, 2023 ("Effective Date"), with the first two full financial reporting quarters (six months ended June 30, 2023, and the nine months ended September 30, 2023) of the Company to be defined as an introductory period, so as to, provide the Company an opportunity to observe and evaluate the Employee's capacity in satisfactorily performing the essential functions of the CFO position, CFO's work habits and conduct, and to provide the CFO with an opportunity to assess whether the Company and CFO's position of employment are the right fit for CFO. The CFO will have a base salary of \$200,000 and shall be eligible to receive an annual bonus with a target of up to fifty percent (50%) of the CFO's then-current base salary under a short-term incentive bonus plan as approved by the Company's compensation committee of the Board ("Compensation Committee").

Also, the CFO was granted a time-based equity grant covering 390,800 shares of the Company's common stock (the "Equity Grant") pursuant to an equity incentive plan (the "Equity Plan"). The Equity Grant shall vest over a three (3)-year period beginning on the Effective Date, subject to CFO's continued employment with the Company through the relevant vesting date, in accordance with the following schedule:

- (i) 1/6 of the Equity Grant shall vest upon the six (6)-month anniversary of the Effective Date;
- (ii) 5/6 of the Equity Grant shall vest in substantially equal quarterly installments commencing with the first quarter following the six (6) month anniversary of the Effective Date;

The vesting of the Equity Grant shall be accelerated in full if the CFO is continuously employed through a Change in Control (as defined in the Equity Plan and the award agreement), provided that a reverse takeover transaction or merger for the purposes of listing the Company on a public exchange shall not constitute such a Change in Control.

The Equity Grant is subject to the approval by the Company's stockholders of the Equity Plan and shall be subject to the terms and conditions of the Equity Plan and the Company's standard award agreements.

Contingencies

The Company is subject at times to various claims, lawsuits, and governmental proceedings relating to the Company's business and transactions arising in the ordinary course of business. The Company cannot predict the final outcome of such proceedings. Where appropriate, the Company vigorously defends such claims, lawsuits, and proceedings. Some of these claims, lawsuits and proceedings seek damages, including consequential, exemplary, or punitive damages, in amounts that could, if awarded, be significant. Certain claims, lawsuits, and proceedings arising in the ordinary course of business are covered by the Company's insurance program. The Company maintains the property and various types of liability insurance in an effort to protect the Company from such claims. In terms of any matters where there is no insurance coverage available to the Company, or where coverage is available and the Company maintains a retention or deductible associated with such insurance, the Company may establish an accrual for such loss, retention, or deductible based on currently available information. In accordance with accounting guidance, if it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements, and the amount of loss is reasonably estimable, then an accrual for the cost to resolve or settle these claims is recorded by the Company in the accompanying balance sheets. If it is reasonably possible that an asset may be impaired as of the date of the financial statement, then the Company discloses the range of possible loss. Expenses related to the defense of such claims are recorded by the Company as incurred and included in the accompanying statements of operations. Management, with the assistance of outside counsel, may, from time to time adjust such accruals according to new developments in the matter, court rulings, or changes in the strategy affecting the Company's defense of such matters. On the basis of current information, the Company does not believe there is a reasonable possibility that other than with regard to the Class Action described below, any material loss, if any, will result from any claims, lawsuits, and proceedings to which the Company is subject to either individually, or in the aggregate.

See Note 12 – Subsequent Events.

NOTE 9 — STOCKHOLDERS' EQUITY

Preferred stock

The Company is authorized to issue 20,000,000 shares of preferred stock, \$0.0001 par value per share. The Company has designated 6,000,000 shares as series seed preferred stock ("Series Seed Shares"), 1,000,000 shares as series seed II preferred stock (Series Seed II Shares"), and 13,000,000 as undesignated preferred stock. The Company's Board of Directors may issue preferred stock in one or more series from time to time and fix or alter the powers, preferences, and rights, and the qualifications, limitations, and restrictions granted to or imposed upon any wholly unissued series of preferred stock, and within the limits or restrictions stated in any resolutions of the Board of Directors.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company or any deemed liquidation event, before any payment shall be made to the holders of common stock, holders of shares of preferred stock then outstanding shall be entitled to be paid out of the funds and assets available for distribution to its stockholders at the greater of \$2.40 per share for Series Seed and \$6.68 per share for Series Seed II or such amount per share as would have been payable had all shares of preferred stock been converted into common stock.

The Company's management evaluated the series seed and series seed II preferred stock for features that qualify as embedded derivative liabilities. The management concluded that the conversion feature would not be a derivative to be accounted for as a liability.

Common stock

During the year ended December 31, 2023, the Company cancelled 72,842 shares of common stocks.

On December 5, 2023, the Company entered into an agreement ("Roundtable Agreement") with Roundtable Media, Inc. ("Roundtable") to provide marketing services. Pursuant to the Roundtable Agreement the service will begin once the contemplated client merger with Akerna Corp. (the "Business Combination") is consummated, the Company's common stock is tradable on a publicly-traded exchange, and the first tranche of common stock has been transferred to Roundtable in tradable form. For the marketing services provided Roundtable shall receive 58,644 shares of the Company's Common Stock.

On August 23, 2023, the Company entered into a consulting Marketing Service Agreement ("PI Agreement") with PI Financial Corp. to provide strategic advice, which includes identifying and discussing potential strategic and operational partners and making introductions to and coordinating meetings with potential partners for the Company. The service pursuant to this Agreement shall begin August 24, 2023, and terminate on September 29, 2023. For the services rendered PI Financial shall receive 82,914 shares of the Company's Common Stock. The equity award was valued as of the grant date at \$0.50 per share for a total of \$24,000. The Company was under a binding agreement to merge with Akerna as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio defined in the Akerna Merger, as the Company believes that the Akerna trading is the most readily determined value in accordance with ASC 718-10-55-10 to 12. Akerna is publicly traded (NASDAQ: GRYP) The equity compensation expense for the year then ended December 31, 2023 amounted to \$24,000.

On June 19, 2023, the Company's CFO was granted a time-based equity grant covering 675,058 shares of the Company's common stock pursuant to an equity incentive plan (the "Equity Plan"). The Equity Grant shall vest over a three (3)-year period beginning on the Effective Date, subject to CFO's continued employment with the Company through the relevant vesting date, in accordance with the following schedule (see Note 8 "Employment Agreement"). The equity award was valued as of the grant date at \$2.42 per share for a total of \$946,000. The Company was under a binding agreement to merge with Akerna as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio defined in the Akerna Merger, as the Company believes that the Akerna trading is the most readily determined value in accordance with ASC 718-10-55-10 to 12. Akerna is publicly traded (NASDAQ: GRYP) The equity compensation expense for the year then ended December 31, 2023 amounted to \$530,000.

On February 23, 2023, the Company entered into an Independent Director agreement with two individuals. As part of the compensation for the agreements, the Company granted restricted stock of 84,210 to each of the directors for a total of 168,419 shares of the Company's common stock. The shares vest every six months in six equal installments of 14,035 shares for a total of 28,070 shares. The equity award was valued as of the grant date at \$3.36 per share for a total of \$328,000. The Company was under a binding agreement to merge with Akerna as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio defined in the Akerna Merger, as the Company believes that the Akerna trading is the most readily determined value in accordance with ASC 718-10-55-10 to 12. Akerna is publicly traded (NASDAQ: GRYP) The equity compensation expense for the year then ended December 31, 2023 amounted to \$190,000.

On December 27, 2022, the Company issued 43,184 shares of common stock valued at \$0.05 per share for the services of a board member. The shares' fair value was \$18,000.

On April 4, 2022, the Company entered into an employment agreement with an individual. The agreement provided for an annual cash compensation of \$230,000 paid in equal installments on a monthly basis. Also, the employee was granted equity compensation of 863,687 shares of the Company's common stock. The equity award vests 143,947 shares upon the six-month anniversary, 287,896 shares vest in equal quarterly installments commencing on the nine-month anniversary, and 431,844 shares vest in equal monthly installments commencing on the 19-month anniversary. The equity award was valued as of the grant date at \$9.487 per share for a total of \$4,744,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). In January 2023, the employee resigned and vested ownership over 71,975 restricted common stock awards valued at \$9.487 per share. Compensation expense for the period ended December 31, 2023, amounted to \$395,000. The remaining unissued shares were canceled and the associated compensation expense in prior years of \$1,910,000 was recaptured.

On October 26, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 17,274 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 4,318 Shares will vest on the six-month anniversary of the Effective Date, 4,318 Shares will vest on the first-year anniversary of the Effective Date, 4,318 Shares will vest on the eighteen-month anniversary, and the 4,318 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at \$33.48 per share for a total of \$322,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). Compensation expenses for the year then ended December 31, 2023, and 2022, amounted to \$129,000, and \$206,000, respectively.

On October 22, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 8,637 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 2,159 Shares will vest on the six-month anniversary of the Effective Date, 2,159 Shares will vest on the first-year anniversary of the Effective Date, 2,159 Shares will vest on the eighteen-month anniversary, and the 2,159 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at \$33.90 per share for a total of \$163,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). Compensation expenses for the year then ended December 31, 2023 and 2022, amounted to \$154,000 and \$103,000.

On October 20, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 17,274 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 4,318 Shares will vest on the six-month anniversary of the Effective Date, 4,318 Shares will vest on the first-year anniversary of the Effective Date, 4,318 Shares will vest on the eighteen-month anniversary, and the 4,318 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at \$39.48 per share for a total of \$380,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). Compensation expenses for the year then ended December 31 2023 and 2022, amounted to \$66,000 and \$241,000, respectively.

On October 1, 2021, the Company entered into a consulting agreement with a consultant. As compensation, the Company granted 344,281 shares of common stock amounting to \$6,206,000, or \$31.14 per share, as payment for advisory services. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). The shares shall vest over tranches of 25% increments, with the first tranche of shares vesting on October 31, 2021. The second, third, and fourth tranches of shares shall vest on December 31, 2021, March 31, 2022, and June 30, 2022, respectively. Compensation expenses for the year then ended December 31, 2023 and 2022, amounted to nil and \$1,804,000, respectively.

On June 3, 2021, the Company granted 3,211,939 shares of common stock to one of its consultants as payment for services payable in 40 quarterly installments of 80,299 shares per quarter. The first tranche vesting on June 3, 2021. Upon consummation of the planned merger, see Note 1 Agreement and Plan Merger for more information, all of the unvested shares, at the time of the event, will vest immediately. The equity award was valued as of the grant date at \$8.18 per share for a total of \$13,002,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (NASDAQ: ANY). On April 4, 2022, the Company terminated this contract. As of the termination date, there was earned and unvested compensation expense of approximately \$3,154,000, which was reversed and credited to stock-based compensation expense. For the years ended December 31, 2023 and 2022, compensation expense recognized amounted to nil and \$1,085,000, respectively.

On December 10, 2020, the Company entered into two separate independent director agreements with two individuals. The individuals will serve as directors of the Company for an initial one-year period. As compensation, each director was granted 129,553 shares of the Company's common stock to vest over 18 months in four equal installments of 32,388 shares, per director, starting on January 1, 2021. The grant date fair value was \$180,000, or \$2.40 per share, which was based on the Company's private placement on March 16, 2021. Compensation expenses for the year then ended December 31 2023, and 2022, amounted to nil and \$30,000 (of which \$15,000 was accrued), respectively.

The table below summarizes the transactions related to the Company's stock-based compensation expense for the year then ended December 31:

| | 2023 | 2022 |
|-------------------------------------------------------------------|---------------------|---------------------|
| Directors | | |
| December 10, 2020: 129,553 share grant for common stock | \$ - | \$ 15,000 |
| December 10, 2020: 129,553 share grant for common stock | - | 15,000 |
| February 23, 2023: 168,419 share grant of common stock | 190,000 | - |
| Consultants | | |
| June 3, 2021: 3,211,939 share grant for common stock | - | 1,085,000 |
| October 1, 2021: 344,281 share grant for common stock | - | 1,804,000 |
| October 20, 2021: 17,274 share grant for common stock | 66,000 | 241,000 |
| October 22, 2021: 8,637 share grant for common stock | 154,000 | 103,000 |
| October 26, 2021: 17,274 share grant for common stock | 129,000 | 206,000 |
| April 4, 2022; 287,896 share grant for common stock | 395,000 | 2,700,000 |
| December 27, 2022: 43,184 share grant for common stock | - | 18,000 |
| Stock based compensation expense reversal for June 3, 2021 grant | - | (3,154,000) |
| Stock based compensation expense reversal for April 4, 2022 grant | (1,910,000) | - |
| June 19, 2023; 675,058 share grant of common stock | 530,000 | - |
| August 23, 2023: 82,914 share grant of common stock | 24,000 | - |
| December 05, 2023: 58,644 share grant of common stock | 20,000 | - |
| Other | | |
| Officer contributed capital | 250,000 | 252,000 |
| | <u>\$ (152,000)</u> | <u>\$ 3,285,000</u> |

Warrants

Transactions involving our warrant are as follows for the year then ended December 31:

| | Number of Shares | Weighted Average Strike Price/Share | Weighted Average Remaining Contractual Term (Years) | Weighted Average Grant Date Fair Value | Weighted Average Intrinsic Value |
|--------------------------------------------------|---------------------|----------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|
| 2023 | | | | | |
| Outstanding – December 31, 2022 | 1,844,780 | \$ 29.37 | 1.39 | \$ 1.36 | \$ - |
| Granted | - | - | - | - | - |
| Exercised | - | - | - | - | - |
| Expired | - | - | - | - | - |
| Outstanding – December 31, 2023 | 1,844,780 | 29.37 | 0.55 | 1.36 | - |
| Vested and exercisable – December 31, 2023 | 1,844,780 | 29.37 | 0.55 | 1.36 | - |
| Unvested and non-exercisable – December 31, 2023 | - | \$ - | - | \$ - | \$ - |
| 2022 | | | | | |
| Outstanding – December 31, 2021 | 1,931,149 | \$ 28.05 | 2.32 | \$ 1.24 | \$ - |
| Granted | - | - | - | - | - |
| Exercised | - | - | - | - | - |
| Expired | 86,369 | - | - | - | - |
| Outstanding – December 31, 2022 | 1,844,780 | 29.37 | 1.39 | 1.36 | - |
| Vested and exercisable – December 31, 2022 | 1,844,780 | 29.37 | 1.39 | 1.36 | - |
| Unvested and non-exercisable – December 31, 2022 | - | \$ - | - | \$ - | \$ - |

NOTE 10 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of certain financial instruments, including cash and cash equivalents and accounts payable and accrued expenses, approximate their respective fair values due to the short-term nature of such instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company evaluates its financial assets and liabilities subject to remeasurement on a recurring basis to determine the appropriate level at which to classify them for each reporting period. This determination requires significant judgments to be made. The Company had the following financial assets and liabilities:

SCHEDULE OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

| | Balance as of December 31, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
| Assets: | | | | |
| Digital assets held for other parties | \$ 908,000 | \$ 908,000 | \$ - | \$ - |
| Marketable securities | \$ 403,000 | \$ 403,000 | \$ - | \$ - |
| Liabilities: | | | | |
| Liability related to digital assets held for other parties | \$ 916,000 | \$ 916,000 | \$ - | \$ - |
| BTC Note | \$ 14,868,000 | \$ 14,868,000 | \$ - | \$ - |
| | | | | |
| | Balance as of December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Digital assets held for other parties | \$ 41,000 | \$ 41,000 | \$ - | \$ - |
| Marketable securities | \$ 235,000 | \$ 235,000 | \$ - | \$ - |
| Liabilities: | | | | |
| Liability related to digital assets held for other parties | \$ 41,000 | \$ 41,000 | \$ - | \$ - |
| BTC Note | \$ 12,636,000 | \$ 12,636,000 | \$ - | \$ - |

There were no transfers of financial instruments between Level 1, Level 2, and Level 3 during the periods presented.

Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company also measure certain assets and liabilities at fair value on a nonrecurring basis. The non-financial assets, including intangible assets, and property, and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized.

During the year ended December 31, 2023, the decreases in market price of miners indicated that an impairment triggering event had occurred. Testing performed indicated the estimated fair value of the Company's Miners and mining equipment to be less than their net carrying value as of December 31, 2023, and an impairment charge of approximately \$8,300,000 was recognized, decreasing the net carrying value of the Company's Miners and mining equipment to their estimated fair value.

Applying the market price of one Bitcoin on December 31, 2023 of approximately \$xxx to the Company's xxx Bitcoin held, results in an estimated fair value of the Company's Bitcoin of \$xxx million as of December 31, 2023. Applying the market price of one Bitcoin on December 31, 2022 of approximately \$xxx to the Company's xxx Bitcoin held, results in an estimated fair value of the Company's Bitcoin of \$xxx million as of December 31, 2022. The valuation of Bitcoin held is classified in Level 1 of the fair value hierarchy as it is based on quoted prices in active markets for identical assets.

As of December 31, 2023 and 2022, the Company had no liabilities valued on a nonrecurring basis.

SCHEDULE OF ASSETS AT FAIR VALUE ON NONRECURRING BASIS

| | Balance as of December 31, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------|------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
| Assets: | | | | |
| Mining equipment, net | \$ 12,916,000 | \$ 12,916,000 | \$ - | \$ - |
| Digital assets | \$ 2,097,000 | \$ 2,097,000 | \$ - | \$ - |
| | | | | |
| | Balance as of December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Mining equipment, net | \$ 34,368,000 | \$ 34,368,000 | \$ - | \$ - |
| Digital assets | \$ 6,746,000 | \$ 6,746,000 | \$ - | \$ - |

NOTE 11 – INCOME TAXES

For the period ended December 31, 2022, the Company generated a current income tax provision of \$176,000, whereas, for the period ended December 31, 2021, no provision for income taxes had been recorded due to the Company generating net operating losses. Additionally, no deferred income taxes have been recorded due to the uncertainty of the realization of any tax assets. On December 31, 2022, the Company has federal and state net operating loss carryforwards available to offset future taxable income of approximately \$6,586,000. For federal purposes, there is an unlimited carryforward period, and for state purposes, the net operating losses begin to expire in 2041.

The income tax (benefit)/expense attributable to loss consisted of the following, for the year ended December 31,:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|-------------------|
| Current provision for income taxes: | | |
| Federal | \$ (176,000) | \$ 176,000 |
| State | - | - |
| Total current income tax | <u>(176,000)</u> | <u>176,000</u> |
| Deferred tax expense: | | |
| Federal | - | - |
| State | - | - |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Total income tax | <u>\$ (176,000)</u> | <u>\$ 176,000</u> |

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate is as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------|-------------|
| Taxes calculated at federal rate | 21.0% | 21.0% |
| Permanent differences | - | (4.6) |
| State tax, net of federal impact | 3.2 | 7.4 |
| Return to provision | (0.7) | (14.2) |
| Other | - | 0.3 |
| Change in valuation allowance | (23.0) | (5.4) |
| Provision for income taxes | <u>5.0%</u> | <u>4.5%</u> |

The tax effects, rounded to thousands, of temporary differences that give rise to significant portions of the deferred tax assets at December 31, are presented below:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------------|------------------|
| Deferred tax assets | | |
| Net operating loss carryforwards | \$ 10,002,000 | \$ 1,681,000 |
| Stock based compensation | 4,019,000 | 3,063,000 |
| Mining equipment | 251,000 | 788,000 |
| Accrued expenses | 208,000 | - |
| Digital asset Impairment | 842,000 | 2,721,000 |
| Total deferred tax assets | <u>15,322,000</u> | <u>8,253,000</u> |
| Deferred tax liability | | |
| Realized gain on notes payable | 3,546,000 | 3,084,000 |
| Total deferred tax liability | <u>3,546,000</u> | <u>3,048,000</u> |
| Net deferred tax assets | 11,777,000 | 5,169,000 |
| Valuation allowance | (11,777,000) | (5,169,000) |
| Net deferred tax | <u>\$ —</u> | <u>\$ —</u> |

Deferred tax assets and liabilities are computed by applying the federal and state income tax rates in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carryforwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse.

For financial reporting purposes, the Company has incurred a loss in each period since its inception. Based on all available evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets on December 31, 2023, and 2022. During the years ended December 31, 2023, and 2022, the valuation allowance increased by \$6,608,000 and \$219,000, respectively. The increase was attributable to the increase in our net operating loss carryforwards and several other deferred tax assets. The total valuation allowance results from the Company's estimate of its inability to recover its net deferred tax assets.

On December 31, 2022, the Company has federal and state net operating loss carryforwards, which are available to offset future taxable income, of approximately \$6,586,000 which for federal purposes has an unlimited carryforward period and begins to expire in 2041 for state purposes. These carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if the Company experienced one or more ownership changes that would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Sections 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred, NOL and tax credit carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate.

The Company files income tax returns in the United States and various state jurisdictions. Due to the Company's carryforward of net operating losses all tax years are open and subject to income tax examination by tax authorities. The Company's policy is to recognize interest expenses and penalties related to income tax matters as a tax expenses. As of December 31, 2023 and 2022, there are no unrecognized tax benefits, and there are no significant accruals for interest related to unrecognized tax benefits or tax penalties.

The Company is in the process of analyzing its NOL and has not determined if the company has had any change of control issues that could limit the future use of NOL. The NOL carryforwards that were generated after 2017 of approximately \$12,335,000 may only be used to offset 80% of future taxable income and are carried forward indefinitely.

NOTE 12 — SUBSEQUENT EVENTS

On April 7, 2023, Sphere 3D filed suit against Gryphon in the Southern District of New York. The lawsuit concerns the Sphere MSA between the parties where the Company agreed to act as Sphere 3D's "exclusive provider of any and all management services for all blockchain and cryptocurrency-related operations." Sphere 3D alleges that the Company has fallen short in its obligations under the Sphere MSA, and is suing for alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and breach of fiduciary duty (such matter, the "Sphere 3D Litigation").

On June 15, 2023, Sphere 3D filed an amended complaint in connection with the Sphere 3D Litigation, which clarified certain of Sphere 3D's prior allegations. On June 28, 2023, the Company requested leave to file a motion to dismiss Sphere 3D's claims for breach of fiduciary duty and breach of the implied covenant of good faith and fair dealing, which the Court granted on August 11, 2023. On August 18, 2023, the Company filed: (i) its motion to dismiss Sphere 3D's claims for breach of fiduciary duty and breach of the implied covenant of good faith and fair dealing; and (ii) its answer and counterclaims against Sphere 3D, asserting, among other things, that Sphere had breached the Sphere MSA, breached the implied covenant of good faith and fair dealing in connection with that contract, acted negligently in connection with a separate incident, and defamed the Company. The Company's answer and counterclaims further asserted the defamation counterclaim against Sphere 3D's Chief Executive Officer, Patricia Trompeter, personally.

On September 20, 2023, Sphere 3D filed a second amended complaint in connection with the Sphere 3D Litigation, which added a claim against the Company alleging that the Company's counterclaim for defamation against Sphere 3D violated New York's anti-SLAPP law.

On October 6, 2023, Sphere 3D delivered a termination notice to the Company with respect to the Sphere MSA, largely on the basis of the allegations made by Sphere 3D in the Sphere 3D Litigation (the "Sphere 3D MSA Termination"). On October 11, 2023, the Company filed an answer to Sphere 3D's second amended complaint, in which, among other things, the Company alleged that Sphere 3D's attempted termination of the Sphere MSA was wrongful and ineffective, because it violated the terms of the Sphere MSA, and thus that Sphere 3D continues to owe the Company all amounts to which it would otherwise be entitled under the Sphere MSA through that contract's term ending in August 2026.

Gryphon intends to continue to vigorously defend against the Sphere 3D Litigation, including but not limited to the Sphere 3D MSA Termination, which it believes are without merit, and to aggressively pursue its counterclaims against Sphere 3D. However, the Company cannot predict the outcome of these proceedings or provide an estimate of potential damages or recovery, if any. Failure by the Company to obtain a favorable resolution of the Sphere 3D Litigation could require it to pay damage awards or otherwise enter into settlement arrangements for which its insurance coverage may be insufficient. Any such damage awards or settlement arrangements in current or future litigation could have a material adverse effect on the Company's business, operating results or financial condition. Even if Sphere 3D's claims are not successful, or if the Company is successful in pursuing its counterclaims or negotiating a favorable settlement, defending against this or future litigation is expensive and could divert management's attention and resources, all of which could have an adverse and material impact on the Company's business, operating results and financial condition and negatively affect the Company's value. Further, any valid termination of the Sphere MSA in accordance with its terms could also have a negative impact on the Company's business and operating results. In addition, such lawsuits may make it more difficult for the Company to finance its operations in the future.

On March 15, 2024, the Company has collected all outstanding balances associated with the direct pass-through of costs as well as management revenues billed through October 6, 2023 associated with hosting Sphere 3D's miners at the Coinmint and Core facility previously held as Accounts Receivable as of December 31, 2023.

Private Placement

On January 31, 2024, the Company initiated a private placement for the sale of the Company's common stock for a purchase price of \$4.88 per share. The Company issued 285,862 shares of common stock for total proceeds of \$1,395,000.

AKERNA CORP. AND GRYPHON DIGITAL MINING, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information gives effect to the Merger and other related transactions contemplated by the Merger Agreement, as may be amended from time to time, or otherwise assumed to have occurred in advance of the Merger as defined and described in Note 1 to this unaudited pro forma condensed combined financial information. The Merger will be accounted for as a reverse acquisition, with Gryphon being deemed the acquiring company for accounting purposes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 805, *Business Combinations*, (“ASC 805”).

Gryphon was determined to be the accounting acquirer based upon the terms of the Merger and other factors including: (i) Gryphon will retain a majority voting and equity interest in the combined company, (ii) the Gryphon executive management team will be the management team of the combined company, and (iii) Gryphon’s directors will hold the largest board of director representation in the combined company.

The unaudited pro forma condensed combined balance sheet as of December 31, 2023 assumes that the Merger took place on December 31, 2023 and combines the historical balance sheets of Akerna and Gryphon as of December 31, 2023. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2023 assumes that the Merger took place as of January 1, 2023 (the beginning of the earliest period presented) and combines the historical results of Akerna and Gryphon for the respective periods presented. The historical financial information of Akerna and Gryphon has been adjusted to give pro forma effect to transaction accounting adjustments. Adjustments are based on information available to management during the preparation of the unaudited pro forma condensed combined financial information and assumptions that management believes are reasonable and supportable.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Akerna and Gryphon been a combined organization during the specified period. The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the Akerna and Gryphon historical audited financial statements for the year ended December 31, 2023 included elsewhere in this report.

Accounting principles generally accepted in the United States (“GAAP”) require evaluation of certain assumptions, estimates, or determination of financial statement classifications. The accounting policies of Akerna may materially vary from those of Gryphon due primarily to the fact that Akerna operates in the software as a service (“SaaS”) industry and Gryphon operates as a digital asset mining operation. During preparation of the unaudited pro forma condensed combined financial information, management has performed a preliminary analysis of Akerna’s accounting policies and financial statement classifications and is not aware of any material differences in the application of GAAP between the two companies. Following the acquisition, management will conduct a final review of Akerna’s accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Akerna’s results of operations or reclassification of assets or liabilities to conform to Gryphon’s accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could materially differ from these unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of December 31, 2023
(\$ in thousands)

| | <u>Pre-Transaction Adjustments</u> | | <u>Transaction Adjustments</u> | | | | | | <u>Pro Forma Combined</u> |
|------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------|--------------------------------|----------------------------|---------------------------|-----------------------------|------------------------------------|----------------|---------------------------|
| | <u>Akerna As Reported</u> | <u>Conversion of Notes, Series C and Special Voting Preferred Stock</u> | <u>Akerna As Adjusted</u> | <u>Gryphon As Reported</u> | <u>Merger Adjustments</u> | <u>Sale Transaction (j)</u> | <u>Corporate and Abandoned (k)</u> | | |
| Assets | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash | \$ 768 | \$ - | \$ 768 | \$ 915 | \$ (2,467) | (f)(g) | \$ 1,284 | \$ - | \$ 500 |
| Restricted cash | - | - | - | 8 | - | - | - | - | 8 |
| Accounts receivable, net | 148 | - | 148 | 486 | - | - | (148) | - | 486 |
| Marketable securities | - | - | - | 403 | - | - | - | - | 403 |
| Digital asset | - | - | - | 2,097 | - | - | - | - | 2,097 |
| Digital assets held for other parties | - | - | - | 908 | - | - | - | - | 908 |
| Prepaid expenses & other current assets | 420 | - | 420 | 581 | - | - | (411) | (9) | 581 |
| Total current assets | 1,336 | - | 1,336 | 5,398 | (2,467) | (d)(e) | 725 | (9) | 4,983 |
| Fixed assets, net | | | | | | | | | |
| Mining equipment, net | 22 | - | 22 | - | - | - | (22) | - | - |
| Capitalized software, net | - | - | - | 12,916 | - | - | - | - | 12,916 |
| Intangible assets, net | - | - | - | 100 | - | - | - | - | 100 |
| Goodwill | - | - | - | - | 20,185 | (i) | (20,185) | - | - |
| Deposits - net of current portion | - | - | - | 420 | - | - | - | - | 420 |
| Total assets | <u>\$ 1,358</u> | <u>\$ -</u> | <u>\$ 1,358</u> | <u>\$ 18,834</u> | <u>\$ 17,718</u> | <u>-</u> | <u>\$ (19,482)</u> | <u>\$ (9)</u> | <u>\$ 18,419</u> |
| Liabilities and stockholders' equity (deficit) | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Accounts payable, accrued expenses and other current liabilities | \$ 4,820 | \$ - | \$ 4,820 | \$ 3,649 | 500 | (h) | \$ (1,356) | \$ (3,464) | \$ 4,149 |
| Deferred revenue | 400 | - | 400 | - | - | - | (400) | - | - |
| Liability related to digital assets held for other parties | - | - | - | 916 | - | - | - | - | 916 |
| Current portion of long-term debt | 5,149 | (3,499) | (a)(c) 1,650 | 14,868 | - | - | (1,650) | - | 14,868 |
| Total current liabilities | 10,369 | (3,499) | 6,870 | 19,433 | 500 | - | (3,406) | (3,464) | 19,933 |
| Long-term debt, noncurrent | | | | | | | | | |
| Total liabilities | <u>10,369</u> | <u>(3,499)</u> | <u>6,870</u> | <u>19,433</u> | <u>500</u> | <u>-</u> | <u>(3,406)</u> | <u>(3,464)</u> | <u>19,933</u> |
| Stockholders' equity (deficit) | | | | | | | | | |
| Series C preferred stock | 3,422 | (3,422) | (c) - | - | - | - | - | - | - |
| Series seed preferred stock | - | - | - | - | - | - | - | - | - |
| Series seed II preferred stock | - | - | - | - | - | - | - | - | - |
| Special voting preferred stock | 1,900 | (1,900) | (b) - | - | - | - | - | - | - |
| Common stock | 1 | - | 1 | 2 | (1) | (g) | - | - | 2 |
| Additional paid-in capital | 164,583 | 8,458 | (b)(c) 173,041 | 46,599 | (136,533) | (f)(g)(i) | 1,650 | - | 84,757 |
| Subscription receivable | - | - | - | (25) | - | - | - | - | (25) |
| Accumulated other comprehensive income | 227 | - | 227 | - | (227) | (g) | - | - | - |
| Accumulated deficit | (179,144) | 363 | (a) (178,781) | (47,175) | 153,979 | (d)(e)(f)(g)(h) | (17,726) | 3,455 | (86,248) |
| Total stockholders' equity (deficit) | (9,011) | 3,499 | (5,512) | (599) | 17,218 | - | (16,076) | 3,455 | (1,514) |
| Total liabilities and stockholders' equity (deficit) | <u>\$ 1,358</u> | <u>\$ -</u> | <u>\$ 1,358</u> | <u>\$ 18,834</u> | <u>\$ 17,718</u> | <u>-</u> | <u>\$ (19,482)</u> | <u>\$ (9)</u> | <u>\$ 18,419</u> |

See accompanying notes

Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2023
(\$ in thousands)

| | Pre-Transaction Adjustments | | Transaction Adjustments | | | | | | Pro Forma Combined |
|---------------------------------------------------------|--------------------------------|--------------------------------------------------|-------------------------|------------------------|-----------------------|-------------------------|--------------------------------|-----------------|-----------------------|
| | Akerna As Reported | Disposition of Discontinued Operations (l) | Akerna As Adjusted | Gryphon As Reported | Merger Adjustments | Sale Transaction (o) | Corporate and Abandoned (p) | | |
| Revenue | \$ 6,836 | \$ - | \$ 6,836 | \$ 21,925 | - | \$ (6,498) | \$ (338) | \$ 21,925 | |
| Cost of revenue | 3,401 | - | 3,401 | 13,462 | - | (3,313) | (88) | 13,462 | |
| Gross profit | 3,435 | - | 3,435 | 8,463 | - | (3,185) | (250) | 8,463 | |
| Operating expenses | | | | | | | | | |
| Product development | 2,336 | - | 2,336 | - | - | (2,264) | (72) | - | |
| Sales and marketing | 2,294 | - | 2,294 | - | - | (2,163) | (131) | - | |
| General and administrative | 5,677 | - | 5,677 | 4,608 | 2,967 (m) | (1,291) | (964) | 10,997 | |
| Depreciation and amortization | 27 | - | 27 | 14,958 | - | (6) | (21) | 14,958 | |
| Realized gain on disposition of digital asset | - | - | - | (535) | - | - | - | (535) | |
| Impairment of long-lived and digital assets | - | - | - | 8,610 | - | - | - | 8,610 | |
| Total operating expenses | 10,334 | - | 10,334 | 27,641 | 2,967 | (5,724) | (1,188) | 34,030 | |
| Loss from operations | (6,899) | - | (6,899) | (19,178) | (2,967) | 2,539 | 938 | (25,567) | |
| Other income (expense) | | | | | | | | | |
| Interest expense, net | (1,130) | - | (1,130) | (758) | 1,130 (n) | - | - | (758) | |
| Change in fair value of debt | (371) | - | (371) | (13,297) | 371 (n) | - | - | (13,297) | |
| Loss on asset disposal | - | - | - | (55) | - | - | - | (55) | |
| Unrealized gain on marketable securities | - | - | - | 168 | - | - | - | 168 | |
| Realized gain from use of digital assets | - | - | - | 3,899 | - | - | - | 3,899 | |
| Other income (expense) | (203) | - | (203) | 446 | - | - | 203 | 446 | |
| Total other income (expense) | (1,704) | - | (1,704) | (9,597) | 1,501 | - | 203 | (9,597) | |
| Net loss from continuing operations before income taxes | (8,603) | - | (8,603) | (28,775) | (1,466) | 2,539 | 1,141 | (34,164) | |
| Income tax benefit on continuing operations | - | - | - | 176 | - | - | - | 176 | |
| Net loss from continuing operations | (8,603) | - | (8,603) | (28,599) | (1,466) | 2,539 | 1,141 | (34,988) | |
| Loss from discontinued operations, net of tax | (2,975) | 2,975 | - | - | - | - | - | - | |
| Net loss | \$ (11,578) | \$ 2,975 | \$ (8,603) | \$ (28,599) | \$ (1,466) | \$ 2,539 | \$ 1,141 | \$ (34,988) | |
| Diluted weighted average common stock outstanding | 7,420,403 | | 7,420,403 | 14,452,273 | | | | (q) 793,684,598 | |
| Diluted net loss per share | \$ (1.56) | | \$ (1.16) | \$ (1.98) | | | | \$ (0.04) | |

See accompanying notes

AKERNA CORP. AND GRYPHON DIGITAL MINING, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of the Merger and Related Transactions

The Merger

On January 27, 2023, we entered into an agreement and plan of merger as may be amended from time to time (the “Merger Agreement”) with Gryphon Digital Mining, Inc. (“Gryphon”) and Akerna Merger Co. (“Merger Sub”). Upon the terms and subject to the satisfaction of the conditions provided in the Merger Agreement, including the approval of the transaction by Akerna’s and Gryphon’s stockholders, Merger Sub will be merged with and into Gryphon (the “Merger”), with Gryphon surviving the Merger as a wholly-owned subsidiary of Akerna. Upon completion of the Merger, Akerna will change its name to Gryphon Digital Mining, Inc. The closing of the Merger is subject to customary closing conditions including the required approval of the stockholders of Akerna and Gryphon, the approval of the Nasdaq Capital Market (the “Nasdaq Market”) of the continued listing of Gryphon after the closing of the Merger and the subsequent closing of the sale of our core software business unit (see below), which requires stockholder approval, concurrent with the Merger.

Following the closing of the Merger, the former Gryphon and Akerna stockholders immediately before the Merger are expected to own approximately 92.5 percent and 7.5 percent, respectively, of the outstanding capital stock on a fully diluted basis. At the closing of the Merger, each outstanding share of Gryphon’s common stock will be converted into the right to receive a number of shares of common stock of Akerna (“Exchange Ratio”). This Exchange Ratio is based on the capitalization of Akerna including the number of shares of Akerna common stock, par value \$0.0001 per share (“Akerna Common Stock”) as of closing, subject to any adjustments as described in the Merger Agreement.

Each outstanding and unexercised option with respect to Gryphon’s common stock under Gryphon’s stock option plans will be converted into options to purchase a number of shares of the combined company based on the Exchange Ratio. Each outstanding restricted stock and restricted stock unit (“RSU”) with respect to Gryphon’s common stock will be converted into restricted stock and RSUs, respectively, to a number of restricted stock and RSUs, respectively, of the combined company based on the Exchange Ratio. Each outstanding warrant with respect to Gryphon’s common stock will be converted into warrants to purchase a number of shares of the combined company based on the Exchange Ratio.

Akerna’s stockholders will continue to own and hold their existing shares of Akerna Common Stock. Each of Akerna’s outstanding RSUs will fully vest upon closing of the Merger and the 248,484 shares of Ample exchangeable shares represented by the one share of Special voting preferred stock outstanding will be exchanged for 12,425 shares of Akerna Common Stock prior to the closing of the Merger. Outstanding warrants to purchase Akerna common stock will remain outstanding.

The Sale Transaction

On April 28, 2023, we and our wholly-owned subsidiary Akerna Canada Ample Exchange Inc. (“Akerna Exchange”) entered into a securities purchase agreement (the “Purchase Agreement”) with MJ Acquisition Corp. (“MJ Acquisition”) to sell MJ Freeway LLC (“MJ Freeway”) and Ample Organics Inc. (“Ample”) to MJ Acquisition for a purchase price of \$5.0 million in cash (the “Sale Transaction”). The consideration will be provided in the form of a \$1.0 loan payable to MJ Acquisition with cash disbursed to Akerna upon the signing of the Purchase Agreement that will be forgiven in full upon closing at which time an additional \$4.0 million will be disbursed to Akerna. The purchase price is subject to certain adjustments primarily attributable to variances from target working capital, as defined in the Purchase Agreement, among others. The Purchase Agreement contains customary representations, warranties and covenants applicable to us and MJ Acquisition including covenants relating to the conduct of the business of MJ Freeway and Ample through closing of the Sale Transaction and obtaining the approval of our stockholders. Further, the closing of the Sale Transaction is conditioned on the prior closing of the Merger transaction. The closing of the Sale Transaction is also subject to customary closing conditions including certain matters with respect to employee retention and contractual matters associated with MJF’s and Ample’s existing customers, among others.

In relation to the Sale Transaction discussed in these notes, Akerna and MJ Acquisition entered into a first amendment to the Purchase Agreement on September 28, 2023, to reduce the additional cash to be paid at closing from \$4 million to \$2 million. In addition, MJ Acquisition loaned an additional \$500,000 to Akerna Corp. on October 11, 2023, increasing the loan payable from \$1.0 million to \$1.5 million and making the note convertible at the closing of the Sale Transaction into shares of common stock of Akerna. Additionally, on November 15, 2023, MJ Acquisition loaned an additional \$150,000 to Akerna increasing the amount payable under the note from \$1,500,000 to \$1,650,000, and in relation thereto, Akerna and MJ Acquisition entered into a second amendment to the Purchase Agreement to reduce the additional cash to be paid at closing from \$2 million to \$1.85 million. Subsequently, on December 28, 2023, pursuant to the terms of the Purchase Agreement, Akerna and Akerna Exchange entered into a share purchase agreement with Wilcompute Systems Group Inc. (“Wilcompute”) pursuant to which Akerna Exchange sold all of the Capital Stock of Ample to Wilcompute for approximately \$638,000. In accordance with the Purchase Agreement, in lieu of delivering the Capital Stock of Ample at the closing of the Sale Transaction, Akerna will instead deliver to MJ Acquisition the \$638,000 purchase price received from Wilcompute, which Akerna expects to be in the form of a reduction of the purchase price paid by MJ Acquisition from \$1.85 million to approximately \$1.22 million. In connection with the sale of Ample, its results of operations are classified as “discontinued operations” in the pro forma condensed combined statements of operations for the year ended December 31, 2023.

The Exchange Agreements

Concurrent with the signing and in support of the Sale Transaction and the Merger, we and each of the holders of our 2021 Senior Secured Convertible Notes (the “Senior Convertible Notes”) entered into exchange agreements (the “Exchange Agreements”) whereby the holders would ultimately convert the principal amounts of each of their note holdings to a level that would represent 19.9 percent, on an individual basis, of the outstanding shares of Akerna Common Stock prior to the closing of the Sale Transaction and the Merger. Immediately prior to the stockholder vote required for the closing of those transaction, the remaining Senior Convertible Notes outstanding would be converted into a special class of exchangeable preferred stock (the “Series C Preferred Stock”) to facilitate the required stockholder vote and then be converted into shares of Akerna Common Stock subject to the Merger. For a limited period, the conversion price of the Senior Convertible Notes was lowered to \$1.20 per share from \$4.75 per share. On June 14, 2023, the conversion price was reduced further to \$0.50 per share.

Sales of Certain Other Business

On January 11, 2023, we completed the sale of The NAV People Inc. d.b.a 365 Cannabis (“365 Cannabis”) to 365 Holdco LLC (the “Buyers”) pursuant to a stock purchase agreement (the “365 SPA”) for (i) cash in the amount of \$0.5 million and the (ii) the termination and release of our obligation to the Buyers for contingent consideration in connection with our original acquisition of 365 Cannabis from the Buyers in 2021 (the “Earn-out Obligation”). In accordance with the 365 SPA, we and the Buyers agreed that the value of the Earn-out Obligation was \$2.3 million for purposes of the sale of 365 Cannabis.

On January 31, 2023, we completed the sale of Last Call Analytics (“LCA”), a retail analytics platform and wholly-owned subsidiary of Ample, for cash in the amount of \$0.1 million.

The results of operations of 365 Cannabis and LCA are classified as “discontinued operations” in the pro forma condensed combined statements of operations for the year ended December 31, 2023.

Commitment to Terminate Remaining Businesses

We pursued sale opportunities for our remaining business units including Veridian, Trellis and Solo, and were ultimately unable to commit to any definitive transactions. Accordingly, we have communicated with the remaining customers of those businesses that we will discontinue software service and support upon the expiration of existing contracts, most of which occurred during the first half of 2023 (the “Abandonment”). We suspended efforts to seek any new revenue generating opportunities and only serviced the existing customers of Viridian, Solo and Trellis in connection with our contractual commitments. During the fourth quarter of 2023, we completed the wind down of these businesses in advance of the Merger and the Sale Transaction.

2. Description of the Merger and Related Transactions

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with GAAP and pursuant to the rules and regulations of Article 11 of SEC Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” Akerna and Gryphon have concluded that the Merger represents a “business combination” pursuant to ASC 805. Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction (“Transaction Accounting Adjustments”), operations and financial position of the registrant as an autonomous entity (“Autonomous Entity Adjustments”) and option to present the reasonably estimable synergies and dis-synergies and other transaction effects that have occurred or are reasonably expected to occur (“Management’s Adjustments”). The historical financial information of Akerna and Gryphon has been adjusted to give pro forma effect to (i) certain Pre-transaction Adjustments including the sales of 365 Cannabis, LCA and Ample and the settlement and conversion of debt and preferred stock and (ii) Transaction Accounting Adjustments and (iii) eliminates the results of Akerna activities that will not continue within the merged entity, which includes the Merger, the Sale Transaction, operations of the abandoned business units and certain corporate activities.

Certain of the Pre-Transaction Adjustments, excluding those attributable to the sales of 365 Cannabis, LCA and Ample, are primarily related to (i) the settlement of the remaining \$3.1 million principal due on the Senior Convertible Notes with conversions into 16,499,513 shares of Common Stock in accordance with the Exchange Agreements, (ii) the conversion of the \$3.4 million amount of Series C Preferred Stock outstanding into 15,134,896 shares of common stock in advance of the Merger, (iii) the conversion of 248,484 shares of Ample exchangeable shares represented by a single share of special voting preferred stock outstanding as of December 31, 2023 into 12,425 shares of Common Stock in advance of the Merger and (iv) the immediate vesting of all of Akerna’s outstanding RSUs into 3,647 shares of Common Stock in connection with the Merger.

The unaudited pro forma condensed combined balance sheet as of December 31, 2023 gives effect to the Pre-Transaction Adjustments, the Merger, the Sale Transaction and elimination of certain corporate activities and the abandoned business units as if those transactions had been consummated in a sequential manner on December 31, 2023. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2023 give effect to the sales of 365 Cannabis, LCA and Ample, the Merger, the Sale Transaction and elimination of certain corporate activities and the abandoned business units as if those transactions had been consummated in a sequential manner on January 1, 2023, the beginning of the earliest period presented.

Based on Gryphon’s preliminary review of Gryphon’s and Akerna’s summary of significant accounting policies, the nature and amount of any adjustments to the historical financial statements of Akerna to conform its accounting policies to those of Gryphon are not expected to be material. Upon closing of the Merger, further review of Akerna’s accounting policies may result in additional revisions to Akerna’s accounting policies to conform to those of Gryphon.

For accounting purposes, Gryphon is considered to be acquiring Akerna and the Merger is expected to be accounted for as a “reverse acquisition” in accordance with ASC 805. Gryphon is considered the accounting acquirer even though Akerna will be the issuer of the common stock in the Merger. To determine the accounting for this transaction under GAAP, a company must assess whether an integrated set of assets and activities should be accounted for as an “acquisition of a business” or an “asset acquisition.” The guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If that screen test is met, the operations acquired are not a business. The initial screen test is not met as there is no single asset or group of similar assets for Akerna that will represent a significant majority in this acquisition. In addition, as of the Merger but immediately prior to the Sale Transaction, Akerna will have an organized workforce that significantly contributes to its ability to create output. As such, the acquisition is expected to be classified as a reverse acquisition.

The unaudited pro forma condensed combined financial information is based on assumptions and adjustments that are reasonable and supportable. Key assumptions include the estimated equity consideration to be acquired, which will be impacted by changes in the capitalization of Gryphon and Akerna, changes in the share price of Akerna, and transaction costs to be incurred. Accordingly, the pro forma adjustments are preliminary, subject to further revision as additional information becomes available and additional analyses are performed and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting, expected to be completed after the closing of the transaction, will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company’s future results of operations and financial position.

3. Preliminary Purchase Price

The accompanying unaudited pro forma condensed financial information reflects an estimated purchase price of approximately \$16.3 million, which consists of the following (in thousands except for per share amounts):

| | As of December 31, 2023 |
|-------------------------------------------------------------------------------------|----------------------------------------|
| Value of equity of the combined company owned by Akerna equity holders ¹ | \$ 16,323 |
| Other | - |
| Total preliminary purchase price | \$ 16,323 |

¹ Determined as follows:

| | |
|------------------------------------------------------------------------|----------------------|
| Akerna Corp. common stock outstanding as of December 31, 2023 | 10,352,069 |
| Unvested restricted stock units | 3,647 |
| Exchange of special voting preferred stock ² | 12,425 |
| Outstanding warrants | - |
| Exchange of remaining Senior Notes | 16,499,513 |
| Exchange of promissory note to MJA | 6,238,185 |
| Exchange of Series C preferred stock | 15,134,896 |
| Management shares | 8,932,186 |
| Estimated number of shares to be owned by Akerna equity holders | 57,172,921 |
| Estimated purchase price (based on closing price of GRYP on 2/9/2024) | \$ 0.2855 |
| Fair value of shares of the combined company | \$ 16,322,869 |
| Fair value of the warrants of the combined company | - |
| Fair value of the shares and warrants of the combined company | \$ 16,322,869 |

² Number of common shares issued in connection with Ample exchangeable shares is determined as follows:

| | |
|------------------------------------------------------------------|------------------|
| Exchangeable shares outstanding | 248,484 |
| Exchange ratio | 1 for 20 |
| Common equivalent at exchange rate of 1 for 20 | 12,425 |
| Preliminary purchase price allocation for: | |
| Cash | \$ 768 |
| Accounts receivable, net | 148 |
| Prepaid expenses and other current assets | 420 |
| Fixed assets, net | 22 |
| Goodwill | 20,185 |
| Accounts payable, accrued expenses and other current liabilities | (4,820) |
| Deferred revenue | (400) |
| Net assets acquired | \$ 16,323 |

The allocation of the estimated purchase price is preliminary. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after closing of the Merger and will be based on the fair values of the assets acquired and liabilities assumed as of the Merger closing date.

4. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined balance sheets as of December 31, 2023, are as follows:

Pre-Transaction Adjustments — Settlement and Conversion of Debt and Preferred Stock

- (a) Represents the downward adjustment of the Senior Convertible Notes from their fair value to their carrying value for \$0.4 million in advance of certain conversions.
- (b) Represents the conversion of 248,484 Ample exchangeable shares (represented by one share of Special voting preferred stock) into 12,425 shares of Akerna Common Stock in advance of the closing of the Merger resulting in a reclassification within stockholders' deficit of \$1.9 million.
- (c) To reflect the conversion of the remaining \$3.1 million of principal outstanding on the Senior Convertible Notes and the \$3.4 million face value of Series C Preferred Stock into 16,499,513 shares and 15,134,896 shares of Common Stock, respectively.

Transaction Accounting Adjustments (Balance Sheet)

- (d) To pay for the estimated merger-related transaction costs of \$2.0 million consisting of advisory fees, legal and accounting fees and other expenses incurred by Akerna prior to closing of the Merger.
- (e) To pay for estimated transaction success bonuses and severance costs of \$0.5 million in accordance with employment and related agreements that were executed in advance of the Merger for certain Akerna employees.
- (f) Represents the estimated purchase consideration values of \$16.3 million based on Akerna's equity to be acquired, utilizing Akerna's closing stock price of \$0.2855 per share as of February 9, 2024.
- (g) To eliminate Akerna's historical stockholders' deficit balances including the accumulated deficit.
- (h) To accrue for the estimated transaction costs of \$0.5 million to be incurred by Gryphon.
- (i) To recognize goodwill of \$20.2 million in connection with the Merger being classified as a business combination.
- (j) To reflect the Sale Transaction and receipt of cash from MJ Acquisition in exchange for the net assets of MJ Freeway as well as the conversion of the \$1.650 million promissory note due to MJ Acquisition into 6,238,185 shares of Common Stock.
- (k) To eliminate certain assets and liabilities associated with corporate activities and the abandoned business units that will not continue after the Merger.

The pro forma adjustments included in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2023, are as follows:

- (l) To eliminate the net gain (loss) from discontinued operations associated with 365 Cannabis, LCA and Ample prior to their sales during 2023.
- (m) To accrue for the estimated merger-related transaction costs consisting of advisory fees, legal and accounting fees of Akerna (\$2.0 million) and Gryphon (\$0.5 million) and estimated transaction success bonuses and severance costs of \$0.5 million in accordance with employment and related agreements that were executed in advance of the Merger for certain Akerna employee.
- (n) To eliminate interest expense of \$1.1 million and change in fair value of convertible notes of \$0.3 million for the year ended December 31, 2023, respectively, related to the Senior Convertible Notes and promissory note due to MJ Acquisition, which will be converted to Akerna Common Stock concurrent with the closing of the Merger.

- (o) To eliminate the revenues and direct expenses associated with MJ Freeway which will not be continuing as a result of the Sale Transaction.
- (p) To eliminate the results of operations of the fully wound down and abandoned business units in the fourth quarter of 2023 (Trellis, Solo and Viridian) as well as certain corporate costs that will not continue after the Merger.
- (q) The weighted average shares outstanding for the year ended December 31, 2023 have been calculated as if the Merger occurred on January 1, 2023 calculated as the sum of (i) Akerna's weighted average shares outstanding as of December 31, 2023, (ii) the pre-Merger conversion of Ample exchangeable shares, (iii) the immediate vesting of Akerna's outstanding RSUs, (iv) shares converted in connection with the Exchange Agreement, (v) shares issued upon the redemption of the Series C preferred stock, (vi) shares issued upon conversion on the promissory note due to MJ Acquisition and (vii) common shares issued to Gryphon's stockholder in connection with the Merger. As the combined company is in a net loss position for both periods presented, any adjustment for potentially dilutive securities would be anti-dilutive. Accordingly, the amounts for basic and diluted loss per share are the same. The determination of the weighted average shares outstanding for the periods presented is provided as follows:

| | Year Ended December 31, 2023 |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Akerna common shares outstanding at 12/31/23 | 10,352,069 |
| Conversion of Ample exchangeable shares | 12,425 |
| Immediate vesting of Akerna RSUs | 3,647 |
| Shares converted under the redemption of Convertible Notes | 16,499,513 |
| Shares converted from Series C redemption | 15,134,896 |
| Shares converted from MJA Note | 6,238,185 |
| Management shares | 8,932,186 |
| Total Akerna shares outstanding immediately prior to Merger | 57,172,921 |
| Potential issuable shares (Warrants) | 2,573,299 |
| Fully diluted Akerna shares | 59,746,220 |
| Total shares outstanding necessary to provide for 7.5% ownership by existing pre-Merger Akerna stockholders | 796,616,264 |
| Less: Common shares held by existing stockholders prior to Merger closing | 57,172,921 |
| Additional Common shares to be issued to Gryphon stockholders | 739,443,343 |
| Weighted-average common shares outstanding prior to Merger | 7,420,403 |
| Conversion of Ample exchangeable shares | 12,425 |
| Immediate vesting of Akerna RSUs | 3,647 |
| Shares converted under the Redemption of Convertible Notes | 16,499,513 |
| Shares converted from Series C redemption | 15,134,896 |
| Shares converted from MJA Note | 6,238,185 |
| Management shares | 8,932,186 |
| Common shares to be issued to Gryphon stockholders | 739,443,343 |
| Weighted-average common shares outstanding after the closing of the Merger | 793,684,598 |



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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Gryphon Digital Mining, Inc.'s (formerly Akerna Corp.) Registrations Statements:

1. *Registration Statements on Form S-3 (File Nos. 333-277060, 333-256878, 333-260388 and No. 333-262095); and*
2. *Registration Statements on Form S-8 (File Nos. 333-276957, 333-242480, and 333-233480)*

of our report dated April 1, 2024, with respect to our audits of the consolidated financial statements of Ivy Crypto, Inc., as of December 31, 2023 and 2022 and for each of the years in the two-year period ended December 31, 2023, which report is included in this Form 8-K of Gryphon Digital Mining, Inc. Our report includes an explanatory paragraph as to Ivy Crypto, Inc.'s ability to continue as a going concern.

/s/ RBSM LLP

RBSM, LLP

Larkspur, California
April 1, 2024
PCAOB ID 587