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DELTA REPORT

10-K

ANY - SPHERE 3D CORP.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3194
CHANGES	210
DELETIONS	1762
ADDITIONS	1222

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2022 2023**

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

For the transition period from_____to _____

Commission File Number: **001-36532**

Sphere 3D Corp.

(Exact name of Registrant as specified in its charter)

Ontario, Canada	**98-1220792**
(Jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

4 Greenwich Office Park, 1st 243 Tresser Blvd, 17th Floor
Greenwich, Connecticut 06831 Stamford, CT 06901
(Address of principal executive offices)

(647) 952-5049
(Registrant's telephone, including area code)

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 Shares	ANY	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2022 June 30, 2023 was approximately $35.3 $21.9 million based on the closing price on the NASDAQ Capital Market reported for such date. Shares of common stock Common shares held by each officer and director and by each person who is known to own 10% or more of the outstanding common stock shares have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 22, 2023 March 4, 2024, there were 73,929,018 17,796,326 shares of the registrant’s common stock shares outstanding.

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SPHERE 3D CORP.

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This Annual Report on Form 10-K contains forward-looking information that involves risks and uncertainties. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of

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operations, performance and business prospects of Sphere 3D. This forward-looking information relates to, among other things, future business plans and business planning process, uses of cash, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. The words “could”, “expects”, “may”, “will”, “anticipates”, “assumes”, “intends”, “plans”, “believes”, “estimates”, “guidance”, and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements include such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events.

Although forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under the heading “Risk Factors” in *Part I, Item 1A.* below, as well as those discussed elsewhere in this Annual Report. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects. References to “Notes” are to the notes included in our Notes to Consolidated Financial Statements.

Any reference to “Sphere 3D”, “the Company”, “we”, “our”, “us”, or similar terms refers to Sphere 3D Corp. and its wholly owned subsidiaries. The information, including any financial information, disclosed in this Annual Report on Form 10-K (the “Annual Report”) is stated as at December 31, 2022 December 31, 2023 or for the year ended December 31, 2022 December 31, 2023, as applicable, unless otherwise indicated. Unless otherwise indicated, all dollar amounts are expressed in U.S. Dollar dollar and references to “$” are to the lawful currency of the United States (“U.S.”).

PART I

Item 1. Business

Overview

Sphere 3D was incorporated under the *Business Corporations Act (Ontario)* on May 2, 2007 as T.B. Mining Ventures Inc. On March 24, 2015, we completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, we changed our name to “Sphere 3D Corp.” Any reference to the “Company”, “Sphere 3D”, “we”, “our”, “us”, or similar terms refers to Sphere 3D Corp. and its subsidiaries. In December 2014, we completed the acquisition of Overland Storage, Inc. (“Overland”) to grow our business in the containerization and virtualization technologies along with data management products that enabled workload-optimized solutions. In November 2018, we sold our Overland business. In January 2022, we commenced operations of our digital Bitcoin mining operation business and are dedicated to becoming a leading carbon-neutral Bitcoin mining company. leader in the Blockchain and Crypto Industry. We are establishing have established and plan to continue to grow an enterprise-scale mining operation through the procurement of next-generation mining equipment and partnering with experienced service providers.

On December 28, 2023, we sold our service and product segment which included HVE ConneXions and Unified ConneXions. See additional information below.

Digital assets and blockchain

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Bitcoin is a digital asset issued by and transmitted through an open source protocol maintained by a peer-to-peer network of decentralized user nodes. This network hosts a public transaction ledger blockchain where the digital assets and their corresponding transactions are recorded. The digital assets are stored in individual wallets with public addresses and a private key that controls access. The blockchain is updated without a single owner or operator of the network. New digital assets are generated and mined rewarding users after transactions are verified in the blockchain.

Digital assets and their corresponding markets emulate foreign fiat currency exchange markets, of fiat currencies, such as the U.S. dollar, where they can be exchanged to said various fiat currencies on trading exchanges. In addition, to these exchanges, additional trading several markets for digital assets exist, such as derivative markets.

markets, exist for enhanced trading. Since the nature of digital assets is such that it exists solely in electronic form, they are exposed to risks similar to that of any data held solely in electronic form such as power failure, data corruption, cyber security attacks, and protocol breaches, and user error, among others. Similar to data centers, these risks put the digital assets subject to the aforementioned threats which might not necessarily affect a physical fiat currency. In addition, Since blockchain relies on open source developers to maintain the digital asset protocols. Blockchain as such protocols, it may be subject to design changes, governance disputes such as “forked” protocols, and other risks associated with open source software.

Digital currencies serve multiple purposes - a medium of exchange, store of value or unit of account. Examples of digital currencies include: bitcoin, bitcoin Bitcoin, Bitcoin cash, Ethereum, and Litecoin. Digital currencies are decentralized currencies that facilitate instant transfers. Transactions occur on an open source platform using peer-to-peer direct technology with no single owner. Blockchain is a public transaction ledger where transactions occur, are recorded and tracked, however are not owned nor managed by one single entity. Blockchain, accessible and open to all, contains records of all existing and historical transactions. All accounts on the blockchain have a unique public key and is secured with a private key that is only known to the individual. The combination of private and public keys results in a secure digital “fingerprint” which results in a strong control of ownership.

We believe cryptocurrencies have many advantages over traditional, physical fiat currencies, including immediate settlement, fraud deterrent as they are unable to be duplicated or counterfeited, lower fees, mass accessibility, decentralized nature, transparency of transactions, identity theft prevention, physical loss prevention, no devaluation due to dilution, no counterparty risk, no intermediary facilitation, no arduous exchange rate implications and a strong confirmation transaction process.

Service Digital Mining

As of December 31, 2023, our Digital Mining business segment operated approximately 12,800 miners with a total hash rate capacity of 1.3 exahash per second (“EH/s”). We have an additional 730 machines that are awaiting deployment. In 2023, we mined 667.4 Bitcoin, which represented an increase of 409% over the 131.01 Bitcoin we mined in 2022. Based on our existing operations and product expected deployment of miners we have purchased, we anticipate having approximately 1.4 EH/s of total hash rate in operation during 2024.

Our Bitcoin mining operations are focused on maximizing our ability to successfully mine Bitcoin by growing our hash rate (the amount of computer power we devote to supporting the Bitcoin blockchain), to increase our chances of successfully creating new blocks on the Bitcoin blockchain (a process known as “solving a block”). Generally, the greater share of the Bitcoin blockchain’s total network hash rate (the aggregate hash rate deployed to solving a block on the Bitcoin blockchain) a miner’s hash rate represents, the greater that miner’s chances of solving a block and, therefore, earning the block reward, which is currently 6.25 Bitcoin plus transaction fees per block (subject to periodic halving, as discussed below). As the proliferation of Bitcoin continues and the market price for Bitcoin increases, we expect additional miner operators to enter the market in response to an increased demand for Bitcoin which we anticipate to follow increased Bitcoin prices. As these new miner operators enter the market and as increasingly powerful miners are deployed in an attempt to solve a block, the Bitcoin blockchain’s network hash rate grows, meaning an existing miner must increase its hash rate at pace commensurate with the growth of network hash rate to maintain its relative chance of solving a block and earning a block reward. As we expect this trend to continue, we will need to continue growing our hash rate to compete in our dynamic and highly competitive industry.

A key component of the Digital Mining business segment is to acquire highly specialized computer servers (known in the industry as “miners”), which operate application-specific integrated circuit (“ASIC”) chips designed specifically to mine Bitcoin, and deploy such miners at-scale utilizing our hosting agreements. We believe ASIC miners are the most effective and energy-efficient miners available today, and we believe deploying them at-scale, including in quiet immersion-cooled environments, with their more efficient heat dissipation and reduced wear-and-tear compared to traditional air-cooled hardware, will enable us to continue growing our hash rate and optimize the output and longevity of our miners once they are deployed.

At this time, we intend only to mine Bitcoin and hold no other digital assets other than Bitcoin. We do not have any power purchase agreements for the supply of power.

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Mining Pools

A “mining pool” is a service operated by a mining pool operator that pools the resources of individual miners to share their processing power over a network. Mining pools emerged in response to the growing difficulty and network hash rate competing for Bitcoin rewards on the Bitcoin blockchain as a way of lowering costs and reducing the risk of an individual miner’s mining activities. The mining pool operator provides a service that coordinates the computing power of the independent mining enterprises participating in the mining pool. Mining pools are subject to various risks such as disruption and down time. In the event that a pool we utilize experiences down time or is not yielding returns, our results may be impacted.

We are engaged with digital asset mining pool operators to provide computing power to the mining pools. In exchange for providing computing power, we are entitled to Full Pay Per Share (“FPPS”), which is a fractional share of the fixed Bitcoin award the mining pool operator receives for successfully adding a block to the blockchain, plus a fractional share of the transaction fees attached to that blockchain less net Bitcoin mining fees due to the mining pool operator over the measurement period, as applicable. Our fractional share is based on the proportion of computing power we contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Master Services Agreement

On August 19, 2021, we entered into a Master Services Agreement (the “Gryphon MSA”) with Gryphon Digital Mining, Inc. (“Gryphon”) under which Gryphon agreed to be the exclusive provider of any and all management services for all of our blockchain and cryptocurrency-related operations including but not limited to services relating to all mining equipment owned, purchased, leased, operated, or otherwise controlled by us at any location (collectively, the “Services”) unless the Gryphon MSA is terminated by us. On December 29, 2021, we entered into Amendment No. 1 to the Gryphon MSA (the “Gryphon MSA Amendment”) with Gryphon which extended the initial term of the Gryphon MSA to five years as we did not receive delivery of a specified minimum number of digital mining machines during 2022. Subject to written notice from us and an opportunity by Gryphon to cure for a period of up to 180 days, the Gryphon MSA provided us with the right to terminate the Gryphon MSA in the event of: (i) Gryphon’s failure to perform the Services under the Gryphon MSA in a professional and workmanlike manner in accordance with generally recognized digital mining industry standards for similar services, or (ii) Gryphon’s gross negligence, fraud or willful misconduct in connection with performing the Services. Gryphon shall be entitled to specific performance or termination for cause in the event of a breach by us, subject to written notice and an opportunity to cure for a period of up to 180 days. As consideration for the Gryphon MSA, Gryphon shall receive the equivalent of 22.5% of the net operating profit, as defined in the Gryphon MSA, of all of our blockchain and digital currency related operations as a management fee. In addition, any costs Gryphon incurs on our behalf are to digital mining, be reimbursed to Gryphon as defined in the Gryphon MSA. During the years ended December 31, 2023 and 2022, we provide network operations center (“NOC”) services paid costs under the Gryphon MSA of $8.4 million and $1.3 million, respectively.

On April 7, 2023, we filed litigation against Gryphon outlining several breaches to our customers. NOC revenues are for monthly services performed for the customer that are performed either in-house or at the customer’s site. We also deliver data management Gryphon MSA, including but not limited to, several fiduciary and desktop and application virtualization solutions through hybrid cloud, cloud and on premise implementations by a reseller network. We achieve this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. Our products allow organizations to deploy a combination of public, private or hybrid cloud strategies while backing them up operational breaches. On October 6, 2023, in accordance with the latest storage solutions. Our brands include HVE ConneXions (“HVE”) cure period, we terminated the Gryphon MSA. In November 2023, Gryphon indicated that upon receipt of certain information it would remit outstanding Bitcoin proceeds, less fees and Unified ConneXions (“UCX”).

Investment in Special Purpose Acquisition Company

In April 2021, expenses that we sponsored a special purpose acquisition company (“SPAC”), Minority Equality Opportunities Acquisition Inc. (“MEOA”), through our wholly owned subsidiary, Minority Equality Opportunities Acquisition Sponsor, LLC (“SPAC Sponsor”). MEOA’s purpose assert is to focus initially on transactions with companies that are minority owned businesses. In April 2021, SPAC Sponsor paid $25,000 of deferred offering costs currently held by Gryphon on behalf of MEOA us, which we believe amounts to approximately 21.6 Bitcoin and approximately $0.6 million of revenue at December 31, 2023, before factoring in exchange for 2,875,000 shares of MEOA’s Class B common stock (the “Founder Shares”). fees and expenses. Due to the uncertainty regarding when we would receive the Bitcoin, the Bitcoin proceeds, less fees and expenses, will be recognized when received.

Hosting Sub-License

On August 30, 2021 October 5, 2021, MEOA consummated its initial public offering (the “IPO”) and issued units which were comprised of one share of Class A common stock and one redeemable warrant. Also in August 2021, and simultaneously with the consummation of the IPO,

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SPAC Sponsor participated in the private sale of an aggregate of 5,395,000 Warrants (the “Private Placement Warrants”) at a purchase price of $1.00 per Private Placement Warrant. The SPAC Sponsor paid $5.4 million to MEOA,

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which included $1.0 million from an investor participating in MEOA Sponsor. The Private Placement Warrants are not transferable, assignable or saleable until 30 days after MEOA completes a business combination. On October 18, 2021, the securities comprising the units begin separate trading, the Class A common stock and warrants are listed on the NASDAQ Capital Market under the symbols “MEOA” and “MEOAW,” respectively.

In August 2022, MEOA we entered into a business combination Sub-License and Delegation Agreement (“Hosting Sub-Lease”) with Gryphon, which assigned to us certain Master Services Agreement, dated as of September 12, 2021 (the “Core Scientific MSA”), by and between Core Scientific, Inc. (“Core Scientific”), and Gryphon and Master Services Agreement Order #2 (“Order 2”). On December 29, 2021, we entered into Amendment No. 1 to the Sub-Lease Agreement (the “Sub-Lease Amendment”) with Gryphon to provide Gryphon the right to recapture the usage of up to 50% of the hosting capacity to be managed by Core Scientific. The agreement allows for approximately 230 MW of carbon neutral digital mining hosting capacity to be managed by Core Scientific as hosting partner. As part of the agreement, Core Scientific will provide digital mining fleet management and monitoring solution, Minder™, data analytics, alerting, monitoring, and miner management services. The Hosting Sub-Lease shall automatically terminate upon the termination of the Core

Scientific MSA and/or Order 2 in accordance with their respective terms.

On October 31, 2022, we filed an arbitration request against Core Scientific regarding the Hosting Sub-Lease. We have requested that certain advanced deposits paid be refunded back to us as a result of the modification to our machine purchase agreement with MEOA Merger Sub, Inc. FuFu Technology Limited (now Ethereal Tech Pte. Ltd.). In December 2022, Core Scientific filed Chapter 11 bankruptcy.

As of December 31, 2023, we have a Delaware corporation pre-paid deposit balance of $33.9 million towards the Hosting Sub-Lease, which we have recorded a $23.9 million provision for losses on the deposit due to Core Scientific’s Chapter 11 bankruptcy filing in December 2022. During the years ended December 31, 2023 and wholly owned subsidiary 2022, we had $8.2 million and $15.7 million, respectively, of MEOA (“Merger Sub”) expense included in provision for losses on deposits due to vendor bankruptcy filings on the consolidated statements of operations.

On January 16, 2024, and Digerati Technologies, Inc. we reached a settlement agreement (the “Settlement Agreement”) with Core Scientific, which was approved by a United States Bankruptcy Judge on January 16, 2024 as part of Core Scientific’s emergence from bankruptcy, for $10.0 million of Core Scientific’s equity. The Settlement Agreement includes access to potential additional funds for interest as well as an additional equity pool if the value of Core Scientific’s equity decreases below plan value in the 18 months after the date of the Settlement Agreement commensurate with the other unsecured creditors. On January 23, 2024, a Nevada corporation (“Digerati”), pursuant to which, subject to the satisfaction or waiver of certain conditions set forth therein, Merger Sub will merge with and into Digerati (the “Digerati Merger”), with Digerati surviving the Digerati Merger as a wholly owned subsidiary of MEOA, and with Digerati’s equity holders receiving we received 2,050,982 shares of MEOA common stock.

In November 2022, MEOA held a special meeting of stockholders (the “MEOA Meeting”). At the MEOA Meeting, MEOA’s stockholders approved an amendment (the “Extension Amendment”) to MEOA’s amended and restated certificate of incorporation to extend the date by which MEOA must consummate its initial business combination from November 30, 2022 to May 30, 2023, or such earlier date as determined by MEOA’s board of directors. In connection with the MEOA Meeting, the holders of MEOA’s shares of its Class A Core Scientific Inc. common

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stock exercised their right to redeem such shares for a pro rata portion of trading under the funds in the trust account. After giving effect to the redemption of MEOA's public shares, on November 30, 2022 NASDAQ symbol CORZ.

Hosting Agreements

On October 18, 2023, the Company owned a controlling interest of MEOA and since such time MEOA has been recorded on a consolidated basis.

SPAC Sponsor, along with MEOA's initial stockholders, MEOA's executive officers and directors have we entered into a letter agreement Hosting Agreement with MEOA, pursuant Joshi Petroleum, LLC (the "Joshi Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of our mining equipment. The Joshi Hosting Agreement has an initial term of three years with subsequent one year renewal periods until either party provides written notice to which the other party of its desire to avoid and given renewal term at least 30 days in advance of the conclusion of the prior initial term or renewal period. As required by the Joshi Hosting Agreement, we paid a deposit of $0.1 million, and will pay an additional $0.2 million, representing the last two months of estimated service fees.

On April 4, 2023, we entered into a Master Hosting Services Agreement with Rebel Mining Company, LLC (the "Rebel Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of our mining equipment. The Rebel Hosting Agreement has a term of three years with subsequent one year renewal periods. As required by the Rebel Hosting Agreement, we paid a deposit of $2.6 million representing the last two months of estimated service fees.

On February 8, 2023, we entered into a Hosting Agreement with Lancium FS 25, LLC (the "Lancium Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of our mining equipment. The Lancium Hosting Agreement has a term of two years with subsequent one year renewal periods. As required by the Lancium Hosting Agreement, we paid a deposit of $0.2 million representing a partial payment towards the last two months of estimated service fees.

On June 3, 2022, we entered into a Master Agreement with Compute North LLC (the "Compute North MA") for, the colocation, management, and other services of certain of our mining equipment for an initial term of five years. As of December 31, 2023, we have agreed deposits, in the aggregate, of $0.7 million to (i) waive our redemption rights with respect Compute North for which during the years ended December 31, 2023 and 2022, we recorded a $0.3 million and $0.4 million, respectively, provision for losses on the deposit due to our founder shares Compute North's 2022 bankruptcy filing. In December 2022, the Compute North MA was assigned to GC Data Center Granbury, LLC (the "GC Data Center MA") and public shares in connection with has a term of five years from such assignment date. Under the completion GC Data Center MA, the monthly service fee is payable based on the actual hashrate performance of the initial business combination; (ii) waive our redemption rights with respect to our founder shares and public shares in connection with equipment per miner type per location as a stockholder vote to approve an amendment to the certificate of incorporation: (A) to modify the substance or timing of MEOA's obligation to redeem 100% percentage of the public shares if MEOA does not complete an initial business combination within anticipated monthly hashrate per miner type. A deposit of $0.5 million previously paid to Compute North for the combination period; or (B) with respect last two months of monthly service fees was remitted to any other material provision relating to stockholders' rights or pre-initial business combination activity; GC Data Center on our behalf and (iii) waive our rights to liquidating distributions from the trust account with respect to our founder shares if MEOA fails to complete an initial business combination within the Combination Period. is included in prepaid digital hosting services at December 31, 2023.

As of December 31, 2022, we hold an aggregate of 3,162,500 shares of MEOA's Class B common stock.

Series H Preferred Shares

On November 7, 2022, we entered into an agreement with Hertford Advisors Ltd. modifying the number of outstanding Series H Preferred Shares held by Hertford (the "Modified Hertford Agreement"). Pursuant to the Modified Hertford Agreement, we cancelled 36,000 Series H Preferred Shares, representing 37.5% with a value of the outstanding Series H Preferred Shares payable to Hertford under the Hertford Agreement, $15.9 million, without payment of any cash consideration. Each Series H Preferred Share is convertible into 1,000 common shares. Hertford will retain 60,000 Series H Preferred Shares, which are non-voting consideration, and do not accrue dividends. At our 2022 Annual General Meeting, we received shareholder approval to convert reduced the remaining 60,000 Series H Preferred Shares, subject to value of the terms and conditions contained in our Articles of Incorporation. supplier agreement intangible asset by such amount. The Modified Hertford Agreement also provides for certain resale restrictions applicable to the common shares that are issuable upon the conversion of the remaining Series H Preferred Shares during the two-year period ending on December 31, 2024, which are different from the restrictions contained in the Hertford Agreement, as well, commencing January 1, 2023 and terminating on December 31, 2023, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 3.0% of the aggregate number of Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such converted common shares within such month. Commencing January 1, 2024 and terminating on December 31, 2024, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 10.0% of the aggregate number of

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Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such converted common shares within such month.

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Terminated Merger Agreement

On June 3, 2021, In August 2023, we entered into an Amended and Restated Agreement (the "Hertford Amendment") with Hertford Advisors Ltd. and Plan certain other parties listed in the Hertford Amendment (together, the "Hertford Group"), which amends and restates in its entirety the purchase agreement between us and Hertford Advisors Ltd. dated July 31, 2021, as modified by the amendment to such agreement dated November 7, 2022 (together, the "Original Hertford Agreement"). As an inducement to enter into the Hertford Amendment, we issued to Hertford 1,376 Series H Preferred Shares and 800,000 warrants with an aggregate fair value of Merger $1.0 million.

In August 2023, we entered into a Securities Purchase Agreement (the "Merger "Purchase Agreement") with Gryphon Digital Mining, Inc. ("Gryphon" pursuant to which we issued to two investors a total of 13,764 of our Series H Preferred Shares and a total of 1,966,293 common share purchase warrants (the "Warrants"), a privately held company in each of which entitled the cryptocurrency space dedicated holder to helping bring digital assets onto the clean energy grid. Gryphon's Bitcoin mining operation has a zero-carbon footprint and their long-term strategy is purchase one of our common shares (the "Warrant Shares"). Pursuant to be the first vertically integrated crypto miner with a wholly owned, one hundred percent renewable energy supply.

On February 15, 2022, and subsequently on March 7, 2022, primarily as a result of comments we received from the SEC relating to an amendment to the registration statement on Form F-4 we filed with the SEC on January 5, 2022 in connection with our proposed merger with Gryphon, we retained two independent investment banks to review the terms of the proposed Gryphon merger transaction. The nature of the review was to provide an independent analysis as to whether the consideration to be paid by us in the proposed merger was fair to our stockholders from a financial point of view and to assess the inputs to the financial models that were used to test such fairness.

On April 4, 2022, the Merger Agreement was terminated. The Merger Agreement, among other matters, provided that, upon termination of the Merger Purchase Agreement, we would forgive all amounts outstanding under the outstanding Promissory Note received gross proceeds of $3.0 million. We issued a total of 1,377 Series H Preferred Shares and Security Agreement 196,629 warrants as amended with Gryphon (the "Gryphon Note"), and release to Gryphon 850,000 common shares previously deposited into an escrow account a finder's fee for the benefit of Gryphon. As a result of the termination of the Merger Agreement in the second quarter of 2022, we forgave the Gryphon Note which had a balance of $13.1 million and released the 850,000 common shares, transaction with a an aggregate fair value of $1.2 million, $0.5 million. Pursuant to the terms of the Purchase Agreement, we will reserve for issuance the maximum aggregate number of common shares that are issuable upon exercise in full of the Warrants at any time.

The Warrants issued in connection with the Hertford Amendment and the Purchase Agreement are exercisable beginning February 12, 2024 and February 23, 2024, respectively, at an initial exercise price of $2.75 per share and have a term of three years from the date of issuance. The exercise price of the Warrants are subject to adjustment for certain stock splits, stock combinations and dilutive share issuances.

The offer and sale of the Series H Preferred Shares and the Warrants have not been registered under the Securities Act and may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements, and in each case in compliance with applicable state securities laws. In accordance with the authoritative guidance for distinguishing liabilities from equity, we have determined that our Series H preferred shares carry certain redemption features beyond our control. Accordingly, the Series H Preferred Shares are presented as temporary equity.

Special Purpose Acquisition Company

In April 2021, we sponsored a special purpose acquisition company ("SPAC"), Minority Equality Opportunities Acquisition Inc. ("MEOA"), through our wholly owned subsidiary, Minority Equality Opportunities Acquisition Sponsor, LLC ("SPAC Sponsor"). MEOA's purpose is to focus initially on transactions with companies that are minority owned businesses. On July 3, 2023, MEOA announced that it did not complete an initial business combination on or prior to June 30, 2023, the deadline by which it must have completed an initial business combination. As of the close of business on July 3, 2023, MEOA's redeemable public shares were deemed cancelled and represented only the right to receive the redemption amount. MEOA instructed Continental Stock Transfer & Trust Company, the trustee of the trust account, to liquidate the redeemable

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securities held in escrow the trust account. The redemption of MEOA's redeemable public shares for $10.4 million was completed in the third quarter of 2023. We received no proceeds from the trust account.

On November 30, 2022, after giving effect to Gryphon. We will continue the redemption of redeemable public shares of MEOA, our relationship subsidiary owned a controlling interest of MEOA and it was consolidated. As of December 31, 2022, we held 3,162,500 shares of MEOA's Class B common stock. The SPAC Sponsor agreed to waive its redemption rights with Gryphon through respect to its outstanding Class B common stock issued prior to MEOA's initial public offering. On December 19, 2023, our 3,162,500 shares of MEOA's Class B common stock were cancelled, eliminating our ownership of MEOA, and we recognized a $6.1 million gain related to the Gryphon Master Services Agreement entered into in 2021. deconsolidation of MEOA.

Nasdaq Listing

On July 25, 2022, we received a notice from the Nasdaq Listing Qualifications Department of the Nasdaq Stock Market LLC ("Nasdaq") stating that the bid price of our common stock shares for the last 30 consecutive trading days had closed below the minimum $1.00 per share required for continued listing under Listing Rule 5550(a)(2) (the "Listing Rule"). We had a period of 180 calendar days, or until January 23, 2023, to regain compliance with the Listing Rule.

On January 24, 2023, we received notification from Nasdaq indicating that we will have an additional 180-day grace period, or until July 24, 2023, to regain compliance with the Listing Rule's $1.00 minimum bid requirement. The notification indicated that we did not regain compliance during the initial 180-day grace period provided under the Listing Rule. In accordance with Nasdaq Marketplace Rule 5810(c)(3)(A), we are eligible for the additional grace period because we meet the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market with the exception of the bid price requirement, and our written notice to Nasdaq of our intentions to cure the deficiency by effecting a reverse stock split, if necessary.

If On June 28, 2023, we do not regain compliance by July 24, 2023, or if we fail filed Articles of Amendment to satisfy another Nasdaq requirement for continued listing, Nasdaq staff could provide notice that effect a share consolidation (also known as a reverse stock split) of our issued and outstanding common shares will become subject on a 1-for-7 basis. The share consolidation became effective on June 28, 2023. All share and per share amounts have been restated for all periods presented to delisting. In such event, reflect the share consolidation. On July 14, 2023, we received notification from Nasdaq rules permit us to appeal any delisting determination to a Nasdaq Hearings Panel. Accordingly, there can be no guarantee indicating that we will be able to maintain our Nasdaq listing. We intend to actively monitor the closing bid price for our common shares and will consider available options to resolve the deficiency and regain had regained compliance with the Listing Rule.

Disposal of SnapServer® Service and Product Line

In October 2021, Sphere 3D and Filecoiner On December 28, 2023, we entered into an acquisition a share purchase agreement with Joseph O'Daniel ("Purchaser"), a related party, under which we sold our wholly-owned subsidiary, service and product segment, including HVE ConneXions ("HVE") sold and Unified ConneXions, for $1.00 and the transfer of outstanding assets including intellectual property, associated with our SnapServer® product line to Filecoiner, in exchange for 8,000 shares of Series B preferred stock of Filecoiner ("Filecoiner Series B Preferred Stock") with and liabilities. As a fair value equal to $6.4 million. During the year ended December 31, 2021, we recorded a gain on the sale result of the assets of $5.0 million share purchase agreement, the Purchaser, who served as our President, resigned effective December 28, 2023. Through December 28, 2023, the service and is included in interest income and other, net on the consolidated statement of operations. During the year ended December 31, 2022, we recognized an impairment product segment provided network operations center ("NOC") services to its customers. NOC revenues were for monthly services performed for the preferred stock customer that are performed either in-house or at the customer's site. The service and product segment also delivered data management and desktop and application virtualization solutions through hybrid cloud, cloud and on premise implementations by a reseller network. We recognized a noncash gain of Filecoiner held and recorded an impairment expense $0.7 million related to the transfer of $6.4 million. net liabilities to the Purchaser.

The following Service and Product information is relevant through December 28, 2023, the date of disposal of our Service and Product segment.

Service

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Customer service and support are were key elements of our strategy and critical components of our commitment in making enterprise-class support and services available to companies of all sizes. Our technical support staff is was trained to assist our customers with deployment and compatibility for any combination of virtual desktop infrastructures, hardware platforms, operating systems and backup, data interchange and storage management software. Our application engineers are were trained to assist with more complex customer issues. We maintain maintained global toll-free service and support phone lines. Additionally, we also provide provided self-service and support through our website support portal and email.

Product

Our service product offerings provide for consisted of the following disk systems: HVE Converged and Hyper-converged Infrastructure. In addition to our product offerings, we provided on-site service and installation options, round-the-clock phone access to solution experts, and proof of concept and architectural design offerings.

Product

Our product offerings consist of the following disk systems: HVE Converged and Hyper-converged Infrastructure. In addition to our product offerings, we provide on-site service and installation options, round-the-clock phone access to solution experts, and proof of concept and architectural design offerings. We are able to provide comprehensive technical assistance on a global scale.

HVE Converged and Hyper-converged Infrastructure

In 2017, we acquired HVE, a technology provider of next generation converged and hyper-converged infrastructure dedicated to creating Manageable, Scalable, Reproducible, and Predictable ("MSRP") solutions based on virtualization technologies running on high-performance, next generation platforms. HVE solutions are engineered, purpose-built converged and hyper-converged virtual workspace and server solutions that support a distributed architecture, scalable with predictable performances, and come bundled with continuous active monitoring. HVE product can include support for our Desktop Cloud Orchestrator™ ("DCO") based on customer requirements.

- The HVE-STACK high density server provides provided the computer and storage appliance for the data center and is was ideal for high performance computing, cloud computing and virtual desktop infrastructure ("VDI"). The modular design and swappable components include hard drives and power supplies intended to improve the efficiency of data center deployment.
- The HVE-VELOCITY High Availability Dual Enclosure storage area network ("SAN") provides data reliability and integrity for optimal data storage, protection and recovery. It also provides a unified network attached storage ("NAS") and SAN solution with thin provisioning, compression and deduplication. The HVE-VELOCITY platform is designed to eliminate single points of failure. The 12GSAS SSD design allows for faster access to data. It is optimized for mission-critical, enterprise-level storage applications.
- The HVE 3DGFX is a VDI solution that offers offered hardware and software technologies to provide an appliance that can could handle from eight to up to 128 high demand users in a single 2U appliance. The HVE 3DGFX was designed and engineered as a purpose-built solution based upon the MSRP engineering approach.
- The HVE-VELOCITY High Availability Dual Enclosure storage area network ("SAN") provided data reliability and integrity for optimal data storage, protection and recovery. It also provided a unified network attached storage ("NAS") and SAN solution with thin provisioning, compression and deduplication. The 12GSAS SSD design allowed for faster access to data.
- The HVE STAGE Server Virtualization Platform is was a high-performance purpose-built server that has had been optimized for server virtualization. These performance optimized servers are were also compact space savers utilizing 1U of rack space. Each STAGE can could be pre-configured for converged, hyper-converged or attached storage, and comes came with ESXi so an infrastructure is ready for virtualization.HVE offers both the stand-alone SAN attached servers or a true server converged/hyper-converged solution with 1-24TB Local SSD.

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- The HVE VAULT backup and compute appliance is was designed to handle requirements for backup and replication storage. The HVE-VAULT, with the integrated compute option, can could also perform disaster recovery compute requirements with specific mission critical workloads. The HVE-VAULT can could be configured as an iSCSI SAN or NAS storage device using HVE storage management software. This appliance utilizes a software defined datacenter (SDD) approach with solutions that work for Tier 2 all flash array front-end storage or rapid backup/recovery business continuity solutions integrated with software technologies like Veeam and Nakivo.

Production

A significant number of our components and finished products are were manufactured or assembled, in whole or in part, by a limited number of third parties. For certain products, we control controlled the design process internally and then outsource outsourced the manufacturing and assembly in order to achieve lower production costs.

We purchase purchased disk drives and chassis from outside suppliers. We carefully select selected suppliers based on their ability to provide quality parts and components which meet technical specifications and volume requirements. We actively monitor these suppliers but we are subject to substantial risks associated with the performance of our suppliers. For certain components, we qualify only a single source, which magnifies the risk of shortages and may decrease our ability to negotiate with that supplier. For a more detailed description of risks related to suppliers, see *Item 1A. Risk Factors*.

Sales and Distribution

Our reseller channel includes included systems integrators, VARs and DMRs. Our resellers may package our products as part of complete application and desktop virtualization solutions data processing systems or with other storage devices to deliver complete enterprise information technology infrastructure solutions. Our resellers also recommend recommended our products as replacement solutions when systems are were upgraded, or bundle our products with storage management software specific to the end user's system.

Intellectual Property

We support actively use specific hardware and software for our Bitcoin mining operations. On December 28, 2023, we sold our service and product segment and associated patents and trademarks. We do not currently own, and do not have any current plans to seek, any patents in connection with our Bitcoin mining operations.

Competitive Conditions

Our business is highly competitive and operates 24 hours a day, seven days a week. The primary drivers of competition are demand for Bitcoin and the reseller channel through our dedicated sales representatives, engineers ability to execute miner deployments to generate the highest returns while incurring the lowest costs to mine, thereby achieving maximum efficiency.

Our competition in the Bitcoin mining space fluctuates due to a number of factors, including, but not limited to, the value of Bitcoin rewards for mining, the amount of network hashrate (ability to achieve awards relative to others), and technical support organizations.

Patents the price of Bitcoin. We anticipate that over the long-term there will be a significant increase in the number of Bitcoin miners attempting to enter into, and Proprietary Rights expand, their Bitcoin mining activities as market demand recovers. Our main competitors generally include other Bitcoin mining companies, both publicly listed and private, as well as other Bitcoin miners who participate in mining pools. As more Bitcoin miners enter the mining industry, we expect additional pressure on the industry, with greater competition for access to mining rewards, competition for power and high-quality industrial scale mining infrastructure which is in limited supply.

We rely on a combination of patents, trademarks, trade secret and copyright laws, as well as contractual restrictions, hosting arrangements to protect the proprietary aspects of conduct our products and services. Although every effort is made to protect Sphere 3D's intellectual property, these legal protections may only afford limited protection.

We may continue to file for patents regarding various aspects of our products, services and delivery method at a later date depending on the costs and timing associated with such filings. We may make investments to further strengthen our copyright protection going forward, although no assurances can be given that it will be successful in such patent and trademark protection endeavors. We seek to limit disclosure of our intellectual property by requiring employees, consultants, and partners with access to our proprietary information to execute

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confidentiality agreements and non-competition agreements (when applicable) and by restricting access to our proprietary information. Due to rapid technological change, we believe that establishing and maintaining an industry and technology advantage in factors such as the expertise and technological and creative skills of our personnel, as well as new services and enhancements to our existing services, are more important to our company's business, and profitability than other available legal protections.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects the availability of our services or to obtain such hosting arrangements is uncertain and use information that we regard as proprietary. The laws of many countries do not protect proprietary rights to the same extent as the laws of the U.S. or Canada. Litigation competitive and may be necessary affected by changes in regulation in one or more countries. Significant competition for suitable mining data centers is expected to continue, and other government regulators, including local permitting officials, may potentially restrict the future ability of potential mining data centers to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others begin or to defend against claims of infringement. Any such litigation could result continue operations in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results and financial condition. There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar services or products. Any failure by us to adequately protect our intellectual property could have a material adverse effect on our business, operating results and financial condition. See *Item 1A. Risk Factors* under the section *Risks Related to Intellectual Property.*

Competitive Conditions certain locations.

We believe that our products are unique and innovative and afford us various advantages in the market place; however, the market for information technology is highly competitive. Competitors vary in size from small start-ups to large multi-national corporations which may have substantially greater financial, research and development, and marketing resources. Competitive factors in these markets include performance, functionality, scalability, availability, interoperability, connectivity, time to market enhancements, and total cost of ownership. Barriers to entry vary from low, such as those in traditional disk-based backup products, to high, in virtualization software. The markets for all of our products are characterized by price competition and as such we may face price pressure for our products. For a more detailed description of competitive and other risks related to our business, see *Item 1A. Risk Factors*.

Industry Trends

During 2022 and 2023, we observed several companies in the Bitcoin ecosystem experience significant challenges and initiate bankruptcy proceedings due to the significant volatility in the price of Bitcoin, the increase in interest rates, the volatility in spot prices of power, and other national and global macroeconomic factors. We anticipate this trend will likely continue as companies attempt to shift their business models to operate on significantly compressed margins. Further affecting the margins of the companies within the Bitcoin ecosystem, the Bitcoin reward for solving a block is subject to periodic incremental halving, as described in risks related to our business, *Item 1A. Risk Factors.*

The recent shutdowns of certain digital asset exchanges and trading platforms due to fraud or business failure has negatively impacted confidence in the digital asset industry as a whole and led to increased oversight and scrutiny of the industry. We did not have any exposure to any digital asset lenders or exchanges who have declared bankruptcy or have suspended operations. We only hold and sell Bitcoin that we have mined and do not sell, hold, or redeem any Bitcoin for any other parties. Our Bitcoin is held in cold storage wallets by a well-known U.S.-based third-party digital asset-focused custodian. In addition, we sell our Bitcoin using our custodian's U.S. brokerage services.

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Governmental Regulations

We operate in a complex and rapidly evolving regulatory environment and are subject to a wide range of laws and regulations enforced enacted by U.S. federal, state and local governments, governmental agencies and regulatory authorities, including the SEC, the Federal Trade Commission and the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, as well as similar entities in other countries. Other regulatory bodies, governmental or semi-governmental, have shown an interest in regulating or investigating companies engaged in the blockchain or cryptocurrency businesses.

Regulations may substantially change in the future and it is presently not possible to know how those regulations will apply to our businesses, or when they will be effective. As the regulatory and legal environment evolves, we may become subject to new laws and further regulation by the SEC and other agencies, which may affect our mining and other activities. For instance, various bills have been proposed in the U.S. Congress related to our business, which may be adopted and have an impact on us. Additionally, governmental agencies and regulatory agencies authorities, such as the U.S. Consumer Product Safety SEC, the Federal Trade Commission and the U.S. Environmental Protection Agency. For a detailed description Financial Crimes Enforcement Network of the material effects U.S. Department of government the Treasury, may also enact further regulations on our business, see “Our international operations are important related to our business, and involve unique risks related to financial, political, and economic conditions” and “We are subject to laws, regulations and similar requirements, changes to which may adversely affect have an impact on us. For additional discussion regarding our business belief about the potential risks existing and operations” future regulation pose to our business, see *Item 1A. Risk Factors—Risks Related to Our Business*.

Employees

We As of December 31, 2023, we had 27 and 25 full-time five employees, at December 31, 2022 and 2021, respectively. three of which were full time.

Item 1A. Risk Factors

An investment in our Company involves a high degree of risk. Each of the following risk factors in evaluating our business and prospects as well as an investment in our Company should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks occur, our business and financial results could be harmed and the trading price of our common shares could decline.

Risks Related to our Our Business

Our total revenue is substantially dependent on the prices of digital assets and volume of transactions conducted on our platform. If such price or volume declines, our business, operating results, and financial condition would be adversely affected.

We generate the majority of our total revenue from digital mining. As such, any declines in the volume of digital asset transactions, the price of digital assets, or market liquidity for digital assets generally may result in lower total revenue. The price of digital assets and associated demand for buying, selling, and trading digital assets have historically been subject to significant volatility. For instance, in 2022, the value of certain digital assets, including Bitcoin, experienced steep decreases in value. The price and trading volume of any digital asset is subject to significant uncertainty and volatility, depending on a number of factors, including:

- market conditions of, and overall sentiment towards, digital assets;
- changes in liquidity, market-making volume, and trading activities;
- trading activities on other digital platforms worldwide, many of which may be unregulated, and may include manipulative activities;
- investment and trading activities of highly active retail and institutional users, speculators, miners, and investors;
- the speed and rate at which digital assets are able to gain adoption as a medium of exchange, utility, store of value, consumptive asset, security instrument, or other financial assets worldwide, if at all;

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- decreased user and investor confidence in digital assets and digital platforms;
- negative media publicity and events relating to the digital economy;
- unpredictable social media coverage or “trending” of, or other rumors and market speculation regarding digital assets;
- the ability for digital assets to meet user and investor demands;
- the functionality and utility of digital assets and their associated ecosystems and networks, including digital assets designed for use in various applications;
- increased competition from other payment services or other digital assets that exhibit better speed, security, scalability, or other characteristics;
- regulatory or legislative changes and updates affecting the digital economy;
- the maintenance, troubleshooting, and development of the blockchain networks underlying digital assets, including by miners, validators, and developers worldwide;
- the ability for digital networks to attract and retain miners or validators to secure and confirm transactions accurately and efficiently;
- ongoing technological viability and security of digital assets and their associated smart contracts, applications and networks, including vulnerabilities against hacks and scalability;
- fees and speed associated with processing digital asset transactions, including on the underlying blockchain networks and on digital platforms;
- financial strength of market participants;
- the availability and cost of funding and capital;
- the liquidity of digital platforms;
- interruptions in service from or failures of major digital platforms;
- availability of an active derivatives market for various digital assets;
- availability of banking and payment services to support digital-related projects; and
- level of interest rates and inflation. inflation; and
- environmental, social, and governance (ESG) concerns about power and water consumption.

There is no assurance that any supported digital asset will maintain its value or that there will be meaningful levels of trading activities. In the event that the price of digital assets or the demand for trading digital assets decline, our business, operating results, and financial condition would be adversely affected.

Our operating results have and will significantly fluctuate due to the highly volatile nature of digital assets.

Our operating results are dependent on digital assets Bitcoin and the broader cryptoeconomy. crypto economy. Due to the highly volatile nature of the cryptoeconomy crypto economy and the prices of digital assets, Bitcoin, our operating results have, and will continue to, fluctuate significantly from quarter to quarter in accordance with market sentiments and movements in the broader cryptoeconomy. crypto economy. Our operating results will continue to fluctuate significantly as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of our control, including:

- our dependence on offerings that are dependent on crypto asset trading activity, including trading volume and the prevailing trading prices for crypto assets, whose trading prices and volume can be highly volatile;
- adding crypto assets to, or removing from, our platform;
- market conditions of, and overall sentiment towards, the cryptoeconomy; crypto economy;

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- system failure, outages, or interruptions, including with respect to our crypto platform and third-party crypto networks; and
- inaccessibility of our platform due to our or third-party actions.

As a result of these factors, it is difficult challenging for us to forecast growth trends accurately and our business and future prospects are difficult to evaluate, particularly in the short term. Further, any decrease in the price of bitcoin creates a risk of increased losses or impairments. In view of the rapidly evolving nature of our business and the cryptoeconomy, crypto economy, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Quarterly and annual expenses reflected in our financial statements may be significantly different from historical or projected rates. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. As a result, the trading price of our common stock shares may increase or decrease significantly.

The recent disruption in the crypto asset markets may harm our reputation.

Due to the recent disruption in the crypto asset markets, our customers, suppliers and other business partners may deem our business to be risky and lose confidence to enter into business transactions with us on terms that we deem acceptable. For example, our suppliers may require higher deposits or advance payments from us. In addition, new regulations may subject us to investigation, administrative or regulatory proceedings, and civil or criminal litigation, all of which could harm our reputation and negatively affect our business operation and the value of our common shares. As of the date of this annual report, we do not believe that our operations or financial conditions associated have been materially impacted by any reputational harm that we may face in light of the recent disruption in the crypto asset markets. However, there is no guarantee that such disruption or any reputational harm resulting therefrom will not have a material adverse effect on our business, financial condition and results of operations in the future.

The future development and growth of crypto is subject to a variety of factors that are difficult to predict and evaluate. If digital assets do not grow as we expect, our business, operating results, and financial condition could be adversely affected.

Digital assets built on blockchain technology were only introduced in 2008. Digital assets are designed for different purposes. Bitcoin, for instance, was designed to serve as a peer-to-peer electronic cash system, while Ethereum was designed to be a smart contract and decentralized application platform. Many other crypto networks, ranging from cloud computing to tokenized securities networks, have only recently been established. The further growth and development of any crypto assets and their underlying networks and other cryptographic and algorithmic protocols governing the creation, transfer, and usage of crypto assets represent a new and evolving paradigm that is subject to a variety of factors that are difficult to evaluate, including:

- many crypto networks have limited operating histories, have not been validated in production, and are still in the process of developing and making significant decisions that will affect the design, supply, issuance, functionality, and governance of their respective crypto assets and underlying blockchain networks, any of which could adversely affect their respective crypto assets;
- many crypto networks are in the process of implementing software upgrades and other changes to their protocols, which could introduce bugs, security risks, or adversely affect the respective crypto networks;
- several large networks, including Ethereum, are developing new features to address fundamental speed, scalability, and energy usage issues. If these issues are not successfully addressed, or are unable to receive widespread adoption, it could adversely affect the underlying digital assets;

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- security issues, bugs, and software errors have been identified with many digital assets and their underlying blockchain networks, some of which have been exploited by malicious actors. There are also inherent security weaknesses in some digital assets, such as when creators of certain crypto networks use procedures that could allow hackers to counterfeit tokens. Any weaknesses identified with a digital asset could adversely affect its price, security, liquidity, and adoption. If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the compute or staking power on a crypto network, as has happened in the past, it may be able to manipulate transactions, which could cause financial losses to holders, damage the network's reputation and security, and adversely affect its value;
- the development of new technologies for mining, such as improved application-specific integrated circuits (commonly referred to as ASICs), or changes in industry patterns, such as the consolidation of mining power in a small number of large mining farms, could reduce the security of blockchain networks, lead to increased liquid supply of digital assets, and reduce a digital asset's price and attractiveness;
- if rewards and transaction fees for miners or validators on any particular crypto network are not sufficiently high to attract and retain miners, a crypto network's security and speed may be adversely affected, increasing the likelihood of a malicious attack;

- many digital assets have concentrated ownership or an "admin key," allowing a small group of holders to have significant unilateral control and influence over key decisions related to their crypto networks, such as governance decisions and protocol changes, as well as the market price of such digital assets;
- the governance of many decentralized blockchain networks is by voluntary consensus and open competition, and many developers are not directly compensated for their contributions. As a result, there may be a lack of consensus or clarity on the governance of any particular crypto network, a lack of incentives for developers to maintain or develop the network, and other unforeseen issues, any of which could result in unexpected or undesirable errors, bugs, or changes, or stymie such network's utility and ability to respond to challenges and grow;
- algonomic units to U.S. dollar may fail causing devaluation in specific cryptocurrencies which may impact the market perception of safer currencies; and
- many crypto networks are in the early stages of developing partnerships and collaborations, all of which may not succeed and adversely affect the usability and adoption of the respective crypto assets.

Various other technical issues have also been uncovered from time to time that resulted in disabled functionalities, exposure of certain users' personal information, theft of users' assets, and other negative consequences, and which required resolution with the attention and efforts of their global miner, user, and development communities. If any such risks or other risks materialize, and in particular if they are not resolved, the development and growth of crypto may be significantly affected and, as a result, our business, operating results, and financial condition could be adversely affected.

Cryptocurrency mining activities are energy-intensive, which may restrict the geographic locations of mining machines and have a negative environmental impact. machines. Government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations, such as ours.

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Mining cryptocurrency requires massive large amounts of electrical power, and electricity costs are expected to account for a significant portion of our overall costs. The availability and cost of electricity will restrict the geographic locations of our mining activities. Any shortage of electricity supply or increase in electricity costs in any location where we plan to operate may negatively impact the viability and the expected economic return for cryptocurrency mining activities in that location.

Further, our business model can only be successful and our mining operations can only be profitable if the costs, including electrical power costs, associated with cryptocurrency mining are lower than the price of the cryptocurrency itself. As a result, any equipment we deploy can only be successful if we can obtain access to sufficient electrical power on a cost-effective basis through hosting arrangements with mining data centers. Our deployment of new mining equipment requires us to find sites where that is the case. Even if our electrical power costs do not increase, significant fluctuations in, and any prolonged periods of, low cryptocurrency prices may also cause our electrical supply to no longer be cost-effective.

Furthermore, if cryptocurrency mining becomes more widespread, government scrutiny related to restrictions on cryptocurrency mining facilities and their energy consumption may significantly increase. The considerable consumption of electricity by mining operators may also have a negative environmental impact, including contribution to climate change, which could set the public opinion against allowing the use of electricity for cryptocurrency mining activities. This, in turn, could lead to governmental measures restricting or prohibiting the use of electricity for cryptocurrency mining activities. Any such development in the jurisdictions where we plan to operate could increase our compliance burdens and have a material adverse effect on our business, prospects, financial condition, and operating results.

Concerns about greenhouse gas emissions and global climate change may result in environmental taxes, charges, assessments, penalties or litigation, and could have a material adverse effect on our business, financial condition and results of operations.

The effects of human activity on global climate change have attracted considerable public and scientific attention, as well as the attention of the United States and other governments. Efforts are being made to reduce greenhouse gas emissions, particularly those from coal combustion power plants, some of which plants our hosting facility suppliers may rely upon for power. The added cost of any environmental taxes, charges, assessments or penalties levied on such power plants, or the cost of litigation filed against such power plants, could be passed on to us, increasing the cost to provide hosting services to its customers. Any enactment of laws or promulgation of regulations regarding greenhouse gas emissions by the United States, or any domestic or foreign jurisdiction in which we conduct business, could have a material adverse effect on our business, financial condition, or results of operations. In addition, as a result of negative publicity regarding environmental concerns associated with Bitcoin mining, some companies have ceased accepting Bitcoin for certain types of purchases, and additional companies may do so in the future, which may have a material adverse effect on our business, financial condition or results of operations.

We rely on hosting arrangements to conduct our business, and the availability of such hosting arrangements is uncertain and competitive and may be affected by changes in regulation in one or more countries.

If we are unable to successfully enter into definitive hosting agreements with mining data centers on favorable terms or those counterparties fail to perform their obligations under such agreements, we may be forced to look for alternative mining data centers to host its mining equipment.

In May 2021, China's State Council issued a statement signaling its intent to restrict cryptocurrency mining and trading activities, resulting in provincial governments taking proactive measurements to prohibit cryptocurrency mining. On September 24, 2021, China's central bank and its National Development and Reform Commission issued a nation-wide ban on cryptocurrency mining and declaring all financial transactions involving cryptocurrencies illegal. As a result, mining data centers previously operating in China have been forced to shut down and owners of crypto mining equipment located in China have been attempting to relocate the equipment to mining data centers in other jurisdictions, with a particular focus on locations within the United States. Combined with the increase in the price of many cryptocurrencies in 2021, the influx of crypto miners from China has created conditions of great demand for mining data centers and limited supply. Due to these conditions, there is no assurance that we will be able to procure alternative hosting agreements on acceptable terms in a timely manner or at all.

Significant competition for suitable mining data centers is expected to continue, and other government regulators, including local permitting officials, may potentially restrict the ability of potential mining data centers to begin or continue operations in certain locations. They

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can also restrict the ability of electricity suppliers to provide electricity to mining operations in times of electricity shortage, or may otherwise potentially restrict or prohibit the provision of electricity to mining operations.

We face risks of downtime at hosting sites due to excessive weather or heat, which could have an adverse effect on the mining of cryptocurrency and impact our revenues.

A disruption at hosting sites may affect the mining of cryptocurrency. Generally, cryptocurrency and our business of mining cryptocurrency is dependent upon consistent operations at hosting sites. A significant disruption in a hosting site's ability to function due to adverse weather could disrupt mining operations until the disruption is resolved and have an adverse effect on our ability to mine cryptocurrencies, impacting our revenues.

We may be affected by price fluctuations in the wholesale and retail power markets.

Market prices for power, generation capacity and ancillary services, are unpredictable. Depending upon the effectiveness of any price risk management activity undertaken by us, including but not limited to attempts to secure hosting services contracts at fixed fees, an increase in market prices for power, generation capacity, and ancillary services may adversely affect our business, prospects, financial condition, and operating results. Long- and short-term power prices may fluctuate substantially due to a variety of factors outside of our control, including, but not limited to:

- increases and decreases in generation capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- demand response/mandatory curtailments;
- volatile weather conditions, particularly unusually hot or mild summers or unusually cold or warm winters;
- technological shifts resulting in changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools, expansion and technological advancements in power storage capability and the development of new fuels or new technologies for the production or storage of power;
- federal and state power, market and environmental regulation and legislation; and
- changes in capacity prices and capacity markets.

If we are unable to secure consistent power supply at prices or on terms acceptable to it, it would have a material adverse effect on our business, prospects, financial condition, and operating results.

As cryptocurrencies may be determined to be investment securities, we may inadvertently violate the Investment Company Act of 1940 and incur large losses as a result and potentially be required to register as an investment company or terminate operations and we may incur third-party liabilities.

We believe that we are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourself out as being engaged in those activities. However, under the Investment Company Act of 1940 (the “Investment Company Act”), a company may be deemed an investment company under section 3(a)(1)(C) thereof if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis.

As a result of our investments and our mining activities, including investments in which we do not have a controlling interest, the investment securities we hold could exceed 40% of our total assets, exclusive of cash items and, accordingly, we could determine that we have become an inadvertent investment company. The cryptocurrency that we own, acquire or mine may be deemed an investment security by the SEC, and although we do not believe any of the cryptocurrency we own, acquire or mine are securities. securities, any determination we make regarding whether crypto assets are securities is a risk-based assessment, not a legal standard binding on a regulatory body or court, and does not preclude legal or regulatory action. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an

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inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of the date of this proxy statement/prospectus, we do not believe we are an inadvertent investment company. We may take actions to cause the investment securities held by us to be less than 40% of our total assets, which may include acquiring assets with our cash and cryptocurrency on hand or liquidating our investment securities or cryptocurrency or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

As the Rule 3a-2 exception is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

Classification as an investment company under the Investment Company Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive and would require a restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Further, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the Investment Company Act regime. The cost of such compliance would result in us incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations.

If regulatory changes or interpretations of our activities require its registration as a money services business under the regulations promulgated by The Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act, we may be required to register and comply with such regulations. If regulatory changes or interpretations of our activities require the licensing or other registration of us as a money transmitter (or equivalent designation) under state law in any state in which we operate, we may be required to seek licensure or otherwise register and comply with such state law. In the event of any such requirement, to the extent we decide to continue, the required registrations, licensure and regulatory compliance steps may result in extraordinary, non-recurring expenses to us. We may also decide to cease its operations. Any termination of certain operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

To the extent that our activities cause us to be deemed a money service business under the regulations promulgated by the Financial Crimes Enforcement Network of the U.S. Treasury Department ("FinCEN") under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records.

To the extent that our activities cause us to be deemed a money transmitter or equivalent designation under state law in any state in which we operate, we may be required to seek a license or otherwise register with a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, maintenance of certain records and other operational requirements. Currently, the New York Department of Financial Services has finalized its "BitLicense" framework for businesses that conduct "virtual currency business activity." We will continue to monitor for developments in New York legislation, guidance, and regulations.

Such additional federal or state regulatory obligations may cause us to incur extraordinary expenses, possibly affecting our business in a material and adverse manner. Furthermore, we and our service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money service businesses and money transmitters. If we are deemed to be subject to and determine not to comply with such additional regulatory and registration requirements, we may act to dissolve and liquidate us. Any such action may adversely affect an investment in us.

There is no one unifying principle governing the regulatory status of cryptocurrency nor whether cryptocurrency is a security in each context in which it is viewed. Regulatory changes or actions in one or more countries or jurisdictions may alter the nature of an

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investment in us or restrict the use of digital assets, such as cryptocurrencies, in a manner that adversely affects our business, prospects or operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently, with certain governments deeming cryptocurrencies illegal, and others allowing their use and trade without restriction. In some jurisdictions, such as in the U.S., United States, digital assets, like cryptocurrencies, are subject to extensive and in some cases overlapping, unclear and evolving regulatory requirements.

Cryptocurrencies have been the source of much regulatory consternation, resulting in differing definitional outcomes without a single unifying statement. Cryptocurrency is viewed differently by different regulatory and standards setting organizations globally as well as in the United States on the federal and state levels. For example, the Financial Action Task Force (“FATF”) and the Internal Revenue Service (“IRS”) consider a cryptocurrency as currency or an asset or property. Further, the IRS applies general tax principles that apply to property transactions to transactions involving virtual currency.

If regulatory changes or interpretations require the regulation of cryptocurrency under the securities laws of the United States or elsewhere, including the Securities Act of 1933, the Exchange Act and the 1940 Act or similar laws of other jurisdictions and interpretations by the SEC, the CFTC, the IRS, Department of Treasury or other agencies or authorities, we may be required to register and comply with such regulations, including at a state or local level. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary expense or burdens to us. We may also decide to cease certain operations and change our business model. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to us.

Current and future legislation and SEC rule making and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrencies are viewed or treated for classification and clearing purposes. In particular, cryptocurrencies may not be excluded from the definition of “security” by SEC rule making or interpretation requiring registration of all transactions unless another exemption is available, including transacting in cryptocurrency among owners and require registration of trading platforms as “exchanges”.

Due to concerns around resource consumption and associated environmental concerns, particularly as such concerns relate to public utilities companies, various countries, states and cities have implemented, or are considering implementing, moratoriums on Bitcoin mining in their jurisdictions. Such moratoriums would impede Bitcoin mining and/or Bitcoin use more broadly. For example, in November 2022, New York imposed a two-year moratorium on new proof-of-work mining permits at fossil fuel plants in the state. It is possible that other states may likewise create laws that could have a material adverse effect on our business, financial condition and results of operations.

We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrencies under the law. If we fail to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations or be subjected to fines, penalties and other governmental action. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue its business model at all, which could have a material adverse effect on its business, prospects or operations and potentially the value of any cryptocurrencies we plan to hold or expect to acquire for our own account.

Our business is dependent on a small number of digital asset mining equipment suppliers.

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Our business is dependent upon digital asset mining equipment suppliers providing an adequate supply of new generation digital asset mining machines at economical prices to customers intending to purchase our hosting and other solutions. The growth in our business is directly related to increased demand for hosting services and cryptocurrency which is dependent in large part on the availability of new generation mining machines offered for sale at a price conducive to profitable digital asset mining, as well as the trading price of cryptocurrency. The market price and availability of new mining machines fluctuates with the price of cryptocurrencies and can be volatile. In addition, as more companies seek to enter the mining industry, the demand for machines may outpace supply and create mining machine equipment shortages. There are no assurances that cryptocurrency mining equipment suppliers will be able to keep pace with any surge in demand for mining equipment. Further, manufacturing mining machine purchase contracts are not favorable to purchasers and we may have little or no recourse in the event a mining machine manufacturer defaults on its mining machine delivery commitments. If we and our customers are not able to obtain a sufficient number of digital asset mining machines at favorable prices, our growth expectations, liquidity, financial condition and results of operations will be negatively impacted.

Changes in tariffs or import restrictions could have a material adverse effect on our business, financial condition and results of operations.

Equipment necessary for digital asset mining is almost entirely manufactured outside of the United States. There is currently significant uncertainty about the future relationship between the United States and various other countries, including China, the European Union, Canada, and Mexico, with respect to trade policies, treaties, tariffs and customs duties, and taxes. For example, since 2019, the U.S. government has implemented significant changes to U.S. trade policy with respect to China. These tariffs have subjected certain digital asset mining equipment manufactured overseas to additional import duties of up to 25%. The amount of the additional tariffs and the products subject to them has changed numerous times based on action by the U.S. government. These tariffs have increased costs of digital asset mining equipment, and new or additional tariffs or other restrictions on the import of equipment necessary for digital asset mining could have a material adverse effect on our business, financial condition and results of operations.

Mining machines rely on components and raw materials that may be subject to price fluctuations or shortages, including ASIC chips that have been subject to a significant shortage.

In order to build and sustain our self-mining operations we will depend on third parties to provide us with ASIC chips and other critical components for our mining equipment, which may be subject to price fluctuations or shortages. For example, the ASIC chip is the key component of a mining machine as it determines the efficiency of the device. The production of ASIC chips typically requires highly sophisticated silicon wafers, which currently only a small number of fabrication facilities, or wafer foundries, in the world are capable of producing. We believe that the previous microchip shortage that the entire industry experienced lead to price fluctuations and disruption in the supply of key miner components. Specifically, the ASIC chips have recently been subject to a significant price increases and shortages.

There is also a risk that a manufacturer or seller of ASIC chips or other necessary mining equipment may adjust the prices according cryptocurrency prices or otherwise, so the cost of new machines could become unpredictable and extremely high. As a result, at times, we may be forced to obtain mining machines and other hardware at premium prices, to the extent they are even available. Such events could have a material adverse effect on our business, prospects, financial condition, and operating results.

The further development and acceptance of digital asset networks and other digital assets, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of digital asset systems may adversely affect an investment in us.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs cryptocurrency assets, based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of cryptocurrency as a means of payment has not, and may never, occur. The growth of this industry is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may occur unpredictably. The factors include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies as a medium to exchange;

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- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the increased consolidation of contributors to the blockchain through mining pools;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting cryptocurrencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to cryptocurrencies; and
- negative market sentiment and perception of cryptocurrencies.

The outcome of these factors could have negative effects on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations as well as potentially negative effect on the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account, which would harm investors.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities or that accept cryptocurrency as payment, including financial institutions of investors in our common shares.

A number of companies that engage in cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. action. We also may be unable to obtain or maintain these services for our business. The difficulty that many businesses that provide cryptocurrency-related activities have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of cryptocurrency as a payment system and harming public perception of cryptocurrency, and could decrease their usefulness and harm their public perception in the future.

We face risks of Internet disruptions, which could have an adverse effect on the price of cryptocurrencies.

A disruption of the Internet may affect the use of cryptocurrencies. Generally, cryptocurrency and our business of mining cryptocurrency is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of cryptocurrencies and our ability to mine cryptocurrencies.

The impact of geopolitical and economic events on the supply and demand for cryptocurrency is uncertain.

Geopolitical crises may motivate large-scale purchases of cryptocurrencies, which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in uncertain times, such as

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the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturns may discourage investment in cryptocurrency as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, cryptocurrency, which is relatively new, is subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us. Political or economic crises may motivate large-scale acquisitions or sales of cryptocurrency either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account.

We may not be able to compete with other companies, some of whom have greater resources and experience.

We may not be able to compete successfully against present or future competitors. We do not have the resources to compete with larger providers of similar services at this time. The cryptocurrency industry has attracted various high-profile and well-established operators, some of which have substantially greater liquidity and financial resources than we do. With the limited resources we have available, we may experience great difficulties in expanding and improving our network of computers to remain competitive. Competition from existing and future competitors, particularly those that have access to competitively-priced energy, could result in our inability to secure acquisitions and partnerships that we may need to expand our business in the future. This competition from other entities with greater resources, experience and reputations may result in our failure to maintain or expand our business, as we may never be able to successfully execute our business plan. If we are unable to expand and remain competitive, our business could be negatively affected.

The mining data centers at which we maintain our mining equipment may experience damages, including damages that are not covered by insurance.

The mining data centers at which we maintain our mining equipment are, and any future mining data centers at which we maintain our mining equipment will be, subject to a variety of risks relating to physical condition and operation, including:

- the presence of construction or repair defects or other structural or building damage;
- any non-compliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms; and
- claims by employees and others for injuries sustained at our properties.

For example, the mining data centers at which we maintain our mining equipment could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the facilities where our mining equipment is located. Although we have multiple sites in an effort to mitigate this risk, these and other measures we take to protect against these risks may not be sufficient. Any property insurance we obtain in the future may not be adequate to cover any losses we suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mining data centers at which we maintain our mining equipment, such mining data centers may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be derived from our equipment located at such mining data centers.

Acceptance and/or widespread use of cryptocurrencyis uncertain.

Currently, there is a relatively limited use of any cryptocurrency in the retail and commercial marketplace. Banks and other established financial institutions may refuse to process funds for cryptocurrency transactions, process wire transfers to or from cryptocurrency exchanges, cryptocurrency-related companies or service providers, or maintain accounts for persons or entities transacting in cryptocurrency. Conversely, a significant portion of cryptocurrency demand is generated by investors seeking a long-term store of value or speculators seeking to profit from

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the short- or long-term holding of the asset. Price volatility undermines cryptocurrency's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment.

The relative lack of acceptance of cryptocurrency in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of cryptocurrency we mine or otherwise acquire or hold for our own account.

The decentralized dynamic nature of cryptocurrency systems may lead to slow or inadequate responses to crises, which may negatively affect our business.

The decentralized nature of the governance of cryptocurrency systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many cryptocurrency systems is by voluntary consensus and open competition with no clear leadership structure or authority. To the extent lack of clarity in corporate governance of the blockchain leads to ineffective decision making that slows development and growth of cryptocurrency network protocols, our business may be adversely affected.

The lack of regulation of digital asset exchanges which Bitcoin, and other cryptocurrencies, are traded on may cause disruptions in the crypto asset markets, which may expose us to the effects of negative publicity resulting from fraudulent actors in the cryptocurrency space, and can adversely affect an investment in us.

The digital asset exchanges on which Bitcoin is traded are relatively new and largely unregulated. new. Many digital asset exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices, or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, such digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. During 2022, In the recent past, a number of companies in the crypto industry declared bankruptcy, including Celsius Network LLC ("Celsius"), Voyager Digital Ltd., BlockFi Lending LLC, and FTX Trading Ltd. ("FTX"). In June 2022, Celsius began pausing all withdrawals and transfers between accounts on its platform, and in July 2022, it filed for Chapter 11 bankruptcy protection. Further, in November 2022, FTX, one of the major cryptocurrency exchanges, also filed for Chapter 11 bankruptcy. Such bankruptcies have contributed, at least in part, to further price volatility in most crypto assets, a loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly, and other participants and entities in the digital asset industry have been, and may continue to be, negatively affected. These events have also negatively impacted the liquidity of demand for the digital assets markets as certain entities affiliated with FTX engaged in significant trading activity. markets. As a result of these events, many digital asset markets, including the market for Bitcoin, have experienced increased price volatility. The Bitcoin ecosystem may continue to be negatively impacted and experience long term volatility if public confidence decreases. Further, we have been directly and indrectly indirectly impacted by certain of the above recent bankruptcies in the crypto asset space, and may in the future be directly or indirectly impacted by any future bankrupcties bankruptcies in the cyrpto crypto asset space.

These events are continuing to develop and it is not possible to predict, at this time, every risk that they may pose to us, our service providers, or the digital asset industry as a whole. A perceived lack of stability in the digital asset exchange market and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in digital asset networks and result in greater volatility in cryptocurrency values. These potential consequences of a digital asset exchange's failure could adversely affect an investment in us.

It may be illegal now, or in the future, to acquire, own, hold, sell, or use cryptocurrencies, participate in blockchains or utilize similar cryptocurrency assets in one or more countries, the ruling of which would adversely affect us.

As cryptocurrency has grown in both popularity and market size, governments around the world have reacted differently to cryptocurrency; certain governments have deemed them illegal, and others have allowed their use and trade without restriction, while in some jurisdictions, such as in the U.S., United.States, subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. Until recently, little, or no regulatory attention has been directed toward cryptocurrency by U.S. federal and state governments, foreign governments and self-regulatory agencies. As cryptocurrency has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress, and certain U.S. agencies have begun to examine cryptocurrency in more detail.

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One or more countries, including but not limited to China and Russia, which have taken harsh regulatory action in the past, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell, or use these cryptocurrency assets or to exchange for fiat currency. In many nations, particularly in China and Russia, it is illegal to accept payment in cryptocurrencies for consumer transactions and banking institutions are barred from accepting deposits of cryptocurrency. Such restrictions may adversely affect us as the large-scale use of cryptocurrency as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account, and harm investors.

Investors may not have the same protections that exist for traditional stock exchanges.

Traditional stock exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. Depending on a ledger-based platform's controls and the other policies of the ledger-based platform on which a given cryptocurrency trades, such cryptocurrency may not benefit from the protections afforded to traditional stock exchanges. For ledger-based platforms that do not provide sufficient protections, there is a risk of fraud and manipulation. These factors may decrease liquidity or volume of a given ledger-based platform or of the cryptocurrency industry in general or may otherwise increase volatility of investment securities or other assets trading on a ledger-based system. Such potential decreased liquidity or volume, or increase in volatility may adversely affect us, and could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account and harm investors.

Our operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in cryptocurrency.

We compete with other users and/or companies that are mining cryptocurrency and other potential financial vehicles, including securities backed by or linked to cryptocurrency through entities similar to us. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrency directly. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to us and impact our ability to successfully pursue our strategy or operate at all, or to establish or maintain a public market for our securities. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account, and harm investors.

Cryptocurrency may be subject to loss, theft, or restriction on access.

There is a risk that some or all of any cryptocurrency that we own could be lost or stolen. Cryptocurrencies are stored in cryptocurrency sites commonly referred to as "wallets" by holders of cryptocurrencies which may be accessed to exchange a holder's cryptocurrency assets. Access to our cryptocurrency assets could also be restricted by cybercrime

(such (such as a denial of service attack) against a service at which we maintain a hosted hot wallet. A hot wallet refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access than wallets in cold storage, but they are also more susceptible to hackers and other technical vulnerabilities. Cold storage refers to any cryptocurrency wallet that is not connected to the Internet. Cold storage is generally more secure than hot storage, but is not ideal for quick or regular transactions and we may experience lag

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time in our ability to respond to market fluctuations in the price of our cryptocurrency assets. We expect to hold all of our cryptocurrency in a combination of insured institutional custody services and multisignature multi signature cold storage wallets, and maintain secure backups to reduce the risk of malfeasance, but the risk of loss of our cryptocurrency assets cannot be wholly eliminated. Any restrictions on access to our hot wallet accounts due to cybercrime or other reasons could limit our ability to convert cryptocurrency to cash, potentially resulting in liquidity issues.

Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrency. As we increase in size, we may become a more appealing target of hackers, malware, cyber-attacks, or other security threats. Any of these events may adversely affect our operations and, consequently, our investments and profitability. The loss or destruction of a private key required to access our digital wallets may be irreversible and we may be denied access for all time to our cryptocurrency holdings or the holdings of others held in those compromised wallets. Our loss of access to our private keys or a data loss relating to our digital wallets could adversely affect our investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. To the extent such private keys are lost, destroyed, or otherwise compromised, we will be unable to access our cryptocurrency rewards and such private keys may not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store our cryptocurrency could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account.

Incorrect or fraudulent cryptocurrency transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrency transactions could adversely affect our investments and assets. Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the cryptocurrencies from the transaction. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a cryptocurrency or a theft thereof generally will not be reversible and we may not have sufficient recourse to recover our losses from any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Further, at this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen cryptocurrency. In the event of a loss, we would be reliant on existing private investigative entities to investigate any such loss of our cryptocurrency assets. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects, or operations of and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account.

Our interactions with a blockchain may expose us to specially designated nationals or blocked persons or cause us to violate provisions of law that did not contemplate distributed ledger technology.

The Office of Financial Assets Control of the U.S. Department of Treasury ("OFAC") requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals list. However, because of the pseudonymous nature of blockchain transactions, we may inadvertently and without our knowledge engage in transactions with persons named on OFAC's specially designated nationals list. Our policy prohibits any transactions with such specially designated national individuals, but we may not be adequately capable of determining

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the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Moreover, federal law prohibits any U.S. person from knowingly or unknowingly possessing any visual depiction commonly known as child pornography. Recent media reports have suggested that persons have embedded such depictions on one or more blockchains. Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such digital ledgers contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, we may be subject to investigation, administrative or court proceedings, and monetary fines and penalties, which could harm our reputation.

Cryptocurrencies face significant obstacles that can lead to high fees or slow transaction settlement times.

Cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling cryptocurrencies is essential to the widespread acceptance of cryptocurrencies as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many cryptocurrency networks face significant scaling challenges. For example, cryptocurrencies are limited with respect to how many transactions can occur per second. Participants in the cryptocurrency ecosystem debate potential approaches to increasing the average number of transactions per second that the network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single miner's or validator's block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of cryptocurrency transactions will be effective, or how long they will take to become effective, which could adversely affect our business.

The price of cryptocurrency may be affected by the sale of cryptocurrency by other vehicles investing in cryptocurrency or tracking cryptocurrency markets.

The mathematical protocols under which many cryptocurrencies are mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in cryptocurrency or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for a cryptocurrency, large redemptions of the securities of those vehicles and the subsequent sale of such cryptocurrency by such vehicles could negatively affect the price and value of the cryptocurrency inventory we hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptocurrency that we mine or otherwise acquire or hold for our own account.

Bitcoin is subject to halving, and our Bitcoin mining operations may generate less revenue as a result.

At mathematically predetermined intervals, the number of new Bitcoin awarded for solving a block is cut in half, which is referred to as "halving". The next halving for the Bitcoin blockchain is currently anticipated to occur in April 2024, at which time the block rewards for Bitcoin will halve from 6.25 to 3.125. While Bitcoin prices have historically increased around these halving events, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining rewards. If a corresponding and proportionate increase in the price of Bitcoin does not follow the upcoming or future halving events, the revenue we earn from our Bitcoin mining operations would see a decrease, which could have a material adverse effect on our results of operations and financial condition.

There are risks related to technological obsolescence, the vulnerability of the global supply chain to cryptocurrency hardware disruption, and difficulty in obtaining new hardware which may have a negative effect on our business.

Our mining operations can only be successful and ultimately profitable if the costs of mining cryptocurrency, including hardware and electricity costs, associated with mining cryptocurrency are lower than the price of cryptocurrency. As our mining facility operates, our miners experience ordinary wear and tear, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. The physical degradation of our miners will require us to, over time, replace those miners which are no longer functional. Additionally, as the technology evolves, we may be required to acquire newer models of miners to remain competitive in the market.

Also, because we expect to depreciate all new miners, our reported operating results will be negatively affected. Further, the global supply chain for cryptocurrency miners is presently heavily dependent on China. Should disruptions to the China-based global supply chain for cryptocurrency hardware occur, we may not be able to obtain adequate replacement parts for existing miners or to obtain additional miners from the manufacturer on a timely basis. Such events could have a material adverse effect on our ability to pursue our new strategy, which could have a material adverse effect on our business.

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We may not adequately respond to price fluctuations and rapidly changing technology, which may negatively affect our business.

Competitive conditions within the cryptocurrency industry require that we use sophisticated technology in the operation of our business. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. We may not be successful, generally or relative to our competitors in the cryptocurrency industry, in timely implementing new technology into our systems, or doing so in a cost-effective manner. As a result, our business and operations may suffer.

The reward for mining cryptocurrency in the future may decrease, and the value of cryptocurrency may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.

There is no guarantee that price fluctuations of cryptocurrencies will compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of a cryptocurrency or a proportionate decrease in mining difficulty does not follow the decrease in rewards, the revenue we earn from our cryptocurrency mining operations could see a corresponding decrease, which would have a material adverse effect on our business and operations.

The value of cryptocurrency may be subject to pricing risk and has historically been subject to wide swings.

Cryptocurrency market prices, which have historically been volatile and are impacted by a variety of factors (including those discussed below), are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory, or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of cryptocurrencies, inflating and making its market prices more volatile or creating “bubble” type risks for cryptocurrencies.

We may not be able to realize the benefits of forks. Forks in a digital asset network may occur in the future which may affect the value of cryptocurrency held by us.

To the extent that a significant majority of users and miners on a cryptocurrency network install software that changes the cryptocurrency network or properties of a cryptocurrency, including the irreversibility of transactions and limitations on the mining of new cryptocurrency, the cryptocurrency network would be subject to new protocols and software. However, if less than a significant majority of users and miners on the cryptocurrency network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the cryptocurrency running in parallel, yet lacking interchangeability and necessitating exchange-type transactions to convert currencies between the two forks. A fork in a cryptocurrency could adversely affect our business.

We may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect our business. If we hold a cryptocurrency at the time of a hard fork into two cryptocurrencies, industry standards would dictate that we would be expected to hold an equivalent amount of the old and new assets following the fork. However, we may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. Additionally, laws, regulations or other factors may prevent us from benefiting from the new asset.

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If a malicious actor or botnet obtains control in excess of 50% of the processing power active on any cryptocurrency network, it is possible that such actor or botnet could manipulate the blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on any digital asset network it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude, or modify the ordering of transactions, though it could not generate new digital assets or transactions using such control. Using alternate blocks, the malicious actor could “double-spend” its own digital assets (i.e., spend the same digital assets in more than one transaction) and prevent the confirmation of other users’ transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power or the digital asset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in us.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of digital asset transactions. To the extent that the digital assets ecosystems do not act to ensure greater decentralization of digital asset mining processing power, the feasibility of a malicious actor obtaining in excess of more than 50% of the processing power on any digital asset network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact an investment in us.

Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.

As with any computer code generally, flaws in cryptocurrency codes may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users’ information. Exploitation of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite our efforts and processes to prevent breaches, our devices, as well as our miners, computer systems and those of third parties that we use in our operations, are vulnerable to cybersecurity risks, including cyberattacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our miners and computer systems or those of third parties that we use in our operations. Such events could have a material adverse effect our business, prospects, or operations and potentially the value of any Bitcoin that we mine or otherwise acquire or hold for our own account.

Our sponsorship

Malicious cyber-attacks, attempted cybersecurity breaches, and other adverse events affecting our operational systems or infrastructure, or those of third parties, could disrupt our businesses and investments cause losses.

Despite defensive measures we have taken to protect, detect, respond and recover from cyber threats, we experience cybersecurity threats and incidents from time to time, and it is possible that such defensive measures will be unsuccessful in mitigating a special purpose acquisition company (“SPAC”) cybersecurity event. These events may expose us arise from external factors such as governments, organized crime, hackers, and other third parties such as infrastructure-support providers and application developers, or may originate internally from an employee or service provider to whom we have granted access to our funds computer systems. If our security measures are breached, our business would suffer and we could incur material liability. Because techniques used to increased risks obtain unauthorized access or to sabotage computer systems change frequently and liabilities. generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures.

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We sponsor, also face the risk of operational disruption, failure or capacity constraints of any of the third-party service providers that facilitate our business activities. In addition, the acquisition increased flexibility for our employees to work remotely post-Pandemic has amplified certain risks related to, among other things, the increased demand on our information technology resources and systems, the increased risk of a company by a SPAC. A SPAC is a special purpose vehicle formed for phishing and other cybersecurity attacks, and the purpose of raising capital to eventually acquire or merge with an existing business, which results in the existing business becoming the operating business of a public company in an alternative to the traditional initial public offering process. There are a increased number of risks associated with sponsoring points of possible attack, such as laptops and mobile devices (both of which are now being used in increased numbers), to be secured.

Our remediation costs and lost revenues could be significant if we fall victim to a SPAC, including:

- since a SPAC is raised without a specifically identified acquisition target, it may never, cyber-attack. If an actual, threatened or only after an extended period perceived breach of time, our security occurs, the market perception of the effectiveness of our security measures could be able to find and execute a suitable business combination, during which period the sponsor capital invested in or committed to the SPAC will not be available for other uses;
- our investments in a SPAC as its sponsor harmed. We may be entirely lost if required to expend significant resources to repair system damage, pay a ransom, protect against the SPAC does not execute a business combination during the finite permitted time period;threat of future security breaches or to alleviate problems caused by any breaches.

- a SPAC incurs substantial fees, costs and expenses related to their initial public offerings, being public companies and pursuing business combinations (in some cases, regardless of whether, or when, the SPAC ultimately consummates a transaction);

- the use of a SPAC as an investment tool has recently become more widespread, and there remains substantial uncertainty regarding the viability of SPAC investing on a large scale, the supply of desirable transactions relative to the pace at which SPACs are currently being formed, potential litigation risks associated with transactions executed by a SPAC and whether regulatory, tax or other authorities will implement additional or adverse policies relating to, or initiate enforcement actions targeting, a SPAC and SPAC investing; and
- we expect regulatory scrutiny of and enforcement activities directed toward SPACs and other blank check companies to increase. Any losses relating to these developments could have a material adverse effect on our results of operations, financial condition and cash flow, as well as our reputation.

If the SPAC that we sponsor does not complete an initial business combination, our entire investment may be lost (other than with respect to public shares we may acquire in the SPAC).

As part of our sponsorship of a SPAC, we purchased certain private placement warrants and founder shares of such SPAC at the closing of the SPAC's initial public offering. The private placement warrants and the founder shares, and any additional securities we purchase in the SPAC, will be worthless if the SPAC does not complete an initial business combination. The personal and financial interests of our officers and directors may influence their motivation in identifying and selecting a target business combination, completing an initial business combination and influencing the operation of the business following the initial business combination. In addition, we have made working capital and extension loans directly to the SPAC, which are unlikely to be repaid if the SPAC does not complete an initial business combination. While our SPAC has identified a target and has entered into definitive agreements as such, there is no guarantee that it will close.

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Our cash and other sources of liquidity may not be sufficient to fund our operations beyond and there is substantial doubt about the next Company's ability to continue as a going concern within 12 months. We months from the date of issuance of the financial statements and we may not be successful in raising additional capital necessary to meet expected increases in working capital needs. If needs and if we raise additional funding through sales of equity or equity-based securities, your shares will be diluted. If we need additional funding for operations and we are unable to raise it, we may be forced to liquidate assets and/or curtail or cease operationsor seek bankruptcy protection or be subject to an involuntary bankruptcy petition.

Management has projected that based on our hashing rate at December 31, 2023, cash on hand may not be sufficient to allow us the Company to continue operations beyond and there is substantial doubt about the next Company's ability to continue as a going concern within 12 months based on our hashing rate at December 31, 2022, from the date of issuance of the financial statements if we are unable to raise additional funding for operations. We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our then current business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at a reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders and any debt financing, if available, may require restrictions to be placed on our future financing and operating activities. If we require additional capital and are unsuccessful in raising that capital at a reasonable cost and at the required times, or at all, we may not be able to continue our business operations in the cryptocurrency mining industry or we may be unable to advance our growth initiatives, either of which could adversely impact our business, financial condition and results of operations.

Significant changes from our current forecasts, including but not limited to: (i) shortfalls from projected sales mining earning levels; (ii) increases in operating costs; (iii) fluctuations in the value of cryptocurrency; (iii) unexpected increases in product costs; and (iv) increases in operating costs; and (v) inability to maintain compliance with the requirements of the NASDAQ Capital Market and/or inability to maintain listing with the NASDAQ Capital Market could have a material adverse impact on our ability to access the level of funding necessary to continue our operations at current levels. If any of these events occurs or we are unable to generate sufficient cash from operations or financing sources, we may be forced to liquidate assets where possible and/or curtail, suspend or cease planned programs or operations generally or seek bankruptcy protection or be subject to an involuntary bankruptcy petition, any of, which would have a material adverse effect on our business, results of operations, financial position and liquidity.

These factors, among others, raise indicate there is substantial doubt that we will be able about our ability to continue as a going concern. concern within 12 months from the date of issuance of the financial statements. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction

of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of this uncertainty.

We urge you to review the additional information about our liquidity and capital resources in *Item 7."Management's discussion and Analysis of Financial Condition and Results of Operations"* section of this report. If our business ceases to continue as a going concern due to lack of available capital or otherwise, it could have a material adverse effect on our business, results of operations, financial position, and liquidity. See "

A cybersecurity breach into our products could adversely affect our ability to conduct our business, harm our reputation, expose us to significant liability or otherwise damage our financial results.

We have in the past,*Item 7. Management's discussion and expect in the future to be, subject to attempted cybersecurity attacks. A cybersecurity breach could negatively affect our reputation as a trusted provider Analysis of storage, Financial Condition and data protection products by adversely impacting the market's perception Results of the security of our products and services. Many of our customers and partners store sensitive data on our products, and a cybersecurity breach related to our products could harm our reputation and potentially expose us to significant liability.*

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We also maintain sensitive data related to our employees, partners and customers, including intellectual property, proprietary business information and personally identifiable information on our own systems. We employ sophisticated security measures; however, we may face threats across our infrastructure including unauthorized access, security breaches and other system disruptions.

It is critical to our business that our employees', partners' and customers' sensitive information remains secure, and that our customers perceive that this information is secure. A cybersecurity breach could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach could expose us to litigation, indemnity obligations, government investigations and other possible liabilities. Additionally, a cyber-attack, whether actual or perceived, could result in negative publicity which could harm our reputation and reduce our customers' confidence in the effectiveness of our solutions, which could materially and adversely affect our business and results of operations. A breach of our security systems could also expose us to increased costs including remediation costs, disruption of operations or increased cybersecurity protection costs that may have a material adverse effect on our business. Although we maintain technology errors and omissions liability insurance, our insurance may not cover potential claims of these types or may not be adequate to indemnify us for liability that may be imposed. Any imposition of liability or litigation costs that are not covered by insurance or that are in excess of our insurance coverage could harm our business. Operations".

We have a history of net losses. We may not achieve or maintain profitability.

We have limited non-recurring revenues derived from operations. We have a history of net losses, and we expect to continue to incur net losses and we may not achieve or maintain profitability. We may see continued losses during 2023 2024 and as a result of these and other factors, we may not be able to achieve, sustain or increase profitability in the near future.

We are subject to many risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, technology, and market acceptance issues. There is no assurance that we will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering our stage of operations.

Our plans for growth of our service and product segment will place demands upon our resources. If we are unsuccessful in achieving our plan for growth, our business could be harmed.

We are pursuing a plan to grow our market for our services and products domestically. The plan will place demands upon managerial, financial, and human resources. Our ability to manage future growth will depend in large part upon several factors, including our ability to rapidly:

- maintain a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of our services and products;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- maintain support capacity for end-users as sales increase, so that we can provide post-sales support without diverting resources from product development efforts; and
- expand our internal management and financial controls significantly, so that we can maintain control over our operations and provide support to other functional areas as the number of personnel and size increases.

Our inability to achieve any of these objectives could harm our business, financial condition and results of operations.

Our market is competitive and dynamic. New competing products and services could be introduced at any time that could result in reduced profit margins and loss of market share.

The technology industry is very dynamic, with new technology and services being introduced by a range of players, from larger established companies to start-ups, on a frequent basis. Our competitors may announce new products, services, or enhancements that better meet the needs of end-users or changing industry standards. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition and results of operations.

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Our success depends on our ability to anticipate technological changes and develop new and enhanced products.

The markets for our products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can negatively impact the marketability of our existing products and can exert price pressures on existing products. It is critical to our success that we are able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop, introduce, manufacture and achieve market acceptance of new, enhanced and competitive products on a timely basis and cost-effective basis. We invest resources towards continued innovation; however, there can be no assurance that we will successfully develop new products or enhance and improve our existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not negatively impact us. Our inability to develop products that are competitive in technology and price and that meet end-user needs could have a material adverse effect on our business, financial condition or results of operations.

Development schedules for technology products are inherently uncertain. We may not meet our product development schedules, and development costs could exceed budgeted amounts. Our business, results of operations, financial position and liquidity may be materially and adversely affected if the products or product enhancements that we develop are delayed or not delivered due to developmental problems, quality issues or component shortage problems, or if our products or product enhancements do not achieve market acceptance or are unreliable. We or our competitors will continue to introduce products embodying new technologies, such as new sequential or random-access mass storage devices. In addition, new industry standards may emerge. Such events could render our existing products obsolete or not marketable, which would have a material adverse effect on our business, results of operations, financial position and liquidity.

The failure to attract, hire, retain and motivate key personnel could have a significant adverse impact on our operations.

Our success depends on the retention and maintenance of key personnel, including members of senior management and our technical, sales and marketing teams. management. Achieving this objective may be difficult due to many factors, including competition for such highly skilled personnel; fluctuations in global economic and industry conditions; changes in our management or leadership; competitors' hiring practices; and the effectiveness of our compensation programs. The loss of any of these key persons could have a material adverse effect on our business, financial condition or results of operations.

Our success is also dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified management technical, sales, marketing and finance personnel. Any such new hire may require a significant transition period prior to making a meaningful contribution. Competition for qualified employees is particularly intense in the technology industry, and we have in the past experienced difficulty recruiting qualified employees. Our failure to attract and to retain the necessary qualified personnel could seriously harm our operating results and financial condition. Competition for such personnel can be intense, and no assurance can be provided that we will be able to attract or retain highly qualified technical and managerial personnel in the future, which may have a material adverse effect on our future growth and profitability. We do not have key person insurance.

Our financial results may fluctuate substantially for many reasons, and past results should not be relied on as indications of future performance.

Our revenues and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including, but not limited to:

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- competitive conditions in the industry, including strategic initiatives by us or our competitors, new products or services, product or service announcements and changes in pricing policy by us or our competitors;
- varying size, timing and contractual terms of orders for our products, which may delay the recognition of revenue;
- our ability to maintain existing relationships and to create new relationships with channel partners;
- the discretionary nature of purchase and budget cycles of our customers and end-users;
- the length and variability of the sales cycles for our products;
- general weakening of the economy resulting in a decrease in the overall demand for our products and services or otherwise affecting the capital investment levels of businesses with respect to our products or services;
- increases in the cost of, or limitations on, the availability of materials; and
- changes in product mix.

Further, the markets that we serve are subject to market shifts that we may be unable to anticipate. A slowdown in the demand for workstations, mid-range computer systems, networks and servers could have a significant adverse effect on the demand for our products in any given period. In the past, we have experienced delays in the receipt of purchase orders and, on occasion, anticipated purchase orders have been rescheduled or have not materialized due to changes in customer requirements. Our customers may cancel or delay purchase orders for a variety of reasons, including, but not limited to, the rescheduling of new product introductions, changes in our customers' inventory practices or forecasted demand, general economic conditions affecting our customers' markets, changes in our pricing or the pricing of our competitors, new product announcements by us or others, quality or reliability problems related to our products, or selection of competitive products as alternate sources of supply.

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factors. Thus, there can be no assurance that we will be able to reach profitability on a quarterly or annual basis. We believe that our revenue and operating results will continue to fluctuate, and that period-to-period comparisons are not necessarily indications of future performance. Our revenue and operating results may fail to meet the expectations of public market analysts or investors, which could have a material adverse effect on the price of our common shares. In addition, portions of our expenses are fixed and difficult to reduce if our revenues do not meet our expectations. These fixed expenses magnify the adverse effect of any revenue shortfall.

Our plans for implementing our business strategy and achieving profitability are based upon the experience, judgment and assumptions of our key management personnel, and available information concerning the communications and technology industries. If management's assumptions prove to be incorrect, it could have a material adverse effect on our business, financial condition, or results of operations.

We rely on indirect sales channels to market and sell our branded products. Therefore, the loss of, or deterioration in, our relationship with one or more of our distributors or resellers could negatively affect our operating results.

We have relationships with third party resellers, system integrators and enterprise application providers that facilitate our ability to sell and implement our products. These business relationships are important to extend the geographic reach and customer penetration of our sales force and ensure that our products are compatible with customer network infrastructures and with third party products.

We believe that our success depends, in part, on our ability to develop and maintain strategic relationships with resellers, independent software vendors, system integrators, and enterprise application providers. Should any of these third parties go out of business, or choose not

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to work with us, we may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. Any of these third parties may develop relationships with other companies, including those that develop and sell products that compete with ours. We could lose sales opportunities if we fail to work effectively with these parties or they choose not to work with us. Most of our distributors and resellers also carry competing product lines that they may promote over our products. A distributor or reseller might not continue to purchase our products or market them effectively, and each determines the type and amount of our products that it will purchase from us and the pricing of the products that it sells to end user customers. Further, the long-term success of any of our distributors or resellers is difficult to predict, and we have no purchase commitments or long-term orders from any of them to assure us of any baseline sales through these channels.

Therefore, the loss of, or deterioration in, our relationship with one or more of our distributors or resellers could negatively affect our operating results. Our operating results could also be adversely affected by a number of factors, including, but not limited to:

- a change in competitive strategy that adversely affects a distributor's or reseller's willingness or ability to stock and distribute our products;
- the reduction, delay or cancellation of orders or the return of a significant amount of our products;
- the loss of one or more of our distributors or resellers; and
- any financial difficulties of our distributors or resellers that result in their inability to pay amounts owed to us.

We are subject to laws, regulations and similar requirements, changes to which may adversely affect our business and operations.

We are subject to laws, regulations and similar requirements that affect our business and operations, including, but not limited to, the areas of commerce, intellectual property, income and other taxes, labor, environmental, health and safety, and our compliance in these areas may be costly. While we have implemented policies and procedures to comply with laws and regulations, there can be no assurance that our employees, contractors, suppliers or agents will not violate such laws and regulations or our policies. Any such violation or alleged violation could materially and adversely affect our business. Any changes or potential changes to laws, regulations or similar requirements, or our ability to respond to these changes, may significantly increase our costs to maintain compliance or result in our decision to limit our business or products, which could materially harm our business, results of operations and future prospects.

We have made a number of acquisitions in the past and we may make acquisitions in the future. Our ability to identify complementary assets, products or businesses for acquisition and successfully integrate them could affect our business, financial condition and operating results.

In the future, we may continue to pursue acquisitions of assets, products, or businesses that we believe are complementary to our existing business and/or to enhance our market position or expand our product portfolio. There is a risk that we will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into our operations. We are likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to our ongoing business;
- failure to retain key acquired personnel;

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- failure to obtain required regulatory approvals;
- difficulties in integrating acquired operations, technologies, products, or personnel;
- unanticipated expenses, events, or circumstances;
- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If we do not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on our business, results of operations and financial condition. Further, our success will depend, in part, on the extent to which we are able to integrate acquired companies (and any additional businesses with which we may combine in the future) into a cohesive, efficient enterprise. This integration process may entail significant costs and delays. Our failure to integrate the operations of companies successfully could adversely affect our business, financial condition, results of operations and prospects. To the extent that any acquisition results in additional goodwill, it will reduce our tangible net worth, which might adversely affect our business, financial condition, results of operations and prospects, as well as our credit capacity and if we proceed with an acquisition, our available cash may be used to complete the transaction, diminishing our liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

We have implemented cost reduction efforts; however, these efforts may need to be modified, and if we need to implement additional cost reduction efforts it could materially harm our business.

We have implemented certain cost reduction efforts. There can be no assurance that these cost reduction efforts will be successful. As a result, we may need to implement further cost reduction efforts across our operations, such as further reductions in the cost of our workforce and/or suspending or curtailing planned programs, either of which could materially harm our business, results of operations and future prospects.

Risks Related to Intellectual Property

Our ability to compete depends in part on our ability to protect our intellectual property rights.

Our success depends in part on our ability to protect our rights in our intellectual property. We rely on various intellectual property protections, including copyright, trade-mark and trade secret laws and contractual provisions, to preserve our intellectual property rights. We have filed a number of patent applications and have historically protected our intellectual property through trade secrets and copyrights. As our technology is evolving and rapidly changing, current intellectual property rights may not adequately protect us.

Intellectual property rights may not prevent competitors from developing products that are substantially equivalent or superior to our products. Competitors may independently develop similar products, duplicate our products or, if patents are issued to us, design around these patents. To the extent that we have or obtain patents, such patents may not afford meaningful protection for our technology and products. Others may challenge our patents and, as a result, our patents could be narrowed, invalidated or declared unenforceable. The patents that are material to our business began expiring in November 2015. In addition, our current or future patent applications may not result in the issuance of patents in the U.S. or foreign countries.

Although we believe we have a proprietary platform for our technologies and products, we may in the future become subject to claims for infringement of intellectual property rights owned by others. Further, to protect our own intellectual property rights, we may in the future bring claims for infringement against others.

Our commercial success depends, in part, upon not infringing intellectual property rights owned by others. Although we believe that we have a proprietary platform for our technologies and products, we cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require us to alter our technology, obtain licenses or cease certain activities. We may become subject to claims by third parties that our technology infringes their intellectual property rights. While we provide our customers with a qualified indemnity against the infringement of third party intellectual property rights, we may become subject to these claims either directly or through indemnities against these claims that we routinely provide to our end-users and channel partners.

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Further, our customers may use our products in ways that may infringe the intellectual property rights of third parties and/or require a license from third parties. Although our customers are contractually obligated to use our products only in a manner that does not infringe third party intellectual property rights, we cannot guarantee that such third parties will not seek remedies against us for providing products that may enable our customers to infringe the intellectual property rights of others.

In addition, we may receive in the future, claims from third parties asserting infringement, claims based on indemnities provided by us, and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary or other rights, or to establish our proprietary or other rights. Furthermore, despite precautions, it may be possible for third parties to obtain and use our intellectual property without our authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the U.S. To protect our intellectual property, we may become involved in litigation. In addition, other companies may initiate similar proceedings against us. The patent position of information technology firms is highly uncertain, involves complex legal and factual questions, and continues to be the subject of much litigation. No consistent policy has emerged from the U.S. Patent and Trademark Office or the courts regarding the breadth of claims allowed or the degree of protection afforded under information technology patents.

Risks Related to Our Public Company Status and Our Common Shares

Sales of common shares issuable upon exercise of outstanding warrants, the conversion of outstanding preferred shares, or the effectiveness of our registration statement may cause the market price of our common shares to decline. Currently outstanding preferred shares could adversely affect the rights of the holders of common shares.

On October 1, 2021, we filed articles of amendment to create a series of preferred shares, being, an unlimited number of Series H Preferred Shares and to provide for the rights, privileges, restrictions, and conditions attaching thereto. Pursuant to the articles of amendment governing the rights and preferences of outstanding shares of Series H Preferred Shares, each holder of the Series H Preferred Shares, may, subject to prior shareholder approval, convert all or any part of the Series H Preferred Shares provided that after such conversion the common shares issuable, together with all the common shares held by the shareholder in the aggregate would not exceed 9.99% of the total number of our outstanding common shares. The Series H Preferred Shares are non-voting and do not accrue dividends.

As of December 31, 2022 December 31, 2023, we had in the aggregate 60,000 43,515 Series H Preferred Shares outstanding. The conversion of the outstanding Preferred Shares will result in substantial dilution to our common shareholders. Pursuant to our articles of amalgamation, our Board of Directors has the authority to fix and determine the voting rights, rights of redemption and other rights and preferences of preferred stock. The Modified Hertford Agreement also provides for certain resale restrictions applicable to the common shares that are issuable upon the conversion of the remaining Series H Preferred Shares during the two-year period ending on December 31, 2024, which are different from the restrictions contained in the Hertford Agreement, as well, commencing January 1, 2023 and terminating on December 31, 2023, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 3.0% of the aggregate number of Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such converted common shares within such month. Commencing January 1, 2024 and terminating on December 31, 2024, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 10.0% of the aggregate number of Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such converted common shares within such month.

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On October 1, 2021, we filed articles of amendment to create a series of preferred shares, being, an unlimited number of Series H Preferred Shares and to provide for the rights, privileges, restrictions and conditions attaching thereto. Pursuant to the articles of amendment governing the rights and preferences of outstanding shares of Series H Preferred Shares, each holder of the Series H Preferred Shares, may, subject to prior shareholder approval, convert all or any part of the Series H Preferred Shares provided that after such conversion the common shares issuable, together with all the common shares held by the shareholder in the aggregate would not exceed 9.99% of the total number of our outstanding common shares. Each Series H Preferred Share has a stated value of $1,000 and is convertible into our common shares at a conversion rate equal to one Series H Preferred Share for 1,000 of our common shares. The Series H Preferred Shares are non-voting and do not accrue dividends.

Additionally, as of December 31, 2022 December 31, 2023 we had warrants outstanding for the purchase of up to 19,783,538 5,842,354 common shares having a weighted-average exercise price of $8.03 $28.50 per share. The sale of our common shares upon exercise of our outstanding warrants, the conversion of the Preferred Shares into common shares, or the sale of a significant amount of the common shares issued or issuable upon exercise of the warrants in the open market, or the perception that these sales may occur, could cause the market price of our common shares to decline or become highly volatile.

We may issue additional shares or other equity securities without your approval, which would dilute your ownership interest in us and may depress the market price of our common shares.

We may issue additional shares or other equity securities in the future in connection with, among other things, future acquisitions, repayment of outstanding indebtedness or grants without shareholder approval in a number of circumstances. The issuance of additional shares or other equity securities could have one or more of the following effects:

- our existing shareholders' proportionate ownership interest will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share may be diminished; and
- the market price of our common shares may decline.

The market price of our common shares is volatile and it may become worthless. decline significantly.

The market price for our common shares may be is volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- price and volume fluctuations in the overall stock market, the crypto asset market, and of bitcoin Bitcoin mining stocks from time to time;
- future capital raising activities;
- sales of common shares by holders thereof or by us;
- changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- market acceptance of our products and technologies;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;

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- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to us and our business;
- any significant change in our executive officers and other key personnel or Board of Directors;
- release of transfer restrictions on certain outstanding common shares; and
- fluctuating or anticipated changes in power markets.

Financial markets may experience price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if our operating results, underlying asset values or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of our governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in our common shares by those institutions, which could adversely affect the trading price of our common shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be a target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention from day-to-day operations and consume resources, such as cash. In addition, the resolution of those matters may require us to issue additional common shares, which could potentially result in dilution to our existing shareholders. Expenses incurred in connection with these matters (which include fees of lawyers and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions) could adversely affect our cash position.

If our performance does not meet market expectations, the price of our common shares may decline.

If our performance does not meet market expectations, the price of our common shares may decline. The market value of our common shares may vary significantly from the price of our common shares on the date of this Annual Report.

In addition, fluctuations in the price of our common shares could contribute to the loss of all or part of your investment. Any of the factors listed below could have a material adverse effect on your investment in our common shares and our common shares may trade at prices significantly below the price you paid for them. Factors affecting the trading price of our common shares may include:

- actual or anticipated fluctuations in our financial results or the financial results of companies perceived to be similar to it;
- changes in the market's expectations about our operating results;
- success of competitors;
- our operating results failing to meet market expectations in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us;
- operating and share price performance of other companies that investors deem comparable to us;
- our ability to market new and enhanced products on a timely basis;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- the volume of our shares available for public sale;

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- any significant change in our board or management;

- sales of substantial amounts of shares by our directors, executive officers or significant shareholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may depress the market price of our common shares irrespective of our operating performance. The stock market in general and Nasdaq have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for technology, bitcoin Bitcoin mining or sustainability-related stocks or the stocks of other companies that investors perceive to be similar to us could depress our share price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our common shares also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

We may be subject to securities litigation, which is expensive and could divert management attention.

Our share price may be volatile and, in the past, companies that have experienced volatility in the market price of their shares have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Any adverse determination in litigation could also subject us to significant liabilities.

We will continue to incur substantial costs and obligations as a result of being a public company.

As a publicly-traded company, we will continue to incur significant legal, accounting, and other expenses. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure for public companies, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), regulations related thereto and the rules and regulations of the United States Securities and Exchange Commission ("SEC") and Nasdaq, have increased the costs and the time that must be devoted to compliance matters. We expect these rules and regulations will increase our legal and financial costs and lead to a diversion of management time and attention from revenue-generating activities.

We must comply with the financial reporting requirements of a public company, as well as other requirements associated with being listed on NASDAQ. Nasdaq.

We are subject to reporting and other obligations under applicable Canadian securities laws, SEC rules and the rules of the NASDAQ Capital Market. These reporting and other obligations, including National Instrument 52-102 - Continuous Disclosure Obligations and National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, place significant demands on our management, administrative, operational, and accounting resources. Moreover, any failure to maintain effective internal controls could cause us to fail to meet our reporting obligations or result in material misstatements in our consolidated financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially harmed, which could also cause investors to lose confidence in our reported financial information, which could result in a lower trading price of our common shares.

Management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error, or fraud may occur and not be detected.

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We may be treated as a Passive Foreign Investment Company.

There is also an ongoing risk that we may be treated as a Passive Foreign Investment Company ("PFIC"), for U.S. federal income tax purposes. A non-U.S. corporation generally will be considered to be a PFIC for any taxable year in which 75% or more of its gross income is passive income, or 50% or more of the average value of its assets are considered "passive assets" (generally, assets that generate passive income). This determination is highly factual, and will depend upon, among other things, our market valuation and future financial performance. Based on current business plans and financial expectations, we expect that do not believe we will not be were a PFIC for our tax years year ended December 31, 2022 and 2021, December 31, 2023, and based on current business plans and financial expectations, we expect that we will not be a PFIC for our current tax year ending December 31, 2023 December 31, 2024 or for the foreseeable future. If we were to be classified as a PFIC for any future taxable year, holders of our common shares who are U.S. taxpayers would be subject to adverse U.S. federal income tax consequences.

Certain of our directors, officers and management could be in a position of conflict of interest.

Certain of our directors, officers and members of management may also serve as directors and/or officers of other companies. We may contract with such directors, officers, members of management and such other companies or with affiliated parties or other companies in which such directors, officers, or members of management own or control. These persons may obtain compensation and other benefits in transactions relating to us. Consequently, there exists the possibility for such directors, officers, and members of management to be in a position of conflict.

Future sales of common shares by directors, officers and other shareholders could adversely affect the prevailing market price for common shares.

Subject to compliance with applicable securities laws, officers, directors and other shareholders and their respective affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by our officers, directors and other shareholders and their respective affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares.

We may issue an unlimited number of common shares. Future sales of common shares will dilute your shares.

Our articles permit the issuance of an unlimited number of common shares, and shareholders will have no preemptive rights in connection with such further issuances. Our directors have the discretion to determine the price and the terms of issue of further issuances of common shares in accordance with applicable laws.

Item 1B. Unresolved Staff Comments

None. Not applicable.

Item 1C. Cybersecurity

We understand the importance of preventing, assessing, identifying, and managing material risks associated with cybersecurity threats. Cybersecurity processes to assess, identify and manage risks from cybersecurity threats have been incorporated as a part of our overall risk assessment process and have been embedded in our operating procedures, internal controls and information systems. We have engaged a

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third-party vendor to provide a variety of cybersecurity services ranging from ongoing security advisory services to cybersecurity monitoring and response management.

We use a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of our systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems. For third parties that we rely upon for certain IT systems, we seek to use only reputable providers, to use the most recently reliable versions of such systems, and monitor and address alerts for potential vulnerabilities to any such systems. We do not believe that risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected us, including our business strategy, results of operations or financial condition.

Our Board of Directors oversees management's processes for identifying and mitigating risks, including cybersecurity risks, to help align our risk exposure with our strategic objectives. Our Chief Executive Officer is responsible for assessing and managing cybersecurity risks, responding to any cybersecurity incidents and reporting any such incidents to our Board of Directors, and periodically briefs our Board of Directors on our cybersecurity and information security posture and on any cybersecurity incidents deemed to have a moderate or higher business impact. In the event of a material cybersecurity incident, our cybersecurity consultant has extensive information technology and program management experience. We believe that we have implemented a governance structure and processes that are equipped to assess, identify, manage and report cybersecurity risks. Refer to "Item 1A. Risk Factors" for a discussion of certain of the cybersecurity risks that our business is subject to. As a smaller reporting company, with respect to compliance with Form 8-K incident disclosure requirements, we are required to comply with the reporting requirements beginning June 15, 2024.

Item 2. Properties

In January 2022, We are a remote-first company, meaning that for the vast majority of roles, our employees have the option to work remotely. As a result of this strategy, we entered into do not maintain a lease agreement corporate headquarters. We believe that our remote working strategy is adequate to meet our needs for administrative offices the immediate future, and research facilities located in Waxahachie, Texas (the "Waxahachie Lease") for approximately 3,600 square feet and a term of five years. Occupancy was established that, should we need physical office space, suitable space will be available in the fourth quarter of 2022.

In July 2022, we entered into a lease agreement for administrative offices located in Greenwich, Connecticut (the "Greenwich Lease") for approximately 4,200 square feet. The Greenwich Lease began July 11, 2022, has a term of 12 months, without a renewal option.

We believe our facilities are adequate for our current and near-term needs. future.

Item 3. Legal Proceedings

None.For a discussion of our legal proceedings, see Note 15. *Commitments and Contingencies* to our Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the NASDAQ Capital Market under the symbol "ANY". As of March 22, 2023 March 4, 2024, we had approximately 36 37 shareholders of record and beneficial owners of our common shares.

Dividends

We have not declared or paid any dividends on our common shares to date. Our current intention is to retain any future earnings to support the development of the business of Sphere 3D and we do not anticipate paying cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Board of Directors of Sphere 3D after taking into account various factors, including but not limited to the financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that Sphere 3D may be a

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party to at the time. Accordingly, investors must rely on sales of their Sphere 3D common shares after price appreciation, which may never occur, as the only way to realize a return on their investment.

Recent Sales of Unregistered Securities

Not applicable. None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in the Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially from those referred to herein due to a number of factors, including but not limited to risks described in *Part I, Item 1A. Risks Factors*, and elsewhere in this Annual Report. References to “Notes” are Notes included in our Notes to Consolidated Financial Statements.

Share Consolidation

On June 28, 2023, we filed Articles of Amendment to effect a share consolidation (also known as a reverse stock split) of our issued and outstanding common shares on a 1-for-7 basis. The share consolidation became effective on June 28, 2023. All share and per share amounts have been restated for all periods presented to reflect the share consolidation.

Overview

In January 2022, we commenced operations of our digital mining operation business and are dedicated to becoming a leading carbon-neutral Bitcoin mining company. leader in the Blockchain and Crypto Industry. We are establishing have established and continue to grow an enterprise-scale mining operation through the procurement of next-generation mining equipment and partnering with experienced service providers. In addition to digital mining, through December 28, 2023, we deliver delivered data management and desktop and application virtualization solutions through hybrid cloud, cloud and on premise implementations by its reseller network. We achieve achieved this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. Our products allow organizations On December 28, 2023, we sold our service and product segment which included HVE ConneXions and Unified ConneXions.

We owned approximately 13,530 miners as of December 31, 2023, of which approximately 12,800 were in service. We do not have scheduled downtime for our miners. We periodically perform both scheduled and unscheduled maintenance on our miners, but such downtime has not historically been significant. Depending on the type of repair, the miner may run at a reduced speed or be taken offline. We use multiple software programs to deploy monitor the performance of our machines. The miners owned as of December 31, 2023 have a combination range of public, private energy efficiency (joules per terahash – “J/th”) of 21.5 to 38 J/th with an average energy efficiency of 28.4 J/th. The miner efficiency is an indication of how efficient we can earn Bitcoin and minimize cost to run the miner.

We obtain Bitcoin as a result of our mining operations, and we sell Bitcoin from time to time, to support our operations and strategic growth. We do not currently plan to engage in regular trading of Bitcoin (other than as necessary to convert our Bitcoin into U.S. dollars) or to engage in hedging activities related to our holding of Bitcoin; however, our decisions to hold or sell Bitcoin at any given time may be impacted by the Bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell Bitcoin that we hold, or the number of Bitcoins we will sell. Rather, decisions to hold or sell Bitcoins are currently determined by management by analyzing forecasts and monitoring the market in real time. We have a hybrid cloud strategies while backing them up with treasury strategy to hold Bitcoin when possible, and sell at peaks or sell to fund working capital requirements.

As of December 31, 2023, we held approximately 23.8 Bitcoin. The carrying value of our Bitcoin as of December 31, 2023 was $1.0 million on our consolidated balance sheet. We account for our Bitcoin as indefinite-lived intangible assets, which are subject to impairment losses if the latest storage solutions. fair value of our Bitcoin decreases below their carrying value at any time since their acquisition. Impairment losses cannot be recovered for any subsequent increase in fair value. The carrying value of each Bitcoin we held at the end of each reporting period reflects the lowest price of one Bitcoin quoted on the active exchange at any time since its acquisition. Therefore, negative swings in the market price of Bitcoin could have a material impact on our earnings and on the carrying value of our Bitcoin.

2022 and Recent Key Events

- On January 16, 2024 we reached a settlement agreement (the “Settlement Agreement”) with Core Scientific Inc., which was approved by a United States Bankruptcy Judge on January 16, 2024 as part of Core Scientific’s emergence from bankruptcy, for $10.0 million of

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Core Scientific's equity. The Settlement Agreement includes access to potential additional funds for interest as well as an additional equity pool if the value of Core Scientific's equity decreases in the 18 months after the date of the Settlement Agreement commensurate with the other unsecured creditors. On January 23, 2024, we received 2,050,982 common shares of Core Scientific Inc. trading under the Nasdaq symbol CORZ.

- In the first quarter January 2024, we granted 1,114,942 RSUs with a fair value of 2023, $2.2 million and vesting periods of up to two years and 246,150 options with a fair value of $0.5 million and a vesting period of 11 months.
- Subsequent to December 31, 2023, pursuant to the Modified Hertford Agreement, we issued 5,239,000 2,422,710 common shares for the conversion of 5,239 16,959 Series H Preferred Shares.
- In the first quarter of 2023, we sold 2,066 miners for cash proceeds of $3.1 million.
- On November 29, 2022, MEOA held a special meeting of stockholders (the "MEOA Meeting"). At the MEOA Meeting, MEOA's stockholders approved an Extension Amendment to MEOA's amended and restated certificate of incorporation to extend the date by which MEOA must consummate its initial business combination from November 30, 2022 to May 30, 2023, or such earlier date as determined by MEOA's board of directors. In connection with the MEOA Meeting, the holders of MEOA's shares of its Class A common stock exercised their right to redeem such shares for a pro rata portion of the funds in the trust account. After giving effect to the redemption MEOA's public shares, on November 30, 2022, the Company owned a controlling

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interest of MEOA and since such time MEOA has been recorded on a consolidated basis.

- On November 7, 2022 December 28, 2023, we entered into an a share purchase agreement with Hertford Advisors Ltd. Joseph O'Daniel ("Hertford" Purchaser") modifying, a related party, under which we sold our service and product segment, including HVE ConneXions and Unified ConneXions, for $1.00 and the number transfer of outstanding Series H Preferred Shares held by Hertford (the "Modified Hertford Agreement"). Pursuant to the Modified Hertford Agreement, the Company cancelled 36,000 Series H Preferred Shares, representing 37.5% of the outstanding Series H Preferred Shares, without payment of any cash consideration. Each Series H Preferred Share is convertible into 1,000 common shares. Hertford will retain 60,000 Series H Preferred Shares, which are non-voting assets and do not accrue dividends. At our Annual General Meeting held December 20, 2022, shareholders' approved the conversion of the remaining 60,000 Series H Preferred Shares, subject to the terms and conditions contained in the Company's Articles of Incorporation. The Modified Hertford Agreement also provides for certain resale restrictions applicable to the common shares that are issuable upon the conversion of the remaining Series H Preferred Shares during the two-year period ending on December 31, 2024, which are different from the restrictions contained in the Hertford Agreement.
- On October 31, 2022, we filed an arbitration request against Core Scientific, Inc. ("Core Scientific") regarding the digital mining hosting sub-license agreement assigned to us on October 5, 2021. We have requested that certain advanced deposits paid be refunded back to us as a result of the modification to our BitFuFu machine purchase agreement. In December 2022, Core Scientific filed for Chapter 11 bankruptcy.
- On October 19, 2022, we entered into an amendment to our BitFuFu Agreement. The amended agreement stated no additional payments are required to be made by us, and the purchase order was reduced from 60,000 to approximately 17,000 machines and was

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completed in December 2022.

- In September 2022, Compute North filed for Chapter 11 bankruptcy. In December 2022, the Compute North MA was assigned to GC Data Center Granbury, LLC (the "GC Data Center MA") and has a term of five years from such assignment date. A deposit of $0.5 million previously paid to Compute North for the last two months of monthly service fees was remitted to GC Data Center on behalf of the Company and is included in other assets in the consolidated balance sheets at December 31, 2022.
- On July 25, 2022, the Company received a letter from the Nasdaq Listing Qualifications department of The Nasdaq Stock Market LLC notifying the Company that it was not in compliance with the requirement of Nasdaq Marketplace Rule 5550(a)(2) for continued inclusion on the NASDAQ Capital Market as a result of the closing bid price for the Company's common stock being below $1.00 for 30 consecutive business days. On January 24, 2023, we received notification from Nasdaq indicating that we will have an additional 180-day grace period, or until July 24, 2023, to regain compliance with the Listing Rule's $1.00 minimum bid requirement for at least 10 consecutive business days. This notification has no effect on the listing of the Company's common shares at this time.
- On February 15, 2022, and subsequently on March 7, 2022, primarily as a result of comments we received from the SEC relating to an amendment to the registration statement on Form F-4 we filed with the SEC on January 4, 2022 in connection with our proposed merger with Gryphon, we retained two independent investment banks to review the terms of the proposed Gryphon merger transaction. The nature of the review was to provide an independent analysis as to whether the consideration to be paid by us in the proposed merger was fair to our stockholders from a financial point of view and to assess the inputs to the financial models that were used to test such fairness. On April 4, 2022, the Merger Agreement was terminated. The Merger Agreement, among other matters, provided that, upon termination of the Merger Agreement, we would forgive all amounts outstanding under the outstanding Promissory Note and Security Agreement as amended with Gryphon (the "Gryphon Note"), and release to Gryphon 850,000 common shares previously deposited into an escrow account for the benefit of Gryphon. liabilities. As a result of the termination share purchase agreement, the Purchaser, who served as our President, resigned effective December 28, 2023. We recognized a noncash gain of $0.7 million related to the Merger Agreement transfer of net liabilities to the Purchaser.
- On December 19, 2023, our 3,162,500 shares of Minority Equality Opportunities Acquisition Inc. ("MEOA") Class B common stock were cancelled, eliminating our ownership of MEOA, and we recognized a $6.1 million gain related to the deconsolidation of MEOA.
- On October 6, 2023, in accordance with the second quarter of 2022, cure period, we forgave terminated the Gryphon Note MSA. In November 2023, Gryphon indicated that upon receipt of certain information it would remit outstanding Bitcoin proceeds, less fees and expenses that we assert is currently held by Gryphon on behalf of us, which had a balance we believe amounts to approximately 21.6 Bitcoin and approximately $0.6 million of $13.1 million revenue at December 31, 2023, before factoring in fees and released expenses. Due to the 850,000 common shares held in escrow to Gryphon. We uncertainty regarding when we would receive the Bitcoin, the Bitcoin proceeds, less fees and expenses, will continue our relationship with Gryphon through the Gryphon Master Services Agreement entered into in 2021. be recognized when received.

Results of Operations - Comparison of Years Ended December 31, 2022 December 31, 2023 and 2021 2022

Revenue

We had revenue of $21.9 million during 2023 compared to $6.1 million during 2022 compared to $3.7 million during 2021. 2022. The $2.4 million $15.8 million increase in net revenue is due to the addition increase of $3.4 million $16.3 million in revenues from our digital mining operation, offset by a decrease of $1.0 million $0.5 million in service and product, primarily due to the sale of our SnapServer product line. product. The majority of our revenue was derived from digital currency mining and data management services. Income from our mining segment is a result of bitcoin Bitcoin mining activities in the United States. Income from our product and services segment is primarily generated in the United States.

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For the years ended December 31, 2022 On December 28, 2023, we sold our service and 2021, direct cost of revenues were $3.4 million and $1.7 million, respectively, representing an increase of $1.7 million, or 100%, primarily due to the addition of our digital mining operation. product segment.

Operating Expenses

Cost of Revenue

For the years ended December 31, 2023 and 2022, direct cost of revenues were $15.9 million and $3.4 million, respectively, representing an increase of $12.5 million primarily due to the increase in miners deployed related to our digital mining operation.

Sales and Marketing Expense

Sales and marketing expenses were $1.0 million $0.9 million and $1.3 million $1.0 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The decrease of $0.3 million $0.1 million was primarily due to decreases a $0.2 million decrease in advertising and employee related costs associated with a lower average headcount, and offset by an increase in share-based compensation.

Research and Development Expense

Research and development expenses were $0.6 million $1.0 million and $1.0 million $0.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The decrease increase of $0.4 million was primarily due to a decrease $0.2 million increase in employee and related expenses associated with a lower average headcount. internal projects, and $0.2 million due to severance costs.

General and Administrative Expense

General and administrative expenses were $24.1 million $15.8 million and $12.9 million $24.1 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase decrease of $11.2 million $8.3 million was primarily due to increases decreases of $8.2 million approximately $6.1 million in share-based compensation related to awards, $5.8 million associated with outside services primarily related to awards granted to a former executive and certain current executives, $4.5 million primarily related to professional services associated with our 2022 expansion into the digital mining industry, $1.9 million for costs related to former proposed merger transaction that was terminated in 2022, and $0.3 million in other costs. These decreases were offset by increases of $2.8 million for legal expenses associated with litigation with Core Scientific Inc. and Gryphon Digital Mining Inc., a prior year nonrecurring adjustment of $1.4 million for a change in fair value of a crypto asset payable, $0.9 million related to formation and operating costs for MEOA, our special purpose acquisition company (“SPAC”), $0.5 million of additional insurance cost, primarily related to our and $0.2 million in director and officers' insurance, $0.6 million in employee and related expenses primarily associated with a higher average headcount and an executive bonus, $0.4 million of costs primarily related to our transaction with Gryphon which was terminated on April 4, 2022, and $0.3 million of costs related to audit services. These increases were offset by decreases of $2.0 million for legal expenses primarily related to a prior year legal settlement expense not recurring, $1.4 million for a fair value adjustment for a Bitcoin liability subsequently forgiven, and $0.3 million for public relations. fees.

Depreciation and Amortization Expense

Depreciation and amortization expense was $28.3 million $6.2 million and $5.7 million $28.3 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase decrease of $22.6 million $22.1 million was primarily due to amortization fully amortized supplier agreements related to our digital mining machines.

Provision for Losses on Deposits Due to Vendor Bankruptcy Filings

Provision for losses on deposits due to vendor bankruptcy filings was $8.5 million and $16.1 million for the years ended December 31, 2023 and 2022, respectively, primarily as a result of two vendors filing for Chapter 11 bankruptcy.

Impairment of Acquired Intangible Assets

Impairment of acquired intangible asset assets were $3.0 million and $13.2 million for costs directly the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, an impairment charge of $1.7 million was recorded for the carbon credits held for future use due to a certain vendor who was not able to perform under terms of the agreement. In addition, an impairment charge of $1.2 million was recorded for one supplier agreement due to an adverse change in the business climate which indicated that an impairment triggering event occurred. For the year ended December 31, 2022, an impairment charge of $13.2 million was recorded for supplier agreements due to adverse changes in the business climate, including the decline in the price of Bitcoin and two of our vendors, Core Scientific and Compute North filing for bankruptcy.

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Realized Gain on Sale of Bitcoin

Realized gain on sale of Bitcoin was $1.1 million and $19,000 for the years ended December 31, 2023 and 2022, respectively, and was due to the sale of Bitcoin and the difference between the sales proceeds from the Bitcoin and the carrying amount. Typically gains are higher when Bitcoin prices are increasing over a holding period.

Loss on Disposal of Property and Equipment

Loss on disposal of property and equipment was $1.0 million and nil for the years ended December 31, 2023 and 2022, respectively, and related to the acquisition sale of mining equipment. During the year ended December 31, 2023, we sold 3,336 miners that were included in mining equipment, for cash proceeds of $4.5 million.

Impairment of Bitcoin

Impairment of Bitcoin was $0.7 million and $1.1 million for the years ended December 31, 2023 and 2022, respectively. The decrease of $0.4 million was due to a reduction in impairment losses recognized on our Bitcoin. An impairment analysis is performed daily to determine if the lowest intraday price of Bitcoin is lower than the Company's carrying value for Bitcoin until the Company's Bitcoin is sold or until the end of the reporting period, whichever comes first. If the carrying value of the digitalassets exceeds the fair value based on the lowest intraday quoted price as reported in our principal market during the period, an impairment loss has occurred with respect to those digital mining machines assets in the amount equal to the difference between their carrying values and depreciation of digital mining machines. the price determined.

Impairment of Mining Equipment

For the year ended December 31, 2022, adverse changes in the business climate, including the decline in the price of Bitcoin and two vendor bankruptcy filings, indicated that an impairment triggering event occurred, and it was determined the carrying value of mining equipment exceeded its estimated fair value. In measuring fair value, we used a weighted probability of the income and market approaches. We compared the indicated fair value to the carrying value of our mining equipment assets, and as As a result of the analysis, an impairment charge on mining equipment of $75.9 million was recorded for the year ended December 31, 2022.

Non-Operating Income and Expenses

Provision for Losses*Gain on Deposits Due to Vendor Bankruptcy Filings Deconsolidation of Special Purpose Acquisition Company*

For the year ended December 31, 2022, primarily as a resultGain on deconsolidation of two vendors filing for Chapter 11 bankruptcy, we made provisions of $16.1 million on MEOA, our previously made deposits to the two such digital mining hosting vendors.

Impairment of Acquired Intangible AssetsSPAC, was $6.1 million and Goodwill

Impairment of goodwill and acquired intangible assets were $13.2 million and $0.8 million nil for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. For the year ended December 31, 2022 On December 19, 2023, adverse changes in the business climate, including the decline in the price our 3,162,500 shares of Bitcoin and two MEOA's Class B common stock were cancelled, eliminating our ownership of our vendors, Core Scientific and Compute North filing for bankruptcy, indicated that an impairment triggering event occurred, MEOA, and we determined the carrying value of finite-lived intangible assets exceeded its estimated fair value. In measuring fair value, we used recognized a weighted income and market approach. We compared the indicated fair value $6.1 million gain related to the carrying value deconsolidation of its finite-lived assets, MEOA.

Gain on Disposal of Service and as a result of the analysis, an impairment charge of $13.2 million was recorded for supplier agreements for the year ended December 31, 2022. Product Segment - Related Party

For the year ended December 31, 2021, primarily as a result of the Gain on disposal of our SnapServer®service and product line, it segment was determined the carrying value of finite-lived intangible assets exceeded its estimated fair value. In measuring fair value, we used an excess of earnings approach. We compared the indicated fair value to the carrying value of our finite-lived assets, and as a result of the analysis, an impairment charge of $298,000 was recorded for developed technology for the year ended December 31, 2021.

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In October 2021, we disposed of our SnapServer® product line and removed the related goodwill of $863,000 and is included in the net gain on sale of the asset. For the year ended December 31, 2021, we performed qualitative impairment evaluations on our remaining goodwill and determined that there were indications that the goodwill was impaired and recorded an impairment charge of $522,000.

Impairment of Digital Assets

Impairment of digital assets was $1.1 million $0.7 million and nil for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. On December 28, 2023, Sphere 3D and Joseph O'Daniel ("Purchaser"), entered into a share purchase agreement under which we sold our service and product segment, which included HVE ConneXions and Unified ConneXions, for $1.00 and the transfer of outstanding assets and liabilities. As a result of the share purchase agreement, the Purchaser, who served as our President, resigned effective December 28, 2023. We recognized a noncash gain of $0.7 million related to the transfer of net liabilities to the Purchaser.

Interest Expense

Interest expense was $1.2 million and nil for the years ended December 31, 2023 and 2022, respectively. The increase of $1.2 million was related to $1.0 million for warrants issued with our LDA convertible debt and $0.2 million of debt costs and interest expense.

Interest Income and Other Expense, Net

Interest income and other expense, net, was $1.1 million was due and $2.6 million for the years ended December 31, 2023 and 2022, respectively. In 2023, interest income and other expense, net, primarily related to impairment losses a $1.0 million fair value adjustment for warrant liabilities, and $0.2 million in interest income from previously restricted funds that were held in a trust, offset by $0.1 million in other miscellaneous expenses. In 2022, we recognized a gain on forgiveness of liabilities of $2.1 million and interest income of $0.6 million from our digital assets.

Non-Operating Expenses notes receivable.

Impairment of Investments

Impairment of investments was $14.5 million nil and nil $14.5 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase decrease of $14.5 million was due to a prior year $12.4 million impairment loss recognized on our Filecoiner investments, and $2.1 million impairment loss recognized on our Silicon Valley Technology Partners Preferred Shares. The fair value of the Filecoiner investments was impacted by the decrease in the price of Filecoin since the time of the investments resulting in an impairment.

Forgiveness of Note Receivable

Forgiveness of note receivable was $13.1 million nil and nil $13.1 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase decrease of $13.1 million was due to the prior year forgiveness of our note receivable, including accrued interest, with Gryphon which occurred when the Merger Agreement with Gryphon was terminated by us on April 4, 2022.

Provision for Losses on Deposit for Mining Equipment

Provision for deposit on mining equipment was $10.0 million nil and nil $10.0 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase decrease of $10.0 million was due to a prior year provision made for the deposit we made to NuMiner Global, Inc. ("NuMiner") for the purchase of mining machines. During the second quarter of 2022, we requested the return of the deposit when the purchase agreement was cancelled due to NuMiner not delivering mining machines according to the agreement terms.

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Interest Expense

Interest expense was nil and $0.5 million for the years ended December 31, 2022 and 2021, respectively. The decrease of $0.5 million was related to the settlement of all outstanding debt in 2021, primarily our Oasis debt and related interest expense and debt costs. We have no outstanding debt at December 31, 2022.

Interest Income and Other, Net

Interest income and other, net, was $2.6 million and $2.9 million for the years ended December 31, 2022 and 2021, respectively. In 2022, we recognized a gain on forgiveness of liabilities of $2.1 million and interest income of $0.6 million from our notes receivable. In 2021, we sold our SnapServer® product line and recorded a gain on the sale of the assets of $5.0 million, in addition, we recognized a gain on the forgiveness of PPP Funds of $1.1 million, including accrued interest, $0.6 million in interest income from notes receivable, and $0.2 million gain on forgiveness of liabilities for settlement of legal fees; offset by warrants issued with a fair value of $2.8 million in consideration for Westworld waiving its rights to consent to any and all past, present and future additional financings by us, $0.7 million penalty fee related to the Series E Preferred for the failure to file a timely registration statement required under the securities purchase agreement and $0.6 million of fees paid to Maxim for penalties related to our fund raises in July and August of 2021.

Liquidity and Capital Resources

We have recurring losses from operations. Our primary source of cash flow is generated from digital mining revenue and service revenue. We revenue through December 28, 2023. In addition, we have financed our operations through proceeds from the issuance of private and public and private equity sales of securities. At December 31, 2022 December 31, 2023, we had cash and cash equivalents from continuing operations of $1.3 million $0.6 million compared to $54.4 million $1.3 million at December 31, 2021 December 31, 2022. The decrease in cash and cash equivalents is related primarily to payments for mining equipment and prepayments for power and hosting for our digital mining operation. As of December 31, 2022 December 31, 2023, we had working capital of $4.1 million $8.2 million, reflecting an increase in current assets of $3.2 million and a decrease in current assets of $68.1 million and an increase in current liabilities of $1.0 million $0.9 million compared to December 31, 2021 December 31, 2022. The decrease increase in current assets was primarily related to cash outflows for operations, mining equipment and hosting services, as well a $16.1 million provision on two vendor deposits $10.0 million recovery of a deposit for prepaid hosting services, as a result primarily offset by decreases of two vendors filing $3.8 million for Chapter 11 bankruptcy in 2022. notes receivable, $1.7 million for cash, restricted cash, and digital asset related balances, and $1.1 million for prepaid services and other. The increase decrease in current liabilities was primarily related to an increase a decrease in accounts payable and accrued payroll and employee compensation and liabilities and an advance of funds from our SPAC's identified target for its business combination. liabilities. Cash management continues to be a top priority. We may expect to incur negative operating cash flows as we work to maintain and increase our digital mining revenue product sales volume, and maintain operational efficiencies.

In August 2023, we entered into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which we issued to two investors a total of 13,764 of our Series H Preferred Shares and a total of 1,966,293 common share purchase warrants (the "Warrants"), each of which entitled the holder to purchase one of our common shares (the "Warrant Shares"). Pursuant to the terms of the Purchase Agreement, we received gross proceeds of $3.0 million. We issued a total of 1,377 Series H Preferred Shares and 196,629 warrants as a finder's fee for the transaction with an aggregate fair value of $0.5 million. Pursuant to the terms of the Purchase Agreement, we will reserve for issuance the maximum aggregate number of common shares that are issuable upon exercise in full of the Warrants at any time.

The Warrants issued in connection with the Purchase Agreement are exercisable beginning February 23, 2024 at an initial exercise price of $2.75 per share and have a term of three years from the date of issuance. The exercise price of the Warrants are subject to adjustment for certain stock splits, stock combinations and dilutive share issuances.

Management has projected that based on our hashing rate at December 31, 2023, cash on hand may not be sufficient to allow us the Company to continue operations beyond and there is substantial doubt about the next Company's ability to continue as a going concern within 12 months based on our hashing rate at December 31, 2022, from the date of issuance of the financial statements if we are unable to raise additional funding for operations. We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our then current business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at a reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders and any debt financing, if available, may require restrictions to be placed on our future financing and operating activities. If we require additional capital and are unsuccessful in raising that capital at a reasonable cost and at the required times, or at all, we may not be able to continue our business operations in the cryptocurrency mining industry or we may be unable to advance our growth initiatives, either of which could adversely impact our business, financial condition and results of operations.

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Significant changes from our current forecasts, including but not limited to: (i) shortfalls from projected sales mining earning levels; (ii) increases in operating costs; (iii) fluctuations in the value of cryptocurrency; (iii) unexpected increases in product costs; and (iv) increases in operating costs; and (v) inability to maintain compliance with the requirements of the NASDAQ Capital Market and/or inability to maintain listing with the NASDAQ Capital Market could have a material adverse impact on our ability to access the level of funding necessary to continue our operations at current levels. If any of these events occurs or we are

unable to generate sufficient cash from operations or financing sources, we may be forced to liquidate assets where possible and/or curtail, suspend or cease planned programs or operations generally or seek bankruptcy protection or be subject to an involuntary bankruptcy petition, any of, which would have a material adverse effect on our business, results of operations, financial position and liquidity.

On November 30, 2022, after giving effect These factors, among others, indicate there is substantial doubt about our ability to continue as a going concern within 12 months from the redemption date of certain public redeemable shares issuance of MEOA, our subsidiary owns the financial statements. The accompanying consolidated financial statements have been prepared on a controlling interest going concern basis, which contemplates the realization of MEOA assets and it has been consolidated. the satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of this uncertainty.

The following table shows a summary of our cash flows (used in) provided by operating activities, investing activities and financing activities including MEOA beginning November 30, 2022 (in thousands):

	Year Ended December 31,	
	2022	2021
Net cash used in operating activities	$ (30,771)	$ (28,518)
Net cash used in investing activities	$ (22,041)	$ (122,693)
Net cash provided by (used in) investing activities		

	Year Ended December 31,	
	2023	
Net cash used in operating activities		
Net cash used in investing activities		
Net cash provided by (used in) investing activities		

	Year Ended December 31,	
	2023	2022

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Net cash provided by financing activities	Net cash provided by financing activities	$ —	$ 205,105

Net cash used in operating activities. The use of cash during 2022 2023 was primarily a result of our net loss of $192.9 million $23.3 million, offset by $180.1 million $15.7 million in non-cash noncash items, which primarily included impairments on mining equipment and intangibles, a provision for losses on deposits made due to vendor bankruptcy filings, forgiveness depreciation and amortization, gain on the deconsolidation of a note receivable, impairment our SPAC, impairments of investments, provision for losses on deposit for mining equipment, amortization of acquired intangible assets, depreciation, share-based compensation expense, gain of forgiveness of liabilities, change in fair value of crypto asset payable, Bitcoin issued for services, change in fair value of warrant liabilities, and realized gain on the sale of Bitcoin, warrants issued with convertible debt, loss on the disposal of mining equipment, impairment of digital assets. During Bitcoin, gain on the year ended December 31, 2022, we paid $16.5 million for prepayments for disposal of our digital asset hosting agreements. service and product segment, and the noncash exercise of warrants.

Net cash used in provided by (used in) investing activities. During 2023, we sold 3,336 miners originally included in mining equipment, for cash proceeds of $4.5 million, our SPAC received $10.3 million from the redemption of the trust account and paid $10.4 million for the redemption of the redeemable non-controlling interest related to MEOA, and we paid $1.6 million towards digital asset mining machines and shipping costs. During 2022, we paid $17.6 million towards digital asset mining machines and shipping costs, we entered into promissory notes receivable with Gryphon and MEOA for $2.5 million and $1.8 million, respectively, and we purchased $0.3 million of carbon credits for future use. The Gryphon note receivable was forgiven on April 4, 2022 upon termination of the Merger Agreement with Gryphon. During 2021, we paid a $92.0 million down payment to BitFuFu for a deposit towards cryptocurrency machines for which delivery began in January 2022, paid a $10.0 million refundable deposit to NuMiner with the intent to enter into an agreement with NuMiner to purchase 60,000 units of new NM440 Machines for the purpose of cryptocurrency mining, purchased 1,500,000 shares of common stock of Filecoiner, Inc., a private company, of $6.0 million, and paid $5.4 million for the purchase of private placement warrants of the SPAC we are sponsoring.

Net cash provided by financing activities. During 2021, 2023, we received $196.6 million from the issuance of common shares and exercise of warrants, $9.6 million $3.0 million from the issuance of preferred shares and $0.3 million warrants, $0.8 million, net, from the issuance of a convertible note, and $0.6 million from the exercise of stock options; options. These inflows were offset by $1.1 million $1.3 million of payments for notes payable and $0.2 million of payments for preferred share dividends. made on our convertible debt which was paid in full in August 2023.

Off-Balance Sheet Information

During the ordinary course of business, we may provide standby letters of credit to third parties as required for certain transactions initiated by us. We As of December 31, 2023, we have one no standby letter letters of credit to be used for the bond necessary for us to receive mining machines. As of December 31, 2022, there was restricted cash of $0.2 million pledged as collateral for the standby letter of credit.

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outstanding.

Critical Accounting Estimates

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The discussion and analysis of our financial position condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We review our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We In 2022, we believe the most significant accounting estimates inherent in the preparation of our consolidated financial statements include estimates associated with the impairment analysis of long-lived assets. Our significant accounting policies include revenue recognition and long-lived assets and are outlined in *Note 2 to the Consolidated Financial Statements* included in this Annual Report on Form 10-K.

Long-lived Assets

We estimate the fair value of long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of other intangible assets that have indefinite useful lives annually or whenever indicators of impairment arise. Significant estimates and assumptions used in estimating the fair value of the long-lived assets. A change in any of the estimates and assumptions used may result an impairment charge in our consolidated statement of operations.

Recent Accounting Pronouncements

Refer to *Note 2, Summary of Significant Accounting Policies*, of to our consolidated financial statements for a discussion of recent accounting pronouncements and their effect, if any, on us.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and supplementary data required by this item are set forth at the pages indicated in Item 15(a)(1) and 15(a)(2), respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) or 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective to give reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in the updated Internal Control-Integrated Framework, issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Our system of internal control over financial reporting is designed to provide

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reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Based on our evaluation under the framework in Internal Control-Integrated Framework, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of December 31, 2022 December 31, 2023. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report on internal control over financial reporting was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

This report on internal control over financial reporting shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any of our filings, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth information with respect to each of our directors and officers.

Name	Age	Director Since	Position with Sphere 3D
David Danziger(1)(2)	66	December 20, 2022	Director
Timothy Hanley(1)(2)(4)	66	May 31, 2022	Director
Susan S. Harnett(1)(2)(3)(4)	66	November 11, 2022	Director
Vivekanand Mahadevan(1)(3)(4)	69	December 1, 2014	Director
Duncan J. McEwan(1)(3)(4)	69	May 10, 2017	Chairman and Director
Patricia Trompeter	55	April 21, 2021	Chief Executive Officer and Director
Kurt L. Kalbfleisch	57	N/A	Senior Vice President and Chief Financial Officer
Joseph O'Daniel	52	N/A	President

(1) Independent director.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

(4) Member of the Nominating and Governance Committee.

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David Danziger has served as a Partner and Senior Vice President of Assurance at MNP LLP, a chartered professional accounting and business advisory firm, since 2013. Previously, Mr. Danziger was a Senior Partner at MSCM LLP, a full-service audit and accounting firm, from 2008 to 2013. Earlier in his career, Mr. Danziger served for over 20 years as a senior partner of Danziger Hochman Partners LLP, an accounting and audit firm that served private and public companies in Canada and the United States. Mr. Danziger has served on the board of directors of Euro Sun Mining Inc. (TSX: ESM), a development stage mining company since 2010. Previously, Mr. Danziger served on various public board of directors, including Li-Metal Corp. (TSXV: LIM) (formally known as Eurotin Inc. (TSXV: TIN)), a battery metal company, from 2009 to October 2021, The Intertain Group Limited (formerly TSX: ITX), an online gaming holding company, from 2011 to January 2020, Gamesys PLC (LSE: GSY) (formally known as Jackpotjoy PLC (LSE: JPJ)), an online gaming operator, from January 2017 to June 2019, Integrity Gaming Corp. (formerly TSXV: IGAM) (now known as Integrity Gaming ULC), a company which focuses on leasing and financing gaming machines, from 2015 to February 2019, Aumento Capital IX Corp. (formerly TSXV: AUIX.P) (now known as Pluribus Technologies Corp. (TSXV: PLRB)), a technology company, from May 2021 to January 2022, Universal Ibogaine Inc. (TSXV: IBO), a life sciences company, from October 2021 to June 2022, Eddy Smart Home Solutions Ltd. (TSXV: EDY), a home improvement company, from February 2021 to January 2022, Era Resources Inc. (TSXV: ERA), a mineral exploration company, from 2014 to June 2017, Aumento Capital V Corp. (formerly TSXV: AMN.P) (now known as Entourage Health Corp. (TSXV: ENTG)), a cannabis production and distribution company, from 2014 to December 2017, Skylight Health Group Inc. (TSXV: SLHG) (formally known as CB2 Insights Inc. (CSE: CBII)), a healthcare services company, from February 2019 to January 2020, Aumento Capital VI Corp. (formerly TSXV: AUO.P) (now known as CryptoStar Inc. (TSXV: CSTR)), a cryptocurrency mining company, from January 2017 to September 2018, and Aumento Capital VII Corp. (formerly TSXC: AUOC.P) (now known as Emerge Commerce Ltd. (TSXV: ECOM)), an acquirer and operator of e-commerce brands, from February 2018 to May 2020. Mr. Danziger required by this item is a Chartered Professional Accountant. Mr. Danziger holds a Bachelor of Commerce degree in Economics and Finance from the University of Toronto.

Timothy Hanleyhas served as the Acting Keyes Dean for the College of Business at Marquette University since March 2020. From May 2002 to May 2019, Mr. Hanley worked at Deloitte & Touche LLP (“Deloitte”), where he retired as a Senior Partner. During his 17 years at Deloitte, Mr. Hanley led the firm's Global Consumer and Industrial Products practice, which he helped grow to more than $14 billion in annual revenue. While at Deloitte, Mr. Hanley served in multiple leadership roles, including the U.S. Vice Chairman and Process and Industrial Products Leader. Since June 2019, Mr. Hanley has been an advisor to Deloitte helping them build a leadership development program in Asia. Mr. Hanley began his career at Arthur Andersen in 1978 and served as an audit partner for large manufacturers. Mr. Hanley served as a board member of the National Association of Manufacturers and regularly advises privately held companies in the consumer products, retail, and distribution industries. Mr. Hanley is a seasoned global executive with experience consulting with manufacturers regarding digital transformation, organizational strategy development and execution, acquisitions, and market development. Mr. Hanley is a qualified financial expert and has significant experience in the board room and working with audit committees. Mr. Hanley holds a Bachelor of Science degree in Accounting from Marquette University.

Susan S. Harnett has been a senior advisor to digital startups and mentor at New York’s FinTech Innovation Lab since 2015. Ms. Harnett is a founding limited partner in How Women Invest, and a member of the Executive Board of How Women Lead, organizations committed to increasing venture funding to women led companies since November 2022. Ms. Harnett serves as a member of the board of directors of OFG Bancorp. (NYSE: OFG), a financial holding company based in San Juan, Puerto Rico, since June 2019, serving on the Business Risk and

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Compliance Committee, Chair of the Nomination and Governance Committee, and served on the Audit Committee until April 2021. Ms. Harnett is also a current member of the board of directors of Life Storage, Inc. (NYSE: LSI), serving on its Audit and Risk Management and Compensation and Human Capital Committees since February 2021. In April 2021, Ms. Harnett joined the board of GoalSetter as the Astia Venture Capital Representative. Ms. Harnett recently joined the board of American Enterprise Group, a mutual insurance company, where she sits on the audit committee. From 2012 to 2015, Ms. Harnett was Chief Operating Officer of North America for QBE Insurance Group Limited ("QBE Insurance"), an international insurer and reinsurer. From 2001 to 2012, Ms. Harnett held several key positions at Citigroup Inc. ("Citi"), a multinational investment bank and financial services company in domestic, international and global roles. The last three positions during her tenure with Citi included President of Local Consumer Lending (2011-2012), Head of Global Business Performance (2008-2011) and CEO of Citibank Germany (2004-2007). Ms. Harnett also served on the Board of Directors and on the Audit Committee of First Niagara Financial Group, a $40 billion in assets publicly traded bank, from 2015 until its acquisition incorporated by KeyCorp (NYSE:KEY) in 2016. Ms. Harnett has also served on the boards of QBE Insurance, CitiFinancial, and Visa Canada. Ms. Harnett was Chair of Citi's management board in Germany and of the Global Perspectives Advisory Group of Marquette University's College of Business. Ms. Harnett is a Certified Corporate Director by National Association of Corporate Directors (NACD) and a Certified Risk Director from the DCRO Institute. Ms. Harnett holds a Bachelor's degree from Marquette University and an Executive Master of Business Administration degree from Northwestern University's Kellogg Graduate School of Management.

Vivekanand Mahadevan has been the Chief Executive Officer of Buurst, Inc., a data performance company, since November 2020. Mr. Mahadevan has also been the Chief Executive Officer of Dev Solutions, Inc., a consulting firm that helps technology startups build next-generation market leaders in data analytics, security, storage and cloud markets since 2012. Mr. Mahadevan was the Chief Strategy Officer for NetApp, Inc., a supplier of enterprise storage and data management software and hardware products and services, from 2010 until 2012. Prior to that time Mr. Mahadevan served as Vice President of Marketing for LSI Corporation, an electronics company that designs semiconductors and software that accelerate storage and networking, from 2009 to 2010. Prior to LSI Corporation, he was Chief Executive Officer of Deeya Energy, Inc., and has also held senior management positions with leading storage and systems management companies including BMC Software, Compaq, Ivita, and Maxxan Systems. Mr. Mahadevan previously served as a member of the board of directors of Violin Memory, Inc. Mr. Mahadevan holds a Master of Business Administration in Marketing and Master of Science degree in Engineering from the University of Iowa as well as a degree in Mechanical Engineering from the Indian Institute of Technology.

Duncan J. McEwan is a corporate director, and former President of Diligent Inc., a consulting company he founded in 1991 specializing in M&A and strategic advice for technology-based clients. Mr. McEwan was Executive Vice President and Chief Strategy Officer of Call-Net Enterprises Inc., a provider of long-distance telephone services until it merged into Rogers Communication Inc. (2004-2005); President and Chief Operating Officer of Sprint Canada Inc., an integrated, national telecommunications provider (2001-2004); Chief Executive Officer of Northpoint Canada Communications, a provider of high-speed data and Internet (DSL) lines (2000-2001); Vice President of Business Development of Canadian Satellite Communications ("Cancom") (1996-1998); and President and Chief Executive Officer of Cancom (1998-2000). Mr. McEwan was Chairman of the Board of Geminare Incorporated, a business continuity and cloud-based software systems provider, from 2010 until October 2021 when the company was sold and has previously served on a number of other public and private company boards. Mr. McEwan holds a Bachelor of Science degree in Zoology from the University of Toronto.

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Patricia Trompeter has served as our Chief Executive Officer since April 5, 2022. Ms. Trompeter has been the Chairman of the Board of Parsec Capital Acquisition Corp. (NASDAQ: PCXCU), a special purpose acquisition company ("Parsec"), since February 2021 and was Chief Executive Officer of Parsec from February 2021 until June 2022. Ms. Trompeter was formerly the Chief Executive Officer of Fact, Inc (OTC: FCTI), a fine art and collectible authentication technology company, from March 2021 to March 2022, a Director since October 2020 and Chief Operating Officer and Chief Financial Officer from November 2020 to February 2021. Ms. Trompeter was the Chief Executive Officer of Astro Aerospace Ltd. (OTC: ASDN), an electric vertical take-off and landing ("eVTOL") investment and technology company, from June 2021 until June 2022 and a Director from March 2021 to March 2022. Ms. Trompeter is the Founder of Ceres Capital Holdings, a position she has held since October 2020. Ms. Trompeter is a Co-Founder and was Chief Operating Officer of Webbs Hill Partners, LLP, an independent investment and advisory firm growing innovative technologies in emerging markets, from January 2018 to June 2021. Ms. Trompeter was a director of 7MB Holdings LLC from May 2018 to June 2022. Between December 2016 and January 2018, Ms. Trompeter, took a short break from her work to attend to family matters. Ms. Trompeter has over 17 years of experience in mergers and acquisitions, acquisition integration, corporate strategy development, finance and acquisition, business operations, and financial management. Ms. Trompeter has held several key executive roles at GE Capital, including Chief Financial Officer, and serves as a mentor for minority female-owned businesses. Ms. Trompeter holds a Bachelor of Science degree in Business Administration, with majors in Finance and Economics from Marquette University.

Kurt L. Kalbfleisch has served as our Senior Vice President, Chief Financial Officer and Secretary since December 1, 2014. Mr. Kalbfleisch also served as Chief Financial Officer of Overland Storage, Inc. ("Overland") since February 2008 until his resignation from Overland on July 19, 2022. Previously, Mr. Kalbfleisch served in various other roles at Overland since July 2007, including Senior Vice President, Secretary and Vice President of Finance. Prior to joining Overland, he was a manufacturing budget analyst for McDonnell Douglas Corp. Mr. Kalbfleisch also served on the board of Paladin Group.Mr. Kalbfleisch holds a Bachelor of Arts in Business from Point Loma Nazarene University and a Master of Business Administration from the University of San Diego.

Joseph L. O'Daniel has served as our President since November 14, 2018. He previously served as President and Chief Executive Officer of Unified ConneXions, Inc. from 2001 and as founder of HVE ConneXions, LLC from April 2013 until their acquisitions by us in January 2017. Mr. O'Daniel has over 20 years of experience in the virtualization and technology industry and has extensive experience in executive leadership positions.

Code of Ethics

We have adopted a code of ethics that applies reference to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Such code is posted on definitive Proxy Statement for our website and is available at www.sphere3d.com.

Audit Committee

The Audit Committee assists 2024 Annual Meeting of Stockholders, which will be filed with the Board in fulfilling its oversight responsibilities by overseeing the accounting, treasury, financial reporting and risk management processes, and the reviews and audits of our financial statements. The Audit Committee meets at least four times per year and at least once every fiscal quarter, with authority to convene additional meetings, as circumstances require. All Audit Committee members are expected to attend each meeting, in person or via telephone conference. The Audit Committee will invite members of management, auditors or others to attend meetings and provide pertinent information,

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as necessary. It will hold private meetings with auditors and executive sessions. The Audit Committee may meet privately with any single member of management or any combination of members of management, as it deems appropriate.

The members of our Audit Committee are Timothy Hanley, David Danziger and Susan Harnett, each of whom is independent. Our Board of Directors has determined that Mr. Hanley is independent as that term is defined by the rules and regulations of the NASDAQ Stock Market, Inc. and also qualifies as an "audit committee financial expert" as defined by the SEC.SEC no later than 120 days after December 31, 2023.

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth the compensation for services rendered information required by the NEOs for the fiscal years ended December 31, 2022 and 2021.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards(1) ($)	Option Awards(1) ($)	All Other(2) ($)	Total Compensation ($)
Patricia Trompeter(3)	2022	254,423	50,000	1,181,649 (4)	1,113,000 (5)	29,678 (6)	2,628,750
Chief Executive Officer	2021	—	—	—	—	—	—
Peter Tassiopoulos(7)	2022	61,790 (8)	—	5,060,000 (9)	—	1,072,220 (10)	6,194,010
Former Chief Executive Officer	2021	248,000 (8)	1,300,000	—	—	4,742	1,552,742
Kurt L. Kalbfleisch(11)	2022	210,000	—	1,485,643 (12)	126,225 (13)	384,906 (14)	2,206,774
Senior Vice President and Chief Financial Officer	2021	100,000	100,000	—	—	—	200,000
Joseph L. O'Daniel	2022	240,385	25,000	—	—	4,056	269,441
President	2021	200,000	136,500	—	—	4,155	340,655

(1) The amounts shown in these columns represent the fair value on the grant date of the awards granted to these named executive officers during fiscal year 2022 and do not reflect compensation actually received this item is incorporated by the named executive officer. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of these awards, see Note 11 reference to the consolidated financial statements included herein.

(2) The amounts shown in the "All Other Compensation" column reflect amounts we paid on each named executive officers' behalf definitive Proxy Statement for health insurance and life insurance premiums and certain out-of-pocket medical expenses, unless otherwise footnoted.

(3) Ms. Trompeter has served as our Chief Executive Officer since April 5, 2022.

(4) This amount is comprised 2024 Annual Meeting of three awards: i) a restricted stock unit for 500,000 shares and a restricted stock unit for 155,000 shares, both granted on April 8, 2022 and were valued at $1.80 per share on the grant date (the closing market price for a share of our common stock on that date); and ii) a restricted stock unit for 2,943 shares granted on June 10, 2022 and was valued at $0.90 per share on the grant date (the closing market price for a share of our common shares on that date).

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(5) This amount is comprised of one option for 750,000 shares with an exercise price of $1.80 granted on April 8, 2022.

(6) This amount includes $13,049 received as a non-employee director prior to Ms. Trompeter's appointment as Chief Executive Officer on April 5, 2022.

(7) Mr. Tassiopoulos' employment with us terminated on April 4, 2022 at Stockholders, which time he was serving as our Chief Executive Officer. Mr. Tassiopoulos currently provides services to us as a consultant.

(8) The dollar amount reported for Mr. Tassiopoulos is presented after conversion from Canadian Dollar to U.S. Dollar. For 2022 and 2021, the average U.S. Dollar to Canadian Dollar conversion rate in effect was 1.31 and 1.25, respectively.

(9) This amount is comprised of one restricted stock unit for 2,000,000 shares granted on April 5, 2022 and was valued at $2.53 per share on the grant date (the closing market price for a share of our common shares on that date).

(10) This amount includes $1,068,050 in consulting fees paid to Mr. Tassiopoulos from April 5, 2022 to December 31, 2022.

(11) Mr. Kalbfleisch served as our Senior Vice President, Chief Financial Officer and Secretary pursuant to a transition services agreement with Overland Storage, Inc. (the "Transition Services Agreement") from November 2018 until July 19, 2022, at which time Mr. Kalbfleisch resigned from Overland, and on June 20, 2022 he signed an employment agreement will be filed with the Company. In April 2020, we began supplementing Mr. Kalbfleisch's salary under the Transition Services Agreement in an amount equal to $100,000 per year.

(12) This amount is comprised of two awards: i) a restricted stock unit for 500,000 shares granted on April 5, 2022 and was valued at $2.53 per share on the grant date (the closing market price for a share of our common shares on that date); and ii) a restricted stock unit for 325,000 shares granted on June 27, 2022 and was valued at $0.6789 per share on the grant date (the closing market price a share of our common shares on that date).

(13) This amount is comprised of one option for 225,000 shares with an exercise price of $0.6789 granted on June 27, 2022.

(14) This amount includes a one-time payment of $360,000 for amounts owed to Mr. Kalbfleisch under his COC Agreement as described below under "Employment, Severance and Change in Control Agreements".

Outstanding Equity Awards at 2022 Fiscal Year-End

The following table provides information about the holdings of stock and option awards by our named executive officers at December 31, 2022 SEC no later than 120 days after December 31, 2023.

Name	Option-based Awards	Stock Awards

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	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Units of Stock Not Vested (#)	Market Value of Units of Stock Not Vested(1) ($)
	Exercisable	Unexercisable				
Patricia Trompeter	150,000 (2)	600,000	1.80	4/8/2028	—	—
	—	—	—	—	400,000 (3)	110,200
Peter Tassiopoulos	500	—	395.03 (4)	9/15/2023	—	—
Kurt Kalbfleisch	45,000 (5)	180,000	0.6789	6/27/2028	—	—
	—	—	—	—	260,000 (6)	71,630
Joseph O'Daniel	—	—	—	—	—	—

(1) This column is based on the closing price of our common shares as of December 30, 2022 ($0.2755).

(2) These options vest as follows: 150,000 vested on the grant date (April 8, 2022); 225,000 vests on April 8, 2023; 187,500 vest on April 8, 2024 and 187,500 vest on April 8, 2025.

(3) This stock award vests as follows: 150,000 shares vest on April 8, 2023; 125,000 shares vest on April 8, 2024 and 125,000 shares vest on April 8, 2025.

(4) The exercise price is presented after conversion from Canadian Dollar to U.S. Dollar based on an exchange rate of 1.36 Canadian Dollar to one U.S. Dollar on December 31, 2022.

(5) These options vest as follows: 45,000 vested on the grant date (June 27, 2022); 67,500 vests on June 20, 2023; 56,250 vests on June 20, 2024 and 56,250 vest on June 20, 2025.

(6) This stock award vests as follows: 97,500 shares vest on June 20, 2023; 81,250 shares vest on June 20, 2024 and 81,250 shares vest on June 20, 2025.

Executive Officer Compensation

Our executive compensation programs are determined by the Compensation Committee, within the scope of the authority delegated to it by our Board of Directors and subject to applicable law. The goals of our program are to attract and retain highly qualified and experienced executives and to provide compensation opportunities that are linked to corporate and individual performance. Decisions by the Compensation Committee on our executive compensation programs are subjective and the result of our business judgment, which is informed by the experiences of our members. The named executive officers do not have any role in determining their own compensation, although the Compensation Committee does consider the recommendations of the Chief Executive Officer in setting compensation levels for the named executive officers other than himself. The primary components of our executive compensation program are base salary, performance bonuses and long-term equity incentive awards.

Base Salaries. Base salaries are primarily intended to attract and retain highly qualified executives by providing them with fixed, predictable levels of compensation. Such base salaries are subject to periodic review and adjustment by the Compensation Committee.

Performance Bonuses. The Compensation Committee did not approve a bonus plan for fiscal 2022.

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Long-Term Equity Incentive Awards. Long-term equity incentives are intended to align the named executive officers' interests with those of our shareholders as the ultimate value of these awards depends on the value of our shares. We have historically granted equity awards in the form of stock options with an exercise price that is equal to the per-share closing price of our common shares on the grant date. In recent years, restricted stock units have also been granted as provided for under our 2015 Plan. The Compensation Committee believes that stock options are an effective vehicle for aligning the interests of our executives with those of our shareholders as the executive will only realize value on their options if the share price increases during the period between the grant date and the date the stock option is exercised. The stock options and restricted stock units function as a retention incentive for the named executive officers as they typically vest over a multi-year period following the date of grant. Restricted stock units, which are payable in our common shares, also link the interests of the award recipient with those of our shareholders as the potential value of the award is directly linked to the value of our common shares. The named executive officers' equity awards are subject to accelerated vesting in certain circumstances under their agreements with us are described below.

Employment, Severance and Change in Control Agreements

***Patricia Trompeter*.** Ms. Trompeter has served as our Chief Executive Officer since April 5, 2022. On April 8, 2022, we entered into an employment agreement with Ms. Trompeter (the "Trompeter Employment Agreement"). The Trompeter Employment Agreement is effective as of April 8, 2022 and has an initial one-year term. The initial term will automatically be extended for an additional one-year period thereafter, unless terminated by either party within 90 days prior to the renewal date.

Under the Trompeter Employment Agreement, we will pay Ms. Trompeter an annual base salary of $350,000. At the discretion of our Board, Ms. Trompeter will be eligible to receive an annual bonus up to 100% of her base salary. Our Board may also determine to issue Ms. Trompeter additional restricted stock units based upon the achievement of certain performance and financial thresholds.

Ms. Trompeter is also entitled to health insurance benefits and to participate in any employee benefit plans, life insurance plans, disability income plans, retirement plans, expense reimbursement plans and other benefit plans that we may from time to time have in effect for any of our executive management employees.

Upon the closing of a Change of Control of the Company (as defined in the Trompeter Employment Agreement), Ms. Trompeter shall receive a percentage ranging from 2.0% to 3.0% of the consideration received by the Company's common shareholders based upon the amount of the transaction.

All compensation and unvested benefits payable under the Trompeter Employment Agreement shall terminate on the date of the termination of Ms. Trompeter's employment, unless Ms. Trompeter's employment is terminated by us without cause or by Ms. Trompeter for good reason, each as defined in the Trompeter Employment Agreement, or as a result of a material breach by us of any of our obligations under the Trompeter Employment Agreement or any other agreement to which the Company and Ms. Trompeter are parties, in which case Ms. Trompeter shall be entitled to (i) continued payment of her base salary at the rate and schedule then in effect for a period of six months after the date of termination, with an additional month of severance to be added for every completed year of service as Chief Executive Officer; (ii) continued health and life insurance benefits ("Benefits") for six months after the date of termination, with an additional month of Benefits to be added for every completed year of service as Chief Executive Officer; and (iii) any unvested stock options and restricted stock units shall vest on the day immediately prior to the termination date.

Pursuant to the Trompeter Employment Agreement, on April 8, 2022, Ms. Trompeter received (i) 155,000 fully vested common shares valued at $279,000 based upon the closing price of our common shares on April 8, 2022 of $1.80; 500,000 restricted stock units of the Company valued at $0.9 million based upon the closing price of our common shares on April 8, 2022 of $1.80, of which 20% of the shares vested on April 8, 2022, 30% of the shares vest on the April 8, 2023, 25% of the shares vest on April 8, 2024 and 25% of the shares vest on the April 8, 2025; and (ii) 750,000 stock options to purchase common shares of the Company, 20% of which vested on April 8, 2022; 30% of which vest on April 8, 2023, 25% of which vest on April 8, 2024 and 25% of which vest on April 8, 2025. The stock options have an exercise price of $1.80 and expire on April 8, 2028. In the event of a change of control of the Company (as defined in the

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Trompeter Employment Agreement), 60% of any unvested restricted stock units and 60% of any unvested stock options will immediately vest as of the day immediately prior to the change of control. Ms. Trompeter also received compensation for her service on our Board, prior to her appointment as our Chief Executive Officer, described below under the section entitled “Compensation of Directors.”

On December 2, 2022, the Board approved a $100,000 bonus for Ms. Trompeter in recognition of successful ongoing restructuring efforts, payable 50% immediately and 50% on such date that we complete a financing in an amount to be determined by the Chairman of the Board as reasonable.

On February 28, 2023, Ms. Trompeter received 967,750 restricted stock units of the Company valued at $400,455 based upon the closing price of our common shares on February 28, 2023 of $0.4138, of which 20% of the shares will vest on May 22, 2023 and 80% of the shares will vest on December 1, 2023.

Peter Tassiopoulos. Mr. Tassiopoulos served as our Chief Executive Officer from November 14, 2018 until April 4, 2022. In August 2019, we entered into a new employment agreement with Mr. Tassiopoulos (the “Employment Agreement”). The Employment Agreement provided for Mr. Tassiopoulos to earn an annual base salary of CAD $310,000, which had been his base salary since his appointment as Chief Executive Officer on November 14, 2018. Mr. Tassiopoulos was also eligible to receive bonuses and to participate in the Company’s various stock and other retention compensation plans as determined by our Board. In addition, Mr. Tassiopoulos was entitled to a financing bonus (the “M&A Fee”) equal to 3.0% of the total value of any transaction relating to the purchase of all of the shares or all or substantially all the assets of the Corporation that is completed during Mr. Tassiopoulos’ tenure with us and for a period of six months following his ceasing to be an executive of the Company, unless he is terminated by us for cause. The Employment Agreement also provided that if we terminated Mr. Tassiopoulos’ employment without cause or for good reason (including a change in control of the Company), then we would be obligated to pay him a change of control payment of $0.4 million related to 2018, and carried forward from his prior employment agreement with us, and the M&A Fee Payment. In addition, we were required to provide Mr. Tassiopoulos with any pro-rated bonus or other incentives as of the date of termination.

In October 2021, the Board approved a discretionary bonus for Mr. Tassiopoulos in the amount of $1.3 million in recognition of his extraordinary efforts in repositioning the Company and his forfeiture of significant historical accrued bonus entitlements since 2014 (which included the entitlement to receive a 4% bonus on proceeds raised from prior capital raises) in order to lower the financial burden on us during challenging periods.

Effective April 4, 2022, Mr. Tassiopoulos resigned as our Chief Executive Officer and as a member of our Board to explore other opportunities. In connection with his resignation, the Company and Mr. Tassiopoulos signed a separation and general release agreement dated April 4, 2022 pursuant to which Mr. Tassiopoulos will continue to receive healthcare benefits for a period of 12 months, and he received 2,000,000 restricted stock units on April 5, 2022 valued at approximately $5.1 million based upon the closing price of our common shares on April 5, 2022 of $2.53, of which 500,000 shares vested on July 4, 2022 and 1,500,000 shares vested on October 31, 2022 (the “Severance Benefits”). The payment of the Severance Benefits is in lieu of our obligation to pay Mr. Tassiopoulos benefits under his Employment Agreement, including the change of control payment and M&A Fee.

In addition, we entered into a consulting agreement with Mr. Tassiopoulos dated April 4, 2022 with a term of 12 months and a retainer of $1.0 million plus harmonized sales tax (the “Consulting Agreement”). Pursuant to the Consulting Agreement, Mr. Tassiopoulos will continue to consult with the Company's management team regarding the transition of our business to cryptocurrency and blockchain and will also assist our new chief executive officer transition into her new role.

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Kurt L. Kalbfleisch. From November 2018 to June 2022, Mr. Kalbfleisch served as our Senior Vice President, Chief Financial Officer and Secretary under a Transition Services Agreement with Overland. As a result of the sale of a subsidiary of the Company in November 2018, Mr. Kalbfleisch ceased to be employed by the Company, and such change of control transaction triggered the right of Mr. Kalbfleisch to receive a payment in the amount of $360,000 (reduced from the original entitlement of $450,000) (the "COC Payment") from the Company pursuant to an employment agreement with the Company in effect at the time of the sale. In August 2019, we entered into a change of control agreement with Mr. Kalbfleisch (the "COC Agreement") which provides that if Mr. Kalbfleisch is providing services to us at the time of a change of control, Mr. Kalbfleisch shall be entitled, in his sole discretion, to provide written notice to us at any time within 30 days of receiving written notice of such event, to receive the COC Payment. The COC Agreement also provides that if (i) we terminate Mr. Kalbfleisch's services without cause or Mr. Kalbfleisch terminates his services with us for good reason or (ii) Mr. Kalbfleisch becomes unable to provide services to us, either due to prolonged sickness, permanent disability or death, we shall pay Mr. Kalbfleisch the COC Payment. The COC Payment was paid to Mr. Kalbfleisch by the Company in June 2022 as set forth below.

Beginning in April 2020 and ending in June 2022, we supplemented Mr. Kalbfleisch's salary under the Transition Services Agreement in an amount equal to $100,000 per year.

In December 2021, the Board approved a discretionary bonus for Mr. Kalbfleisch in the amount of $100,000 to recognize his work effort and success related to various financing transactions, debt restructuring and other corporate matters.

On April 5, 2022, the Board approved a discretionary stock award for Mr. Kalbfleisch in the amount of 500,000 restricted stock units valued at approximately $1.3 million based upon the closing price of our common shares on April 5, 2022 of $2.53. The restricted stock units vested in full on April 12, 2022.

On June 20, 2022, we entered into an employment agreement with Mr. Kalbfleisch (the "Kalbfleisch Employment Agreement"). Pursuant to the Employment Agreement, Mr. Kalbfleisch will continue to serve in his capacity as Chief Financial Officer. The Kalbfleisch Employment Agreement is effective as of June 20, 2022 and has an initial one-year term. The initial term will automatically be extended for an additional one-year period thereafter, unless terminated by either party within 90 days prior to the renewal date.

Under the Kalbfleisch Employment Agreement, we will pay Mr. Kalbfleisch an annual base salary of $320,000. In addition, in consideration of amounts owed to Mr. Kalbfleisch under the COC Agreement, Mr. Kalbfleisch also received a one-time cash payment equal to $360,000. At the discretion of the Company's Chief Executive Officer, Mr. Kalbfleisch will be eligible to receive an annual bonus up to 75% of his base salary, payable in U.S. Dollar or Bitcoin at the Chief Executive Officer's discretion. The Chief Executive Officer may also determine to issue Mr. Kalbfleisch additional restricted stock units based upon the achievement of certain performance and financial thresholds to be determined by the Chief Executive Officer, subject to approval by our Board.

Mr. Kalbfleisch is also entitled to health insurance benefits and to participate in any employee benefit plans, life insurance plans, disability income plans, retirement plans, expense reimbursement plans and other benefit plans that we may from time to time have in effect for any of its executive management employees.

Upon the closing of a Change of Control of the Company (as defined in the Kalbfleisch Employment Agreement), Mr. Kalbfleisch shall receive a percentage ranging from 0.1% to 0.7% of the consideration received by our common shareholders based upon the amount of the transaction.

All compensation and unvested benefits payable under the Kalbfleisch Employment Agreement shall terminate on the date of the termination of Mr. Kalbfleisch's employment, unless Mr. Kalbfleisch's employment is terminated by us without cause or by Mr. Kalbfleisch for good reason, each as defined in the Kalbfleisch Employment Agreement, or as a result of a material breach by us of any of our obligations under the Kalbfleisch Employment Agreement or any other agreement to which the Company and Mr. Kalbfleisch are parties, in which case Mr. Kalbfleisch shall be entitled to (i) continued payment of his base salary at the rate and schedule then in effect for a period of six months after the date of termination, with an additional month of severance to be added for every completed year of service as Chief Financial

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Officer plus a pro-rated portion of his bonus; (ii) continued health and life insurance benefits for eight months after the date of termination; (iii) any unvested stock options and restricted stock units shall vest on the day immediately prior to the termination date; and (iv) if such termination, or expiration of the term of the Kalbfleisch Employment Agreement, occurs less than 60 days prior to a change of control, we will remain obligated to compensate Mr. Kalbfleisch for any other payments due under a change of control. Pursuant to the Kalbfleisch Employment Agreement, on June 27, 2022, Mr. Kalbfleisch received (i) 325,000 restricted stock units of the Company valued at approximately $221,000 based upon the closing price of our common shares on June 27, 2022 of $0.68, of which 20% of the shares vested on August 18, 2022, 30% of the shares vest on June 20, 2023, 25% of the shares vest on June 20, 2024, and 25% of the shares vest on June 20, 2025 and (ii) 225,000 stock options to purchase common shares of the Company, 20% of which vested on June 27, 2022, 30% of which vest on June 20, 2023, 25% of which vest on June 20, 2024 and 25% of which vest on June 20, 2025. The stock options have an exercise price of $0.6789 and expire on June 27, 2028. In the event of a change of control of the Company (as defined in the Kalbfleisch Employment Agreement), 50% of any unvested restricted stock units and 50% of any unvested stock options will immediately vest as of the day immediately prior to the change of control.

On February 28, 2023, Mr. Kalbfleisch received 850,000 restricted stock units of the Company valued at $351,730 based upon the closing price of our common shares on February 28, 2023 of $0.4138, of which 20% of the shares will vest on May 22, 2023 and 80% of the shares will vest on December 1, 2023.

Joseph L. O'Daniel. Mr. O'Daniel, who became our President in November 2018, is an at-will employee and his employment may be terminated by us for any reason, with or without notice. On June 13, 2022, Mr. O'Daniel's annual salary was increased from $200,000 to $275,000 per year. Mr. O'Daniel is eligible to receive an annual bonus based upon the achievement of financial and management objectives reasonably established by our Board or an authorized committee of our Board. Mr. O'Daniel's annual bonus target is 100% of the greater of $200,000 or his base salary as of the end of the applicable fiscal quarter or year in which the bonus is earned. Upon his joining us in January 2017, we entered into an offer letter with Mr. O'Daniel that provided for him to be paid a retention bonus in the amount of $700,442 if he continued employment with us through January 12, 2018. In February 2018, Mr. O'Daniel received an award of fully vested common shares in lieu of cash for a portion of the retention bonus leaving an outstanding balance of $533,802. In September 2019, the Company and Mr. O'Daniel entered into a retention agreement (the "Retention Agreement") with respect to the outstanding portion of the retention bonus ("Outstanding Retention Bonus"). Under the Retention Agreement, in the event of a change of control of the Company and provided no payment has been made under (i), (ii) or (iii) below, Mr. O'Daniel shall be entitled, in his sole discretion, to provide written notice to the Company at any time within 30 days of such event, to receive an amount equal to the Outstanding Retention Bonus. The Retention Agreement also provides that Mr. O'Daniel shall be entitled to the Outstanding Retention Bonus if (i) he becomes unable to provide services to the Company, either due to prolonged sickness, permanent disability or death, or (ii) the Company terminates him without cause, or (iii) he resigns his employment for good reason.

In 2022 and 2021, Mr. O'Daniel received discretionary bonuses in the amounts of $25,000 and $136,500, respectively.

On February 28, 2023, Mr. O'Daniel received 250,000 restricted stock units of the Company valued at $103,450 based upon the closing price of our common shares on February 28, 2023 of $0.4138, of which 20% of the shares will vest on May 22, 2023 and 80% of the shares will vest on December 1, 2023.

2015 Performance Incentive Plan

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Employees, officers, directors and consultants that provide services to us or one of our subsidiaries may be selected to receive awards under the 2015 Plan. Our Board of Directors has broad authority to administer the 2015 Plan, including the authority to select participants and determine the types of awards that they are to receive, determine the grants levels, vesting and other terms and conditions of awards, and construe and interpret the terms of the 2015 Plan and any agreements relating to the plan.

A total of 15,262,425 common shares are authorized for issuance with respect to awards granted under the 2015 Plan (not including shares subject to terminated awards under our Second Amended and Restated Stock Option Plan that become available for issuance under the 2015 Plan). In addition, the share limit automatically increases on the first trading day in January of each calendar year during the term of the 2015 Plan (commencing with January 2020) by an amount equal to the lesser of (i) ten percent (10%) of the total number of common shares issued and outstanding on December 31 of the immediately preceding calendar year, or (ii) such number of common shares as may be established by the Board. Awards under the 2015 Plan may be in the form of incentive or nonqualified stock options, stock appreciation rights, stock bonuses, restricted stock, stock units and other forms of awards including cash awards. Awards under the plan generally will not be transferable other than by will or the laws of descent and distribution, except that the plan administrator may authorize certain transfers.

The number and type of shares available under the 2015 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, are subject to customary adjustments in the event of stock splits, stock dividends and certain other corporate transactions. Generally, and subject to limited exceptions set forth in the 2015 Plan, if we dissolve or undergo certain corporate transactions such as a merger, business combination or other reorganization, or a sale of all or substantially all of our assets, all awards then-outstanding under the 2015 Plan will become fully vested or paid, as applicable, and will terminate or be terminated in such circumstances, unless the Board of Directors provides for the assumption, substitution or other continuation of the award. The Board of Directors also has the discretion to establish other change in control provisions with respect to awards granted under the 2015 Plan.

The Board of Directors may amend or terminate the 2015 Plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant. Plan amendments will be submitted to stockholders for their approval as required by applicable law or deemed advisable by the Board of Directors. If not earlier terminated by the Board of Directors, the 2015 Plan will terminate on May 14, 2025. The 2015 Plan is not exclusive - the Board of Directors may grant stock and performance incentives or other compensation, in stock or cash, under other plans or authority.

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Compensation of Directors

The following table provides compensation information for the members of our Board of Directors during 2022 who were not employed by us or any of our subsidiaries ("non-employee directors"). Patricia Trompeter and Peter Tassiopoulos are NEO's who also served on the Board of Directors during fiscal 2022. The 2022 compensation information for Ms. Trompeter and Mr. Tassiopoulos is presented in the Summary Compensation Table above. Ms. Trompeter was a non-employee director until April 4, 2022 and was paid compensation for her service on the Board as described in the Summary Compensation Table above. Mr. Tassiopoulos was not entitled to any additional compensation for his service on the Board during fiscal 2022.

Name	Fees Earned ($)	Option Awards(1) ($)	All Other Compensation ($)	Total ($)
David Danziger(2)	2,446	99,981	—	102,427
Timothy Hanley(3)	52,555	97,699	—	150,254
Susan Harnett(4)	10,883	—	—	10,883
Vivekanand Mahadevan	62,995	201,985	—	264,980
Duncan McEwan	92,258	201,985	—	294,243

(1) The amounts shown in this column represent the fair value on the grant date of the awards granted to the non-employee directors during fiscal year 2022 and do not reflect compensation actually received by the non-employee director. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of these awards, see Note 11 to the consolidated financial statements included herein. The details of these stock options are described below. At December 31, 2022, the end of our last fiscal year, Mr. Danziger held outstanding stock options for 423,290 common shares, Mr. Hanley held outstanding stock options for 123,000 common shares, and Messrs. Mahadevan and McEwan each held outstanding stock options for 552,638 common shares. Our non-employee directors did not hold any stock awards at the end of our last fiscal year.

(2) Mr. Danziger joined the Board on December 20, 2022.

(3) Mr. Hanley joined the Board on May 31, 2022.

(4) Ms. Harnett joined the Board on November 11, 2022.

From January 1, 2022 through May 31, 2022, the non-employee directors earned $10,000 per quarter for their service on the Board except that the Chair of the Audit Committee and the Chairman of the Board (or in such circumstances where the Chairman of the Board was not independent of management of the Company, the Lead Board Member) earned $12,500 per quarter for their service on the Board. Each non-employee director was also entitled to receive restricted stock units valued at $40,000 based upon the closing price of our common shares on the first business day of the year, subject to Board approval ("Annual Stock Award").

In May 2022, we reviewed our Board compensation as compared to our crypto-mining competitors ("Competitors") and determined that the Board compensation was not commensurate with our Competitors or for the time involvement and industry risks for our directors. To attract talented individuals to join the Board, we believed it was in the best interest of us to change the Board compensation. On May 27, 2022, the Board approved a new compensation program for non-employee board members. Beginning June 1, 2022, the non-employee board members will each receive the following compensation: (a) an annual cash payment of $75,000, payable quarterly in arrears (and pro-rated for partial quarterly periods), (b) in the case of the Chairman of the Board, an additional annual cash payment of $20,000, payable quarterly in arrears (and prorated for partial quarterly periods), (c) in the case of a Chairman of each subcommittee of the Board (being the Audit Committee, Nominating Committee and Compensation Committee), an additional annual cash payment of $15,000, payable quarterly in arrears (and pro-rated for partial quarterly periods), and

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(d) on an annual basis and at the election of the non-employee director, either: (i) restricted share units having a value of $100,000, to be priced at the market close on the day of our next annual shareholder's meeting, such restricted stock units to vest 364 days following the date of grant, or (ii) that number of stock options equal to $100,000 divided by the value of the options at the time of grant (to be determined using the Black-Scholes pricing model) to be priced at the market close on the day of our next annual shareholder's meeting, such stock options to vest in full 364 days following the date of grant (the "New Board Compensation Program"), provided there are sufficient shares available in the 2015 Plan. Pursuant to the New Board Compensation Program, Messrs. Hanley, McEwan and Mahadevan each received a stock option for 123,000 shares with an exercise price of $1.06 vesting in full on December 20, 2022 and expiring on May 31, 2028.

On June 10, 2022, the Board retroactively approved the Annual Stock Award for Messrs. McEwan and Mahadevan and Ms. Trompeter on a pro-rata basis covering the period of January 1, 2022 through May 31, 2022 (the end-date for the Board compensation program before the New Board Compensation Program) for Messrs. McEwan and Mahadevan's awards. Ms. Trompeter's pro-rata basis was adjusted to January 1, 2022 through April 4, 2022, the date Ms. Trompeter ceased to be an independent board member. The value of the Annual Stock Awards was based upon the closing price of the Company's stock on January 3, 2022, the first business day of the year. Messrs. McEwan and Mahadevan opted to receive stock options (in lieu of restricted stock units) and each received a stock option for 6,348 shares with an exercise price of $0.90 vesting in full on December 31, 2022. The stock options expire on June 10, 2028. Ms. Trompeter received a restricted stock unit for 2,942 common shares vesting in full on December 31, 2022.

On December 30, 2022, pursuant to the New Board Compensation Program, Messrs. Danziger, Mahadevan and McEwan each received a stock option for 423,290 shares with an exercise price of $0.31 vesting in full on December 19, 2023 and expiring on December 20, 2028. The value of the stock option was based upon the closing price of the Company's stock on December 20, 2022, the date of the annual shareholders meeting during fiscal 2022.

On February 28, 2023, Ms. Harnett and Mr. Hanley each received 322,580 restricted stock units of the Company valued at $133,484 based upon the closing price of our common shares on February 28, 2023 of $0.4138, vesting in full on December 19, 2023.Pursuant to the New Board Compensation Program, each director is entitled to an annual equity award valued at $100,000 based upon the closing price of our common stock on the date of the annual shareholders meeting.The number of RSU shares granted was based upon the closing price of the Company's common shares of $0.31 on December 20, 2022, the date of the Company's 2022 annual shareholders meeting.

In August 2019, we entered into a change of control agreement with Messrs. Mahadevan and McEwan (the "COC Agreements"). The COC Agreements provide that in the event of a change of control of the Company and provided no payment has been made under (i) or (ii) below, Messrs. Mahadevan and McEwan shall be entitled, in their sole discretion, to provide written notice to us at any time within 30 days of such event, to receive an amount equal to $127,500 and $115,000, respectively, for directorship services (the "COC Board Fees") related to waived fees for periods as of June 30, 2019. The COC Agreements also provide that Messrs. Mahadevan and McEwan shall be entitled to the COC Board Fees if (i) he becomes unable to serve on the Board, either due to prolonged sickness, permanent disability or death or (ii) is not reappointed as a member of the board at a duly convened meeting of its shareholders.

The Board retains complete discretion to adopt or modify our programs for providing cash and/or equity-based compensation to our non-employee directors as it deems appropriate from time to time.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information concerning required by this item is incorporated by reference to the direct and beneficial ownership definitive Proxy Statement for our 2024 Annual Meeting of our common shares at March 22, 2023 by each shareholder known to us to beneficially own more Stockholders, which will be filed with the SEC no later than 5% of our common shares, each director, and each executive officer named in the Summary Compensation Table above, and all current directors and executive officers of Sphere 3D as a group: 120 days after December 31, 2023.

Name	Number of Common Shares(1)	Beneficial Ownership(2)
Patricia Trompeter	913,415 (3)	1.2%
Kurt L. Kalbfleisch	615,574 (4)	*
Joseph L. O'Daniel	60,625 (5)	*
David Danziger	—	*
Timothy Hanley	123,000 (6)	*
Susan Harnett	—	*
Duncan McEwan	157,944 (7)	*
Vivekanand Mahadevan	157,533 (7)	*
Peter Tassiopoulos	1,400,925 (8)	1.9%
All current officers and directors as a group (8)	2,028,091 (9)	2.7%

* less than 1%

(1) These amounts include common shares, which could be acquired upon exercise or vesting of outstanding convertible securities within 60 days.

(2) Based on 73,929,018 shares outstanding on March 22, 2023.

(3) These shares include the right to: i) 150,000 shares upon vesting of restricted stock units on April, 8, 2023; ii) 193,550 shares upon vesting of restricted stock units on May 22, 2023; and iii) acquire shares upon exercise of 375,000 stock options.

(4) These shares include the right to: i) 170,000 shares upon vesting of restricted stock units on May 22, 2023; and ii) acquire shares upon exercise of 45,000 stock options.

(5) These shares include the right to 50,000 shares upon vesting of restricted stock units on May 22, 2023.

(6) These shares include the right to acquire shares upon exercise of 123,000 stock options.

(7) These shares include the right to acquire shares upon exercise of 129,348 stock options.

(8) These shares include the right to acquire shares upon exercise of 500 stock options.

(9) These shares include the right to shares upon vesting of restricted stock units and the right to acquire shares upon exercise of stock options as described in footnotes 4 through 8 above.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

Indemnification The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2024 Annual Meeting of Our Executive Officers and Directors

In accordance Stockholders, which will be filed with the by-laws of the Company, directors and officers are each indemnified by the Company against all liability and costs arising out of any action or suit against them from the execution of their duties, provided that they have carried out their duties honestly and in good faith with a view to the best interests of the Company and have otherwise complied with the provisions of applicable corporate law.

Director Independence

The Board has determined that the following current directors are independent within the meaning of NI 58-101 and NI 52-110 and NASDAQ Marketplace Rule 5605(a)(2): David Danziger, Timothy Hanley, Susan Harnett, Vivekanand Mahadevan and Duncan J. McEwan. The Board has determined that Patricia Trompeter is not independent because of her position as Chief Executive Officer of the Company. As a result, the Board is currently comprised of five independent directors and a majority of independent directors. SEC no later than 120 days after December 31, 2023.

Item 14. Principal Accounting Fees and Services

The aggregate fees incurred information required by this item is incorporated by reference to the definitive Proxy Statement for our current external auditor, MaloneBailey, LLP, in each 2024 Annual Meeting of the last two years for audit and other fees are as follows (in thousands):

	2022	2021
Audit fees(1)	$ 660	$ —
Audit related fees(2)	—	—
Tax fees(3)	—	—
All other fees(4)	—	—
	$ 660	$ —

(1) Audit fees consist of fees billed for professional services rendered in connection Stockholders, which will be filed with the audit of our annual consolidated financial statements, which were provided in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, and are not reported under audit fees.

(3) Tax fees consist of fees billed for professional services rendered for IRS Section 302 net operating loss limitation study.

(4) All other fees consist of fees for products and services other SEC no later than the services reported above.

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The aggregate fees incurred by our predecessor external auditor, Smythe LLP, in each of the last two years for audit and other fees are as follows (in thousands):

	2022	2021
Audit fees(1)	$ 68	$ 146
Audit related fees(2)	—	2
Tax fees(3)	1	9
All other fees(4)	—	22
	$ 69	$ 179

(1) Audit fees consist of fees billed for professional services rendered in connection with the audit of our annual consolidated financial statements, which were provided in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, and are not reported under audit fees.

(3) Tax fees consist of fees billed for professional services rendered for IRS Section 302 net operating loss limitation study.

(4) All other fees consist of fees for products and services other than the services reported above.

Pre-Approval Policies and Procedures

The Audit Committee has the authority to pre-approve all non-audit services to be provided to us by our independent auditor. All services provided by MaloneBailey, LLP during the year 2022 and Smythe LLP during the year 2021 were pre-approved by the Audit Committee. 120 days after December 31, 2023.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a) Documents filed as part of this report.

(1) Financial Statements.

Report of Independent Registered Public Accounting Firm (PCAOB ID 206)	F-1
Report of Independent Registered Public Accounting Firm (PCAOB ID 995)	F-2
Consolidated Balance Sheets as of December 31, 2022 December 31, 2023 and 2021 2022	F-5 3
Consolidated Statements of Operations for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022	F-6 4
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022	F-7 5
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022	F-8 6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022	F-9 7
Notes to Consolidated Financial Statements	F-11 9

(2) Financial Statement Schedules.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the consolidated financial statements or notes thereto.

(3) Exhibits.

List of Exhibits required by Item 601 of Regulation S-K. See part (b) below.

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(b) Exhibits

Exhibit Number	Description	Filed Herewith	Incorporated by Reference Form	File No.	Date Filed
3.1	Certificate and Articles of Amalgamation		6-K	001-36532	3/25/2015
3.2	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	7/17/2017
3.3	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	10/2/2018
3.4	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/5/2018
3.5	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/14/2018
3.6	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	7/12/2019
3.7	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/8/2019
3.8	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	5/8/2020
3.9	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	9/29/2020
3.10	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	1/7/2021
3.11	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	7/15/2021
3.12	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	10/4/2021
3.13	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	6/28/2023
3.14	By-Law No. 1, as Amended		6-K	001-36532	7/17/2017
3.14	By-Law No. 1 Amending Agreement		6-K	001-36532	2/1/2022
3.15	By-Law No. 1 Amending Agreement		6-K	001-36532	2/1/2022
3.16	By-Law No. 1 Amending Agreement		8-K	001-36532	1/13/2023
3.16 3.17	By-Law No. 2		6-K	001-36532	5/12/2017
4.1	Specimen certificate evidencing Common Shares		F-3	333-210735	4/13/2016
4.2	Description of Securities	X			
4.3	Form of Warrant		8-K	001-36532	4/17/2018

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4.4	Form of Warrant	8-K	001-36532	3/27/2020
4.5	Form of Warrant	6-K	001-36532	7/15/2021
4.6 4.4	Form of “A” Warrant	6-K	001-36532	8/27/2021
4.7 4.5	Form of “B” Warrant	6-K	001-36532	8/27/2021
4.8 4.6	Form of Warrant	6-K	001-36532	9/9/2021
4.7	Form of Warrant	6-K	001-36532	10/4/2021
4.8	Common Share Purchase Warrant issued by the Company to LDA Capital Limited on April 17, 2023	8-K	001-36532	4/21/2023
4.9	Form of Warrant	6-K 8-K	001-36532	10/4/2021 8/14/2023
4.10	Form of Warrant	8-K/A	001-36532	8/23/2023
4.11	Senior Secured Convertible Promissory Note, dated September 14, 2020, between the Company and Rainmaker Worldwide Inc.	8-K	001-36532	9/18/2020

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Exhibit Number	Description	Filed Herewith	Incorporated by Reference Form	File No.	Date Filed
4.10 4.12	Amendment No. 1 to Senior Secured Convertible Promissory Note dated September 14, 2020, September 14, 2023 between the Company and Rainmaker Worldwide Inc.		8-K	001-36532	9/18/2020 11/13/2023
10.1+	Sphere 3D Corp. Second Amended and Restated Stock Option Plan		F-4	333-197569	7/23/2014
10.2+	Sphere 3D Corp. 2015 Performance Incentive Plan, as amended		10-Q	001-36532	5/15/2019
10.3+	Form of Inducement Restricted Stock Unit Award Agreement		S-8	333-209251	2/1/2016
10.4+	Form of Executive Inducement Restricted Stock Unit Award Agreement		S-8	333-209251	2/1/2016
10.5+	Form of Executive Stock Option Agreement		10-K	001-36532	3/21/2018
10.6+	Sphere 3D Corp. Employee Stock Purchase Plan, as amended		S-8	333-205236	1/29/2018
10.7+	Offer of Employment Letter between Sphere 3D Corp. and Joseph O'Daniel dated January 25, 2017		10-K	001-36532	4/1/2019
10.8+	Form of Officer and Director Indemnity Agreement		10-K	001-36532	4/1/2019
10.9+	Consulting Agreement between Sphere 3D Corp. and Tass Consulting dated April 4, 2022		6-K	001-36532	4/8/2022
10.10+	Amended and Restated Retention Agreement between Sphere 3D Corp. and Joseph O'Daniel dated September 15, 2019		10-Q	001-36532	11/14/2019
10.11+ 10.8+	Form of Change of Control Agreement between Sphere 3D Corp. and Vic Mahadevan and Duncan McEwan dated August 15, 2019		10-Q	001-36532	11/14/2019
10.12+ 10.9+	Employment Agreement between Sphere 3D Corp. and Kurt Kalbfleisch dated June 20, 2022		6-K	001-36532	6/24/2022
10.13+ 10.10+	Employment Agreement between Sphere 3D Corp. and Patricia Trompeter dated April 5, 2022 January 15, 2024		6-K	001-36532	4/8/2022
10.14	Form of Subscription Agreement for Convertible Debenture		8-K	001-36532	3/27/2020 1/19/2024
10.15 10.11	Form of Purchase Agreement dated September 14, 2020		8-K	001-36532	9/18/2020
10.16 10.12	Amendment to Purchase Agreement dated September 23, 2020 between Sphere 3D Corp. and Westworld Financial Capital, LLC		8-K	001-36532	9/29/2020
10.17 10.13	First Amendment to Purchase Agreement dated March 9, 2021 between Sphere 3D Corp. and Westworld Financial Capital, LLC		6-K	001-36532	3/18/2021
10.18 10.14	Second Amendment to Purchase Agreement dated October 1, 2021 between Sphere 3D Corp. and Westworld Financial Capital, LLC and Form of Warrant		6-K	001-36532	10/4/2021
10.19 10.15	Form of Purchase Agreement dated July 12, 2021		6-K	001-36532	7/15/2021
10.20 10.16	Purchase Agreement, dated July 31, 2021, by and among Sphere 3D Corp. and Hertford Advisors Ltd.		6-K	001-36532	8/6/2021
10.21#	Agreement with Shareholder between Sphere 3D Corp. and Hertford Advisors Ltd. dated November 7, 2022		6-K	001-36532	11/14/2022
10.22 10.17	Form of Purchase Agreement dated August 25, 2021		6-K	001-36532	8/27/2021

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Exhibit Number		Description	Filed Herewith	Incorporated by Reference Form	File No.	Date Filed
10.23#	10.18#	Future Sales and Purchase Agreement between FuFu Technology Limited and Sphere 3D, dated July 30, 2021		F-4	333-262011	1/5/2022
10.24#	10.19#	Supplemental Agreement to Future Sales and Purchase Agreement between FuFu Technology Limited and Sphere 3D Corp., dated September 17, 2021		F-4	333-262011	1/5/2022
10.25#	10.20#	Amendment to Future Sales and Purchase Agreement (Third Supplemental Agreement) between Sphere 3D Corp. and Ethereal Tech Pte. Ltd (formerly known as FuFu Technology Limited) dated October 19, 2022		6-K	001-36532	10/21/2022
10.26		Master Services Agreement dated August 19, 2021 between Sphere 3D Corp. and Gryphon Digital Mining Inc.		6-K	001-36532	8/25/2021
10.27		Amendment No. 1 to Master Services Agreement dated December 29, 2021 between Sphere 3D Corp. and Gryphon Digital Mining Inc.		6-K	001-36532	1/5/2022
10.28	10.21	Securities Purchase Agreement, by and among Sphere 3D Corp. and the investors identified on the signature pages thereto, dated September 2, 2021		6-K	001-36532	9/9/2021
10.29#	10.22#	Sub-License and Delegation Agreement, between Gryphon Digital Mining, Inc. and Sphere 3D Corp., dated as of October 5, 2021		F-4	333-262011	1/5/2022

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Exhibit Number	Description	Filed Herewith	Form	File No.	Date Filed	Incorporated by Reference
10.23	Amendment No. 1 to Sub-License and Delegation Agreement, between Gryphon Digital Mining, Inc. and Sphere 3D Corp., dated as of December 29, 2021		6-K	001-36532	1/5/2022	
10.31 10.24	Sales and Purchase Agreement dated February 3, 2022 between Sphere 3D Corp. and NuMiner Global, Inc.		6-K	001-36532	2/4/2022	
10.32 10.25	Waxahachie, Texas Lease Securities Purchase Agreement between Sphere 3D Corp. and LDA Capital Limited, dated April 17, 2023		8-K	001-36532	4/21/2023	
10.26	Amended and Restated Agreement between Sphere 3D Corp. and the Hertford Group		8-K	001-36532	8/14/2023	
10.27	Form of Purchase Agreement dated January 25, 2022 between HVE Inc. and BarBell Real Estate, LLC August 23, 2023		X 8-K/A	001-36532		8/23/2023
10.28	Share Purchase Agreement between the Company and Joseph O'Daniel, dated December 28, 2023		8-K	001-36532	1/4/2024	
14.1	Code of Business Conduct and Ethics Policy		6-K	001-36532	4/1/2015	
21.1	Subsidiaries of Registrant	X				
23.1	Consent of Independent Registered Public Accounting Firm	X				
23.2	Consent of Independent Registered Public Accounting Firm	X				
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	XBRL Instance Document - the instance document does not appear in the interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				

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Exhibit Number	Description	Filed Herewith	Incorporated by Reference Form	File No.	Date Filed
101.SCH	XBRL Taxonomy Extension Schema	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	XBRL Taxonomy Presentation Linkbase	X			
104	Cover Page Interactive Data File (formatted as inline XBRL as contained in Exhibit 101)	X			

\+ Management contract or compensation plan or arrangement.

Certain confidential portions of this Exhibit were omitted pursuant to Item 601(b)(10)(iv) by means of marking such portions with brackets ("[***]"); the identified confidential portions (i) are not material and (ii) are customarily and actually treated as private or confidential.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sphere 3D Corp.

/s/ Patricia Trompeter

Patricia Trompeter

Chief Executive Officer

Date: March 31, 2023 March 13, 2024

POWER OF ATTORNEY

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Each person whose signature appears below constitutes and appoints Patricia Trompeter and Kurt L. Kalbfleisch, jointly and severally, as their attorney-in-fact, each with the power of substitution, for her or him in any and all capacities, to sign any amendments to this annual report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof. Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Patricia Trompeter **Patricia Trompeter**	Chief Executive Officer (Principal Executive Officer)	March 31, 2023 2024
/s/ Kurt L. Kalbfleisch **Kurt L. Kalbfleisch**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2023 2024
/s/ David Danziger **David Danziger**	Director	March 31, 2023 2024
/s/ Timothy Hanley **Timothy Hanley**	Director	March 31, 2023 2024
/s/ Susan S. Harnett **Susan S. Harnett**	Director	March 31, 2023 2024
/s/ Vivekanand Mahadevan **Vivekanand Mahadevan**	Director	March 31, 2023 2024
/s/ Duncan J. McEwan **Duncan J. McEwan**	Director	March 31, 2023 2024

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SPHERE 3D CORP.

For the Years Ended December 31, 2022 December 31, 2023 and 2021 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Sphere 3D Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet sheets of Sphere 3D Corp. and its subsidiaries (collectively, the “Company”) as of December 31, 2022, December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, shareholders’ equity, and cash flows for the year years then ended, 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, 2022, December 31, 2023 and 2022, and the results of their operations and their cash flows for the year years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and does not expect to have sufficient working capital to fund its operations that raise raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to 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 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 audit. 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 audit 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 audit 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.

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Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2022.
Houston, Texas
March 31, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Sphere 3D Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated financial statements of Sphere 3D Corp. and its subsidiaries (the "Company") which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operation, comprehensive loss, cash flows, and shareholders' equity (deficit) for the year ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and the consolidated results of its operations and its consolidated cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a net working capital deficiency, and may not be able to amend, refinance, or pay off its debt and credit facilities, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated 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 consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company

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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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matters

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

Valuation

Evaluation of Filecoiner, Inc. Preferred Shares the Accounting for and Disclosure of Bitcoin Mining Revenue Recognized

As described disclosed in Notes 3 and 6 Note 2 to the consolidated financial statements, the Company received 8,000 Series B preferred shares of Filecoiner, Inc. (“Filecoiner”) (“Filecoiner Series B shares”) as consideration recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers. The Company provides computing power to its mining pools and in exchange for providing such computing power, the sale of its SnapServer product line Company is entitled to Filecoiner. The fair value a fractional share of the Filecoiner Series B shares was estimated to be $6.4 million by management. The valuation fixed bitcoin award earned, plus a fractional share of the Filecoiner Series B shares required transaction fees, less net digital asset fees due to the mining pool operator over the measurement period. The Company’s fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. During the year ended December 31, 2023, the Company recognized net bitcoin mining revenue of approximately $19.7 million. The Company’s management has exercised significant judgment in their determination of how existing GAAP should be applied to make significant estimates the accounting for and judgments. Management determined the fair value using a Monte Carlo Simulation and a capital option pricing model. The significant assumptions used by management to value the Filecoiner Series B shares included Filecoiner’s forecasted revenues, discount rate, volatility, risk free rate and cost disclosure of debt. bitcoin mining revenue recognized.

The principal considerations for our determination that performing primary procedures relating we performed to valuation of Filecoiner preferred shares is a address this critical audit matter are (i) included the significant judgments by management following:

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- Evaluated management's rationale for the application of Topic 606 to determine the fair values account for bitcoin awards earned;
- Evaluated management's disclosures of the series B preferred shares, which included significant assumptions related to Filecoiner's revenue forecast, discount rate, volatility and cost of debt; (ii) the significant audit effort due to a high degree of auditor subjectivity and judgment to evaluate the audit evidence obtained related to the significant assumptions used its bitcoin activities in the financial statement footnotes;
- Evaluated and tested management's rationale and supporting documentation associated with the valuation and (iii) the audit effort which involved the use of professionals with specialized skill and knowledge. bitcoin awards earned;

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated

- Independently confirmed certain financial statements. These procedures also included, among others, (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent range of possible valuations of Filecoiner Series B shares based on third party data and independently developed assumptions wallet records directly with the mining pools;
- Compared the Company's wallet records of Filecoiner's discount rate, volatility bitcoin mining revenue received to publicly available blockchain records; and cost
- Undertook an analytical review of debt, and (ii) comparing the independent estimate total bitcoin mining revenue expected to management's estimate to evaluate the reasonableness of management's estimate.

Valuation of equity instruments issued under the Hertford Agreement

As described in Note 8 to the consolidated financial statements, the Company issued 4,500,000 common shares with a fair value of $11.4 million and 96,000 Series H Preferred Shares ("Series H shares") with a fair value of $42.4 million to Hertford Advisors Ltd. ("Hertford") for rights to a number of cryptocurrency mining hardware agreements and a mining facility agreement. In addition, as described in Note 11, the Company issued 2,880,000 common shares with a fair value of $12.8 million as a fee to Majestic Dragon. The valuation of the Series H shares and common shares issued be recognized by the Company required management to make significant estimates by assessing the total hash power contributed onto the network by the Company against total block rewards and judgments. The significant assumptions used by management to value transaction fees issued over the Series H shares included fair market value estimates of comparable cryptocurrency mining hardware equipment. The significant assumptions used by management to value the common shares issued to Hertford and Majestic Dragon involved assessing a relevant holding period, risk free rate and volatility.

The principal considerations for our determination that performing procedures relating to valuation of equity instruments issued under the Hertford Agreement is a critical audit matter are (i) the significant judgments by management to determine the fair values of the Series H shares and common shares issued; (ii) the significant audit effort due to a high degree of auditor subjectivity and judgment to evaluate the audit evidence obtained related to the significant assumptions used in the valuation, and (iii) the audit effort which involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures also included, among others, (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent range of possible valuations for the equity instruments issued based on third party data

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and independently developed assumptions of the Company's risk free rate, holding period and volatility, and (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate. year.

/s/ *Smythe MaloneBailey, LLP*
Chartered Professional Accountants
Vancouver, Canada
March 30, 2022 www.malonebailey.com
We have served as the Company's auditor from 2019 to since 2022.

Houston, Texas
March 13, 2024

Sphere 3D Corp.

Consolidated Balance Sheets

(in thousands of U.S. dollars, except shares)

		December 31, 2022	December 31, 2021		
	December 31, 2023			**December 31, 2023**	**December 31, 2022**
Assets	**Assets**				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$ 1,337	$ 54,355		
Digital assets	Digital assets	1,695	—		
Restricted cash	Restricted cash	206	—		
Accounts receivable, net	Accounts receivable, net	174	181		
Notes receivable		3,821	1,859		

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Notes receivable, net of allowance for credit losses of $3,821 and $0, respectively			
Other current assets	Other current assets	3,051	22,027
Total current assets	Total current assets	10,284	78,422
Property and equipment, net	Property and equipment, net	34,259	—
Intangible assets, net	Intangible assets, net	9,477	63,017
Funds held in trust account	Funds held in trust account	10,297	—
Investments		—	19,949
Notes receivable		—	11,988
Other assets		18,699	102,548
Other non-current assets			
Total assets	Total assets	$ 83,016	$275,924
Liabilities and Shareholders' Equity			
Liabilities, Temporary Equity and Shareholders' Equity			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 2,993	$ 1,252
Accrued liabilities	Accrued liabilities	1,537	3,250
Accrued payroll and employee compensation	Accrued payroll and employee compensation	696	199
Deferred revenue		160	210
Warrant liabilities			
Other current liabilities	Other current liabilities	814	297

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Total current liabilities	Total current liabilities	6,200	5,208	
Deferred underwriting fee	Deferred underwriting fee	4,554	—	
Warrant liabilities	Warrant liabilities	864	—	
Deferred revenue, long-term		56	58	
Other non-current liabilities	Other non-current liabilities	310	1,032	
Total liabilities	Total liabilities	11,984	6,298	
Commitments and contingencies (Note 14)				
Series H preferred shares, no par value, unlimited shares authorized, 60,000 and 96,000 shares issued and outstanding at December 31, 2022 and 2021, respectively		26,469	42,350	
Commitments and contingencies (Note 15)				Commitments and contingencies (Note 15)
Series H preferred shares, no par value, unlimited shares authorized, 43,515 and 60,000 shares issued and outstanding at December 31, 2023 and 2022, respectively				
Redeemable non-controlling interest	Redeemable non-controlling interest	9,998	—	
Total temporary equity	Total temporary equity	36,467	42,350	
Shareholders' equity:	Shareholders' equity:			
Common shares, no par value; 68,631,104 and 63,566,403 shares issued and outstanding as of December 31, 2022 and 2021, respectively		456,402	444,265	
Shareholders' equity:				
Shareholders' equity:				
Common shares, no par value; unlimited shares authorized, 15,373,616 and 9,804,609 shares issued and outstanding as of December 31, 2023 and 2022, respectively				

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Common shares, no par value; unlimited shares authorized, 15,373,616 and 9,804,609 shares issued and outstanding as of December 31, 2023 and 2022, respectively			
Common shares, no par value; unlimited shares authorized, 15,373,616 and 9,804,609 shares issued and outstanding as of December 31, 2023 and 2022, respectively			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1,799)	(1,794)
Accumulated deficit	Accumulated deficit	(419,732)	(215,195)
Total Sphere 3D Corp. shareholders' equity	Total Sphere 3D Corp. shareholders' equity	34,871	227,276
Non-controlling interest	Non-controlling interest	(306)	—
Total shareholders' equity		34,565	227,276
Total shareholders' equity			
Total liabilities, temporary equity, and shareholders' equity	Total liabilities, temporary equity, and shareholders' equity	$ 83,016	$275,924

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.

Consolidated Statements of Operations
(in thousands of U.S. dollars, except share and per share amounts)

	Year Ended December 31,	
	2022	2021
	Year Ended December 31,	
	Year Ended December 31,	

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		Year Ended December 31,	
	2023		
Revenues:	Revenues:		
Digital mining revenue		$ 3,443	$ —
Revenues:			
Revenues:			
Bitcoin mining revenue			
Bitcoin mining revenue			
Bitcoin mining revenue			
Service and product revenue			
Service and product revenue			
Service and product revenue	Service and product revenue	2,634	3,720
Total revenues	Total revenues	6,077	3,720
Total revenues			
Total revenues			
Operating costs and expenses:	Operating costs and expenses:		
Cost of digital mining revenue		2,044	—
Operating costs and expenses:			
Operating costs and expenses:			
Cost of Bitcoin mining revenue			
Cost of Bitcoin mining revenue			
Cost of Bitcoin mining revenue			
Cost of service and product revenue			
Cost of service and product revenue			
Cost of service and product revenue	Cost of service and product revenue	1,373	1,718
Sales and marketing	Sales and marketing	1,009	1,317
Sales and marketing			
Sales and marketing			
Research and development			
Research and development			
Research and development	Research and development	605	971
General and administrative	General and administrative	24,134	12,927
General and administrative			
General and administrative			
Depreciation and amortization	Depreciation and amortization	28,263	5,685
Depreciation and amortization			

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Depreciation and amortization			
Provision for losses on deposits due to vendor bankruptcy filings			
Provision for losses on deposits due to vendor bankruptcy filings			
Provision for losses on deposits due to vendor bankruptcy filings			
Impairment of acquired intangible assets			
Impairment of acquired intangible assets			
Impairment of acquired intangible assets			
Realized gain on sale of Bitcoin			
Realized gain on sale of Bitcoin			
Realized gain on sale of Bitcoin			
Loss on disposal of property and equipment			
Loss on disposal of property and equipment			
Loss on disposal of property and equipment			
Impairment of Bitcoin			
Impairment of Bitcoin			
Impairment of Bitcoin			
Impairment of mining equipment	Impairment of mining equipment	75,922	—
Provision for losses on deposits due to vendor bankruptcy filings		16,069	—
Impairment of goodwill and acquired intangible assets		13,182	820
Impairment of digital assets		1,148	—
Impairment of mining equipment			
Impairment of mining equipment			
Total operating expenses			
Total operating expenses			
Total operating expenses	Total operating expenses	163,749	23,438
Loss from operations	Loss from operations	(157,672)	(19,718)
Loss from operations			
Loss from operations			
Other income (expense):	Other income (expense):		
Other income (expense):			
Other income (expense):			
Gain on deconsolidation of SPAC			
Gain on deconsolidation of SPAC			
Gain on deconsolidation of SPAC			
Interest expense			

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Interest expense			
Interest expense			
Interest income and other expense, net			
Interest income and other expense, net			
Interest income and other expense, net			
Gain on disposal of service and product segment - related party			
Gain on disposal of service and product segment - related party			
Gain on disposal of service and product segment - related party			
Impairment of investments			
Impairment of investments			
Impairment of investments	Impairment of investments	(14,529)	—
Forgiveness of note receivable	Forgiveness of note receivable	(13,145)	—
Forgiveness of note receivable			
Forgiveness of note receivable			
Provision for losses on deposit for mining equipment	Provision for losses on deposit for mining equipment	(10,000)	—
Interest income and other, net		2,600	2,930
Interest expense, related party		—	(495)
Interest expense		—	(21)
Loss before income taxes		(192,746)	(17,304)
Provision for (benefit from) income taxes		166	(15)
Provision for losses on deposit for mining equipment			
Provision for losses on deposit for mining equipment			
Net loss before taxes			
Net loss before taxes			
Net loss before taxes			
Provision for income taxes			
Provision for income taxes			
Provision for income taxes			
Net loss	Net loss	(192,912)	(17,289)
Less: Non-controlling interest loss		(111)	—
Net loss attributable to Sphere 3D Corp.		(192,801)	(17,289)
Dividends on preferred shares		—	531
Net loss			

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Net loss					
Less: Non-controlling interest - income (loss)					
Less: Non-controlling interest - income (loss)					
Less: Non-controlling interest - income (loss)					
Net loss attributable to common shareholders					
Net loss attributable to common shareholders					
Net loss attributable to common shareholders	Net loss attributable to common shareholders	$	(192,801)	$	(17,820)
Net loss per share:	Net loss per share:				
Net loss per share:					
Net loss per share:					
Net loss per share basic and diluted					
Net loss per share basic and diluted					
Net loss per share basic and diluted	Net loss per share basic and diluted	$	(2.91)	$	(0.58)
Shares used in computing net loss per share:	Shares used in computing net loss per share:				
Shares used in computing net loss per share:					
Shares used in computing net loss per share:					
Basic and diluted	Basic and diluted		66,294,407		30,862,508
Basic and diluted					
Basic and diluted					

See accompanying notes to consolidated financial statements.

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Sphere 3D Corp.

Consolidated Statements of Comprehensive Loss
(in thousands of U.S. dollars)

			Year Ended December 31,		
			2022		**2021**
			Year Ended December 31,		
			Year Ended December 31,		
			Year Ended December 31,		
	2023				
Net loss					
Net loss					
Net loss	Net loss	$	(192,912)	$	(17,289)
Other comprehensive loss:	Other comprehensive loss:				

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Other comprehensive loss:			
Other comprehensive loss:			
Foreign currency translation adjustment			
Foreign currency translation adjustment			
Foreign currency translation adjustment	Foreign currency translation adjustment	(5)	(3)
Total other comprehensive loss	Total other comprehensive loss	(5)	(3)
Total other comprehensive loss			
Total other comprehensive loss			
Comprehensive loss	Comprehensive loss	$ (192,917)	$ (17,292)
Comprehensive loss			
Comprehensive loss			

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.

Consolidated Statements of Shareholders' Equity
(in thousands of U.S. dollars, except shares)

	Common Shares		Preferred Shares		Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2021	7,867,186	$ 192,406	9,355,778	$ 11,769	$ (1,791)	$ (197,375)	$ —	$ 5,009
Issuance of preferred shares, net	—	—	10,000	9,575	—	—	—	9,575
Issuance of common shares for conversion of preferred shares	11,081,824	21,344	(9,365,778)	(21,344)	—	—	—	—
Issuance of common shares and warrants, net	32,018,530	195,017	—	—	—	—	—	195,017
Acquisition of intangible asset	4,500,000	11,408	—	—	—	—	—	11,408
Issuance of common shares for the settlement of liabilities	4,664,852	17,731	—	—	—	—	—	17,731
Issuance of common shares for conversion of convertible debt	468,225	799	—	—	—	—	—	799
Issuance of common shares pursuant to the vesting of restricted stock units	133,553	—	—	—	—	—	—	—
Issuance of warrants for settlement of liabilities	—	2,821	—	—	—	—	—	2,821
Exercise of warrants	2,732,233	2,121	—	—	—	—	—	2,121
Exercise of stock options	100,000	252	—	—	—	—	—	252

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Share-based compensation	—	366	—	—	—	—	—	366
Other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Net loss	—	—	—	—	—	(17,289)	—	(17,289)
Preferred dividends	—	—	—	—	—	(531)	—	(531)
Balance at December 31, 2021	63,566,403	444,265	—	—	(1,794)	(215,195)	—	227,276
Issuance of common shares for the purchase of intangible assets	1,350,000	1,721	—	—	—	—	—	1,721
Issuance of common shares and warrants for the settlement of liabilities	950,000	1,957	—	—	—	—	—	1,957
Issuance of common shares for vested restricted stock units, net of shares withheld for income taxes	2,764,701	—	—	—	—	—	—	—
Share-based compensation	—	8,459	—	—	—	—	—	8,459
Non-controlling interest	—	—	—	—	—	—	(195)	(195)
Adjustment to increase non-controlling interest to maximum redemption value	—	—	—	—	—	(11,736)		(11,736)
Other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Net loss	—	—	—	—	—	(192,801)	(111)	(192,912)
Balance at December 31, 2022	68,631,104	$ 456,402	—	$ —	$ (1,799)	$ (419,732)	$ (306)	$ 34,565

	Common Shares		Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2022	9,081,081	$ 444,265	$ (1,794)	$ (215,195)	$ —	$ 227,276
Issuance of common shares for the purchase of intangible assets	192,857	1,721	—	—	—	1,721
Issuance of common shares and warrants for the settlement of liabilities	135,714	1,957	—	—	—	1,957
Issuance of common shares for vested restricted stock units, net of shares withheld for income taxes	394,957	—	—	—	—	—
Share-based compensation	—	8,459	—	—	—	8,459
Non-controlling interest	—	—	—	—	(195)	(195)
Adjustment to increase non-controlling interest to maximum redemption value	—	—	—	(11,736)		(11,736)
Other comprehensive loss	—	—	(5)	—	—	(5)
Net loss	—	—	—	(192,801)	(111)	(192,912)
Balance at December 31, 2022	9,804,609	456,402	(1,799)	(419,732)	(306)	34,565
Cumulative adjustment from adoption of ASU 2016-13	—	—	—	(3,821)	—	(3,821)
Issuance of common share warrants, net	—	1,130	—	—	—	1,130
Issuance of common shares for conversion of preferred shares	4,714,560	14,559	—	—	—	14,559

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Issuance of common shares for the settlement of liabilities	89,654	214	—	—	—	214
Issuance of common shares pursuant to the vesting of restricted stock units	410,988	—	—	—	—	—
Exercise of warrants	123,806	411	—	—	—	411
Exercise of stock options	229,999	556	—	—	—	556
Share-based compensation	—	2,430	—	—	—	2,430
Non-controlling interest	—	—	—	—	230	230
Remeasurement of redeemable non-controlling interest	—	—	—	(412)	—	(412)
Other comprehensive loss	—	—	(9)	—	—	(9)
Net (loss) income	—	—	—	(23,406)	76	(23,330)
Balance at December 31, 2023	15,373,616	$ 475,702	$ (1,808)	$ (447,371)	$ —	$ 26,523

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.

Consolidated Statements of Cash Flows

(in thousands of U.S. dollars)

	Year Ended December 31,	
	2022	2021
Operating activities:		
Net loss	$(192,912)	$(17,289)
Adjustments to reconcile net loss to cash used in operating activities:		
Provision for losses on deposits made due to vendor bankruptcy filings		

	Year Ended December 31,	
	2023	2022
Operating activities:		
Net loss		
Net loss		
Adjustments to reconcile net loss to cash used in operating activities:		
Provision for losses on deposits made due to vendor bankruptcy filings		
Provision for losses on deposits made due to vendor bankruptcy filings		

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Depreciation and amortization			
Gain on deconsolidation of SPAC			
Impairment of acquired intangible assets			
Share-based compensation			
Bitcoin issued for services			
Change in fair value of warrant liabilities			
Realized gain on sale of Bitcoin			
Warrants issued with convertible debt			
Loss on disposal of property and equipment			
Impairment of Bitcoin			
Gain on disposal of service and product segment - related party			
Issuance of common shares and warrants for settlement of liabilities			
Extinguishment of debt			
Noncash lease cost			
Impairment of mining equipment	Impairment of mining equipment	75,922	—
Provision for losses on deposits made due to vendor bankruptcy filings		16,069	—
Impairment of investments	Impairment of investments	14,529	—
Impairment of goodwill and acquired intangible assets		13,182	820

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Forgiveness of note receivable	Forgiveness of note receivable	13,145	—
Provision for losses on deposit for mining equipment	Provision for losses on deposit for mining equipment	10,000	—
Depreciation and amortization		28,263	5,685
Share-based compensation		8,459	366
Gain on forgiveness of liabilities	Gain on forgiveness of liabilities	(2,083)	(189)
Issuance of common shares and warrants for settlement of liabilities		1,957	2,821
Change in fair value of crypto asset payable	Change in fair value of crypto asset payable	(1,422)	—
Impairment of digital assets		1,148	—
Digital assets issued for services		619	—
Change in fair value of warrant liabilities		309	—
Realized gain on sale of digital assets		(19)	—
Noncash lease cost		14	—
Gain on disposal of product line		—	(4,992)
Gain on forgiveness of debt		—	(1,125)
Preferred shares penalty fee		—	653
Amortization of debt issuance costs		—	485
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Proceeds from sale of Bitcoin			
Proceeds from sale of Bitcoin			
Proceeds from sale of Bitcoin			
Digital assets			
Accounts receivable	Accounts receivable	7	75
Digital assets		(3,443)	—
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	1,204	3,925
Accrued payroll and employee compensation	Accrued payroll and employee compensation	497	(94)
Deferred revenue		(52)	(555)
Other assets	Other assets	(16,066)	(20,297)

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Other liabilities	Other liabilities	(98)	1,193
Net cash used in operating activities	Net cash used in operating activities	(30,771)	(28,518)
Investing activities:	**Investing activities:**		
Redemption of non-controlling interest			
Redemption of non-controlling interest			
Redemption of non-controlling interest			
Redemption of cash in trust account			
Proceeds from sale of property and equipment			
Payments for purchase of property and equipment			
Cash related to deconsolidation of SPAC			
Cash related to disposal of service and product segment			
Cash assumed in connection with consolidation of SPAC	Cash assumed in connection with consolidation of SPAC	161	—
Payments for purchase of property and equipment		(17,631)	(102,238)
Notes receivable	Notes receivable	(4,265)	(10,035)
Purchase of intangible assets	Purchase of intangible assets	(306)	—
Investments		—	(10,420)
Net cash used in investing activities		(22,041)	(122,693)

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Net cash provided by (used in) investing activities	
See accompanying notes to consolidated financial statements.	See accompanying notes to consolidated financial statements.

Sphere 3D Corp.

Consolidated Statements of Cash Flows (continued)

(in thousands of U.S. dollars)

	Year Ended December 31,	
	2023	**2022**
Financing activities:		
Proceeds from issuance of preferred shares and warrants	$ 3,048	$ —
Payments for convertible debt	(1,285)	—
Proceeds from convertible debt, net of debt issuance costs	779	—
Proceeds from exercise of stock options	556	—
Payments for cost of preferred shares and warrants	(34)	—
Net cash provided by financing activities	3,064	—
Net decrease in cash, cash equivalents, and restricted cash	(957)	(52,812)
Cash, cash equivalents and restricted cash, beginning of year	1,543	54,355
Cash, cash equivalents and restricted cash, end of year	$ 586	$ 1,543

Sphere 3D Corp.

Consolidated Statements of Cash Flows (continued)

(in thousands of U.S. dollars)

	Year Ended December 31,	
	2022	**2021**
Financing activities:		

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Proceeds from issuance of common shares and warrants		—	194,572
Proceeds from issuance of preferred shares		—	9,575
Proceeds from exercise of outstanding warrants		—	1,991
Payments for debt		—	(1,103)
Proceeds from debt		—	447
Payments for line of credit, net		—	(402)
Proceeds from exercise of stock options		—	252
Payments for preferred share dividends		—	(227)
Net cash provided by financing activities		—	205,105
Net (decrease) increase in cash, cash equivalents, and restricted cash		(52,812)	53,894
Cash, cash equivalents and restricted cash, beginning of year		54,355	461
Cash, cash equivalents and restricted cash, end of year		$ 1,543	$ 54,355
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:			
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:			
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Restricted cash			
Total cash, cash equivalents and restricted cash			
Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:		
Cash paid for taxes	Cash paid for taxes	$ 166	$ —
Cash paid for taxes			
Cash paid for taxes			
Cash paid for interest	Cash paid for interest	$ —	$ 34
Supplemental disclosures of non-cash investing and financing activities:			
Supplemental disclosures of noncash investing and financing activities:			
Exercise of warrants			
Exercise of warrants			
Exercise of warrants			
Reclassification of deposit for mining equipment received	Reclassification of deposit for mining equipment received	$ 111,472	$ —

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Cancellation of preferred shares	Cancellation of preferred shares	$ 15,881	$ —
Issuance of common shares for acquisition of intangible asset	Issuance of common shares for acquisition of intangible asset	$ 1,721	$ 11,408
Amounts accrued for purchases of property and equipment	Amounts accrued for purchases of property and equipment	$ 1,561	$ —
Right-of-use asset obtained in exchange for lease obligation	Right-of-use asset obtained in exchange for lease obligation	$ 353	$ —
Issuance of preferred shares for acquisition of intangible asset		$ —	$ 42,350
Issuance of common shares for settlement of liabilities		$ —	$ 17,731
Issuance of common shares for conversion of convertible debt		$ —	$ 799

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.

Notes to Consolidated Financial Statements

1. Organization and Business

Sphere 3D Corp. was incorporated under the *Business Corporations Act (Ontario)* on May 2, 2007 as T.B. Mining Ventures Inc. On March 24, 2015, the Company completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, the Company changed its name to “Sphere 3D Corp.” Any reference to the “Company”, “Sphere 3D”, “we”, “our”, “us”, or similar terms refers to Sphere 3D Corp. and its subsidiaries. In January 2022, the Company commenced operations of its digital Bitcoin mining operation business and is dedicated to becoming a leading carbon-neutral Bitcoin mining company. leader in the Blockchain and Crypto Industry. The Company is establishing has established and plans to continue to grow an enterprise-scale mining operation through the procurement of next-generation mining equipment and partnering with experienced service providers. In addition, through December 28, 2023, the Company delivers delivered data management and desktop and application virtualization solutions through hybrid cloud, cloud and on premise implementations by its global reseller network. The Company achieves this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. The Company’s products allow organizations to deploy a combination of public, private or hybrid cloud strategies while backing them up with the latest storage solutions. The Company’s brands include HVE ConneXions (“HVE”) and Unified ConneXions (“UCX”). In October 2021, On December 28, 2023, the Company sold its SnapServer® service and product line segment which included HVE ConneXions and associated assets. Unified ConneXions.

Special Purpose Acquisition Company

In April 2021, the Company sponsored a special purpose acquisition company (“SPAC”), Minority Equality Opportunities Acquisition Inc. (“MEOA”), through its wholly owned subsidiary, Minority Equality Opportunities Acquisition Sponsor, LLC (“SPAC Sponsor”). The registration statement for MEOA’s Initial Public Offering was declared effective by the U.S. Securities and Exchange Commission (the “SEC”) on August 25, 2021. On August 30, 2021, MEOA consummated the IPO. After the securities comprising the units trading under the symbol “MEAOU” began

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separate trading, the shares of Class A common stock and warrants were listed on NASDAQ under the symbols “MEOA” and “MEOAW,” respectively.

In connection with the meeting of the stockholders of MEOA that was held on November 29, 2022, the holders of MEOA’s shares of its Class A common stock exercised their right to redeem such shares for a pro rata portion of the funds in the trust account. After giving effect to the redemption of MEOA’s public shares, on November 30, 2022, the Company owns a controlling interest and MEOA has been consolidated.

Liquidity and Going Concern

The Company has recurring losses from operations and incurred a net loss of approximately $192.8 $23.3 million for the year ended December 31, 2022 December 31, 2023. Management has projected that based on our hashing rate at December 31, 2023, cash on hand may not be sufficient to allow the Company to continue operations beyond and there is substantial doubt about the next Company’s ability to continue as a going concern within 12 months based on our hashing rate at December 31, 2022, from the date of issuance of the financial statements if we are unable to raise additional funding for operations. We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our then current business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at a reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders and any debt financing, if available, may require restrictions to be placed on our future financing and operating activities. We require additional capital and if we are unsuccessful in raising that capital at a reasonable cost and at the required times, or at all, we may not be able to continue our business operations in the cryptocurrency mining industry or we may be unable to advance our growth initiatives, either of which could adversely impact our business, financial condition and results of operations.

Significant changes from the Company’s current forecasts, including but not limited to: (i) shortfalls from projected sales mining earning levels; (ii) unexpected increases in product costs; (iii) increases in operating costs; (iv) (iii) fluctuations in the value of cryptocurrency; and (v) (iv) inability to maintain compliance with the requirements of the NASDAQ Capital Market and/or inability to maintain listing with the NASDAQ Capital Market could have a material adverse impact on the Company’s ability to access the level of funding necessary to continue its operations at current levels. If any of these events occurs or the Company is unable to generate sufficient cash from operations or financing sources, the Company may be forced to liquidate assets where possible and/or curtail, suspend or cease planned programs or operations generally or seek bankruptcy protection or be subject to an involuntary bankruptcy petition, any of, which would have a material adverse effect on the Company’s business, results of operations, financial position and liquidity.

These factors, among others, raise indicate there is substantial doubt that about the Company will be able Company’s ability to continue as a going concern. concern within 12 months from the date of issuance of the financial statements. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of this uncertainty.

Terminated Merger Agreement Share Consolidation

On June 3, 2021 June 28, 2023, the Company entered into an Agreement and Plan filed Articles of Merger, which was subsequently amended on December 29, 2021 (the “Merger Agreement”), which the Company agreed Amendment to acquire all effect a share consolidation (also known as a reverse stock split) of the its issued and outstanding capital stock of Gryphon Digital Mining, Inc. (“Gryphon”) through common shares on a merger transaction (the “Merger”) one-for-seven basis. The share consolidation became effective on June 28, 2023. All share and per share amounts have been restated for all periods presented to reflect the share consolidation.

On February 15, 2022, and subsequently on March 7, 2022, primarily as a result of comments the Company received from the SEC relating to an amendment to the registration statement on Form F-4 we filed with the SEC on January 5, 2022 in connection with our proposed merger with Gryphon, we retained two independent investment banks to review the terms of the proposed Gryphon merger transaction. The nature of the review was to provide an independent analysis as to whether the consideration to be paid by us in the proposed merger was fair to our stockholders from a financial point of view and to assess the inputs to the financial models that were used to test such fairness.

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On April 4, 2022, the Merger Agreement was terminated. The Company and Gryphon will continue its relationship through the Gryphon Master Services Agreement entered into in 2021.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in the United States of America (“GAAP”), applied on a basis consistent for all periods. Subsidiaries in which controlling interests are maintained are consolidated. All intercompany balances and transactions have been appropriately eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior period amounts have been reclassified for consistency with the current period presentation. The reclassifications did not have a material impact on the Company's consolidated financial statements and related disclosures.

Foreign Currency Translation

The financial statements of the Company’s foreign subsidiary, for which the functional currency is the local currency, is translated into U.S. dollars using the exchange rate at the consolidated balance sheet date for assets and liabilities and a weighted-average exchange rate during the year for revenue, expenses, gains and losses. Translation adjustments are recorded as accumulated other comprehensive income (loss) within shareholders’ equity. Gains or losses from foreign currency transactions are recognized in the consolidated statements of operations. Such transactions resulted in a loss of minimal gain and $46,000 and $41,000 loss for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Cash and Cash Equivalents

Highly liquid investments with insignificant interest rate risk and original maturities of three months or less, when purchased, are classified as cash equivalents. Cash equivalents are composed of money market funds. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances and believes credit risk to be minimal.

Restricted Cash and Cash Equivalents

Restricted cash is cash held in a separate bank account with restrictions on withdrawal. The Company’s restricted cash was classified as current is and pledged as collateral for a standby letter of credit to be used for the bonding purpose necessary for the Company to receive mining machines. machines and was released in 2023.

Funds held in trust account are were restricted and invested in U.S. government treasury money market funds. Except with respect to interest earned on During the funds held in the trust account that may be released to MEOA, to pay its franchise and income tax obligations

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(less up to $100,000 of interest to pay dissolution expenses) year ended December 31, 2023, the proceeds will not be were released from the trust account to MEOA until the earliest of: (a) the completion of MEOA's initial business combination; or (b) for the redemption of the its redeemable public shares if as MEOA is was unable to complete the initial required business combination on or prior to May 30, 2023, subject to applicable law. combination.

Accounts Receivable

Accounts receivable is recorded at the invoiced amount and is non-interest bearing. The Company estimates its allowance for doubtful accounts based on an assessment of the collectability of specific accounts and the overall condition of the accounts receivable portfolio. When evaluating the adequacy of the allowance for doubtful accounts, the Company analyzes specific trade and other receivables, historical bad debts, customer credits, customer concentrations, customer credit-worthiness, current economic trends and changes in customers' payment terms and/or patterns. The Company reviews the allowance for doubtful accounts on a quarterly basis and record records adjustments as considered necessary. Customer accounts are written-off against the allowance for doubtful accounts when an account is considered uncollectable. At December 31, 2022 December 31, 2023 and 2021, 2022, allowance for doubtful accounts of $3,200 nil and nil, $3,200, respectively, was recorded.

Digital Assets

The Company accounts for its digital assets, Bitcoin, as indefinite-lived intangible assets. The digital assets are recorded at cost less impairment.

An impairment analysis is performed at each daily to determine if the fair value of Bitcoin is lower than the Company's carrying value for Bitcoin until the Company's Bitcoin is disposed of or until the end of the reporting period, whichever comes first. or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. The fair value of digital assets is determined on a nonrecurring basis based on the lowest intraday quoted price on as reported in the active exchange(s) that the Company has determined as the Company's principal market for digital assets (Level 1 inputs). market. If the 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 fair value determined.

Impairment losses are recognized in operating costs and expenses in the consolidated 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.

Digital assets awarded to the Company through its mining activities are included within operating activities on the accompanying consolidated statements of cash flows. The sales disposal of digital assets are included within operating activities in the accompanying consolidated statements of cash flows and any realized gains or losses from such sales are included in other income (expense) operating costs and expenses in the consolidated statements of operations. The Company accounts for its gains or losses in accordance with the first in first out (FIFO) method of accounting.

The following table presents the activities of the digital assets (in thousands):

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Balance at January 1, 2022	$ —
Addition of digital assets	3,443
Digital assets Bitcoin issued for services	(619) (600)
Realized gain on sale of digital assets	19
Impairment loss	(1,148)
Balance at December 31, 2022	1,695
Addition of Bitcoin	19,730
Bitcoin sold for cash	(18,195)
Bitcoin issued for services	(1,562)
Impairment loss	(682)
Balance at December 31, 2023	$ 1,695 986

Allowance for Credit Losses

The Company's assessment of its allowance for credit losses requires it to incorporate considerations of historical information, current conditions and reasonable and supportable forecasts. The Company manages credit risk through review of available public company information. For the Company's note receivable, as of December 31, 2023, the Company has recorded an allowance for credit losses and elected to write off accrued interest receivables by reversing interest income.

Investments

The Company holds investments in equity securities of public and nonpublic companies for business and strategic purposes. The nonpublic Nonpublic equity securities that do not have a readily determinable fair value and are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company reviews its investments on a regular basis to determine if the investments are impaired. For purposes of this assessment, the Company considers the investee's cash position, earnings and revenue outlook, liquidity and management ownership, among other factors, in its review. If management's assessment indicates that an impairment exists, the Company estimates the fair value of the equity investment and recognizes in current earnings an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount.

Leases

The Company has entered enters into operating leases primarily for real estate. These leases have contractual terms which range from 12 months to 5 years. The Company determines if an arrangement contains a lease at inception. Right of use ("ROU") assets and liabilities resulting from operating leases are included in property and equipment, other current liabilities and other long-term non-current liabilities on our consolidated balance sheets. Operating lease ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As the leases typically do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the discount rate to calculate the present value of future payments. The operating lease ROU asset may also include any lease payments made and exclude lease incentives and initial direct costs incurred. The Company's leases do not include options to extend the lease. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. On December 28, 2023, the Company sold its Service and Product segment and no longer has any operating leases or ROU assets and liabilities as of December 31, 2023.

Property and Equipment

Property and equipment primarily consists of mining equipment and is stated at cost, including purchase price and all shipping and custom fees, and depreciated using the straight-line method over the estimated useful lives of the assets, generally five years.

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The Company reviews the carrying amounts of property and equipment when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the fair value of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible Assets

For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. For intangible assets acquired in a non-monetary exchange, the estimated fair values of the assets transferred (or the estimated fair values of the assets received, if more clearly evident) are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Purchased intangible assets are amortized on a straight-line basis over their economic lives of 15 months five years to 15 years for supplier agreements, six years for channel partner relationships, and seven years for customer relationships as this method most closely reflects the pattern in which the economic benefits of the assets will be consumed.

The Company has purchased carbon credits that it intends to use. credits. As it intends to use these carbon credits, the assets have been classified as intangible assets. When the carbon credit is used, it will be is expensed as an operating expense.

Impairment of Intangible Assets

The Company performs regular reviews of intangible assets to determine if any event has occurred that may indicate that intangible assets with finite useful lives and other long-lived assets are potentially impaired. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. Intangible assets are quantitatively assessed for impairment, if necessary, by comparing their estimated fair values to their carrying values. If the carrying value exceeds the fair value, the difference is recorded as an impairment.

Warrant Liabilities

Warrant liabilities are for a common share purchase warrant issued in connection with previously outstanding convertible debt, and warrants for shares of MEOA's common stock that are not indexed to its own stock stock. Warrants are presented as liabilities at fair value on the consolidated balance sheets. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized in interest income and other expense, net, on in the consolidated statements of operations. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the consolidated statements of cash flows. The fair value of the public warrants issued in connection with MEOA's public offering has been measured based on the listed market price of such warrants. The Company recorded a fair value adjustment for warrant liabilities of $0.3 million for the year ended December 31, 2022.

Redeemable Non-controlling Interest

Redeemable non-controlling interest is interest in a subsidiary of the Company that are redeemable outside of the Company's control either for cash or other assets. This interest is classified as temporary equity and measured at the estimated redemption value at the end of each reporting period. The resulting increases or decreases in the estimated redemption amount are effected by corresponding charges to accumulated deficit. At December 31, 2022, redeemable non-controlling interest recorded within the Company's consolidated balance sheets sheet relates to its subsidiary, MEOA. At December 31, 2023, redeemable non-controlling interest was no longer subject to consolidation with the Company.

Revenue Recognition

The Company accounts for revenue pursuant to ASU 2014-09, *Revenue from Contracts with Customers* and all the related amendments ("Topic 606"). Under Topic 606, an entity is required to recognize revenue to depict the transfer of promised goods or services to customers in

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an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and contract consideration will be recognized on a “sell-in basis” or when control of the purchased goods or services transfer to the distributor.

The Company is engaged with digital asset mining pool operators to provide computing power to the mining

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pools. In exchange for providing computing power, the Company is entitled to Full Pay Per Share (“FPPS”), which is a fractional share of the fixed cryptocurrency Bitcoin award the mining pool operator receives, for successfully adding a block to the blockchain, plus a fractional share of the transaction fees attached to that blockchain less net digital asset fees due to the mining pool operator over the measurement period, as applicable. The pay-outs received are based on the expected value from the block reward plus the transaction fee reward, regardless of whether the mining pool operator successfully records a block to the blockchain.

The Company’s fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. The contracts are terminable at any time by either party without compensation and the Company’s enforceable right to compensation only begins when the Company starts providing computing power to the mining pool operator (which occurs daily at midnight Universal Time Coordinated (“UTC”)). The contract arises at the point that the Company provides computing power to the mining pool operator, which is beginning contract day at midnight UTC (contract inception), as customer consumption is in tandem with daily earnings of delivery of the computing power. According to the customer contract, daily earnings are calculated from midnight-to-midnight UTC time, and the sub-account balance is credited one hour later at 1:00 AM UTC time.

The Company satisfies its performance obligation at over time with daily settlement in Bitcoin. The Company’s performance is completed as it transfers the point computing power (hashrate computations) over-time (midnight to midnight) to the customer. The Company has full control of the mining equipment utilized in time that the mining pool and if the Company is awarded a unit determines it will increase or decrease the processing power of digital currency through its participation in machines and/or fleet (i.e., for repairs or when power costs are excessive) the applicable network and network participants benefit from the Company’s verification service. The transaction price is the fair value of the digital asset mined, being the fair value per the prevailing market rate for that digital asset on the transaction date, and this is allocated computing power provided to the number of digital assets mined. customer will be adjusted.

The transaction consideration the Company receives is noncash consideration in the form of digital currency, Bitcoin, which the Company measures at fair value at contract inception. The noncash consideration is variable, since the amount of block reward earned depends on the date received amount of computing power contributed, the amount of transaction fees awarded and operator fees over the same period. The Company does not constrain this variable consideration because it is probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved and recognizes the noncash consideration on the same day that control is transferred, which is not materially different than the fair value at same day as contract inception or time the Company has earned the award from the mining pools. Fair value of the digital currency award received is determined using the spot price of the related digital currency on the date earned. The Company cannot determine, during the course of solving for a block, that a reversal of revenue is not probable and therefore revenue is recognized when the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive. inception.

Expenses associated with running the digital asset Bitcoin mining operations, such as equipment depreciation, rent, hosting, operating supplies, utilities and monitoring services are recorded as cost of revenues.

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The Company also generates revenue from: (i) solutions for standalone storage and integrated hyper-converged storage; (ii) professional services; and (iii) warranty and customer services. The Company recognizes revenue when it transfers 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. To determine revenue recognition for contracts with customers the Company performs the following five steps: (i) identify the promised goods or services in the contract; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligations.

The majority of the Company's product and service revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied at a point in time. These contracts are generally comprised of a single performance obligation to transfer products. Accordingly, the Company recognizes revenue when change of control has been transferred to the customer, generally at the time of shipment of products. The Company sells its products both directly to customers and through distributors generally under agreements with payment terms typically less than 45 days. Revenue on direct product sales, excluding sales to distributors, are not entitled to any specific right of return or price protection, except for any defective product that may be returned under our standard product warranty. Product sales to distribution customers that are subject to certain rights of return, stock rotation privileges and price protections, contain a component of "variable consideration." Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products and is generally based upon a negotiated fixed price and is net of estimates for variable considerations.

For performance obligations related to warranty and customer services, such as extended product warranties, the Company transfers control and recognizes revenue on a time-elapsed basis. The performance obligations are satisfied as services are rendered typically on a stand-ready basis over the contract term, which is generally 12 months.

The Company also enters into revenue arrangements that may consist of multiple performance obligations of its product and service offerings such as for sales of hardware devices and extended warranty services. The Company allocates contract fees to the performance obligations on a relative stand-alone selling price basis. The Company determines the stand-alone selling price based on its normal pricing and discounting practices for the specific product and/or service when sold separately. When the Company is unable to establish the individual stand-alone price for all elements in an arrangement by reference to sold separately instances, the Company may estimate the stand-alone selling

price of each performance obligation using a cost plus a margin approach, by reference to third party evidence of selling price, based on the Company's actual historical selling prices of similar items, or based on a combination of the aforementioned methodologies; whichever management believes provides the most reliable estimate of stand-alone selling price.

Extended Warranty

Separately priced extended on-site warranties and service contracts are offered for sale to customers on all product lines. The Company contracts with third party service providers to provide service relating to on-site warranties and service contracts. Extended warranty and service contract revenue and amounts paid in advance to outside service organizations are deferred and recognized as service revenue and cost of service, respectively, over the period of the service agreement. The Company will typically apply the practical expedient to agreements wherein the period between transfer of any good or service in the contract and when the customer pays for that good or service is one year or less. Advanced payments for long-term maintenance and warranty contracts do not give rise to a significant financing component. Rather, such payments are required by On December 28, 2023, the Company primarily sold its service and product segment and no longer has any deferred revenue for reasons other than the provision extended on-site warranties and service contracts as of finance to the entity. December 31, 2023.

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Shipping and Handling

Amounts billed to customers for shipping and handling are included in revenue, and costs incurred related to shipping and handling are included in cost of product revenue.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were nil and $104,000 for the years ended December 31, 2022 and 2021, respectively.

Research and Development Costs

Research and development expenses include payroll, employee benefits, share-based compensation expense, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development and programming costs. Research and development expenses are charged to operating expenses as incurred when these expenditures relate to the Company's research and development efforts and have no alternative future uses.

Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding the method to allocate resources and assess performance. The Through the period ended December 28, 2023, the Company has had two operating segments. On December 28, 2023, the Company sold its service and product segment.

Income Taxes

The Company provides for income taxes utilizing the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes generally represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when a judgment is made that it is considered more likely than not that a tax benefit will not be realized. A decision to record a valuation allowance results in an increase in income tax expense or a decrease in income tax benefit. If the valuation allowance is released in a future period, income tax expense will be reduced accordingly.

The calculation of tax liabilities involves evaluating uncertainties in the application of complex global tax regulations. The impact of an uncertain income tax position is recognized at the largest amount that is "more likely than not" to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized

if it has less than a 50% likelihood of being sustained. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Comprehensive Income (Loss)

Comprehensive income (loss) and its components encompass all changes in equity other than those arising from transactions with shareholders, including net loss and foreign currency translation adjustments, and is disclosed in a separate consolidated statement of

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comprehensive loss.

Concentration of Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of notes receivable and trade accounts receivable, which are generally not collateralized. To reduce credit risk, the Company performs ongoing credit evaluations of its customers and maintain allowances for potential credit losses for estimated bad debt losses.

Share-based Compensation

The Company accounts for share-based awards, and similar equity instruments, granted to employees, non-employee directors, and consultants in accordance with the authoritative guidance for share-based compensation. Share-based compensation award types may include stock options and restricted stock units ("RSUs") and restricted stock awards ("RSAs"). Share-based compensation expense is recognized on a straight-lined basis over the requisite service period (usually the vesting period) except for options with graded vesting which is recognized pursuant to an accelerated method. Forfeitures are recognized as a reduction in share-based compensation expense as they occur.

Non-controlling Interest

The Company accounts for its non-controlling interest in accordance with the authoritative guidance for consolidation which governs the accounting for and reporting of non-controlling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of the guidance indicate, among other things, that NCIs be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. The net income (loss) attributed to the NCI is separately designated in the accompanying consolidated statements of operations. At December 31, 2023, the Company no longer owned a controlling interest in MEOA and as such the non-controlling interest was no longer subject to consolidation with the Company.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. If not discussed, the Company believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In August 2020, November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities with a single reportable segment to provide all the disclosures required by this standard and all existing segment disclosures in Topic 280 on an interim and annual basis, including new requirements to disclose significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within the reported measure(s) of a segment's profit or loss, the amount and composition of any other segment items, the title and position of the CODM, and how the CODM uses the reported measure(s) of a segment's profit or loss to assess performance and decide how to allocate resources. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024, applied retrospectively with early adoption permitted. The Company is evaluating the impact of adoption of this standard on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-08, *Intangibles - Goodwill - and Other - Crypto Assets (Subtopic* 350-60)*: Accounting For and Disclosure of Crypto Assets,* which requires that an entity measure crypto assets at fair value in the statement of financial position each reporting period and recognize changes from remeasurement in net income. The amendments also require that an entity provide enhanced disclosures for both annual and interim reporting periods to provide investors with relevant information to analyze and assess the exposure and risk of significant individual crypto asset holdings. In addition, fair value measurement aligns the accounting required for holders of crypto assets with the accounting for entities that are subject to certain industry-specific guidance and eliminates the requirement to test those assets for impairment, thereby reducing the associated cost and complexity of applying the current guidance. The guidance is effective for annual periods beginning after December 15, 2024, and interim periods beginning after December 15, 2024, applied retrospectively with early adoption permitted. The Company expects to early adopt the new standard effective January 1, 2024 and does not expect a material impact on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures,* which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option

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to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the disclosure requirements related to the new standard.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2020-06 2016-13, *FinancialInstruments - Credit Losses (Topic 326), Debt with Conversion and other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) Measurement of Credit Losses on Financial Instruments*(" ("ASU 2020-06" 2016-13"). The new guidance eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also ASU 2016-13 amends the accounting impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses for most financial assets and certain contracts in an entity's own equity other instruments that are currently accounted not measured at fair value through net income. Entities will no longer be permitted to consider the length of time that fair value has been less than amortized cost when evaluating when credit losses should be recognized. The Company adopted ASU 2016-13 on January 1, 2023 on a modified retrospective basis which resulted in a $3.8 million increase to the opening balance of accumulated deficit, representing the cumulative allowance for as derivatives because of specific settlement provisions. In addition, credit losses for the new guidance requires that the if-converted method is used in computing diluted EPS for all convertible instruments. The update is effective for annual reporting periods, including interim periods, beginning after December 15, 2021. The adoption of the new standard did not have a material effect on our financial position, results of operations or cash flows. Company's note receivable.

Accounting pronouncements pending adoption

On October 28, 2021, In October 2021, the FASB issued Accounting Standards Update No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 amends ASC 805 to require

acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities acquired in a business combination. The Company adopted the new standard is effective for the Company for its fiscal year beginning January 1, 2023 and interim periods within its fiscal year beginning January 1, 2023. Early adoption is permitted. The Company does, however it did not expect the adoption of this update will have a significant impact an effect on its financial statements. position, results of operations or cash flows.

3. Disposal of SnapServer® Service and Product Line - Related Party Transaction

In October 2021, On December 28, 2023, the Company and Filecoiner, Inc. Joseph O'Daniel ("Filecoiner" Purchaser"), entered into an acquisition a share purchase agreement under which the Company's subsidiary, Company sold its service and product segment, which included HVE sold ConneXions and Unified ConneXions, for $1.00 and the transfer of outstanding assets including intellectual property, associated with and liabilities. As a result of the share purchase agreement, the Purchaser, who served as the Company's SnapServer® product line to Filecoiner, in exchange for 8,000 shares of Series B preferred stock of Filecoiner ("Filecoiner Series B Preferred Stock") with President, resigned effective December 28, 2023 and is no longer a fair value equal to $6.4 million determined using valuation models. The Company recorded a gain on the sale related party of the assets Company. Through December 28, 2023, the service and product segment provided network operations center ("NOC") services to its customers. NOC revenues were for monthly services performed for the customer that are performed either in-house or at the customer's site. The service and product segment also delivered data management and desktop and

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application virtualization solutions through hybrid cloud, cloud and on premise implementations by a reseller network. During the year ended December 31, 2023, the Company recognized a noncash gain of $5.0 $0.7 million and is included in interest income and other, related to the transfer of net on liabilities to the consolidated statement of operations. Purchaser.

4. Fair Value Measurements

The authoritative guidance for fair value measurements establishes a three tier three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The Company's consolidated financial instruments include cash equivalents, accounts receivable, notes receivable, investments, accounts payable, accrued liabilities, and warrant liabilities and preferred shares. liabilities. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The carrying amount of cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities are generally considered to be representative of their respective fair values because of the short-term nature of those instruments.

The following tables provide a summary of the financial instruments that are measured at fair value on a recurring basis (in thousands):

	December 31, 2023			
	Fair Value	Level 1	Level 2	Level 3
Warrant liabilities	$ 205	$ —	$ —	$ 205

	December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
Warrant liabilities	$ 864	$ 864	$ —	$ —

At December 31, 2023, the fair value of the LDA Warrant was measured using a Black Scholes valuation model. The fair value of the warrants at December 31, 2022 issued in connection with MEOA's public offering were measured based on the listed market price of such warrants.

The following table presents the activities of warrant liabilities that are measured at fair value (in thousands):

Warrant liability as of January 1, 2022	$ —
Issuance of MEOA warrant	864
Warrant liability as of December 31, 2022	864
Issuance of LDA warrant	976
Change in fair value MEOA warrant	(864)
Noncash exercise of LDA warrant	(411)
Change in fair value LDA warrant	(112)
Retired LDA warrant	(248)
Warrant liability as of December 31, 2023	$ 205

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

As discussed in Note 2, *Summary of Significant Accounting Policies*, to the Consolidated Financial Statements, the Company accounts for its bitcoin Bitcoin as indefinite-lived intangible assets, which are subject to impairment losses if the fair value of its bitcoin Bitcoin held decreases below their carrying value during the reporting period.

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The Company's non-financial assets such as property and equipment and intangible assets are recorded at fair value when an impairment is recognized or at the time acquired in an asset acquisition or business combination measured using significant unobservable inputs (Level 3). As discussed in *Note 7 - Certain Balance Sheet Items* and *Note 8 - Intangible Assets*, at December 31, 2022 December 31, 2023 and 2021, 2022, the Company recorded impairment charges associated with property and equipment, acquired intangible assets and goodwill reduced the carrying amount of such assets subject to the impairment to their estimated fair value. As discussed in *Note 6 - Investments* and *Note 7 - Certain Balance Sheet Items*, at December 31, 2022, the Company recorded impairment charges associated with investments and property and equipment and reduced the carrying amount of such assets subject to the impairment to their estimated fair value.

As discussed in *Note 8 Intangible Assets and Goodwill* and *Note 9 Preferred Shares*, in October 2021, the Company issued preferred shares with a fair value of $42.4 million to Hertford. The fair value was measured using Level 2 inputs, which included publicly available machine contract pricing. In addition, in August 2021, the Company issued common shares to Hertford with a fair value of $11.4 million. The fair value was measured using Level 1 and 2 inputs, which included a marketability discount.

As discussed in *Note 10 Share Capital*, in October 2021, the Company issued common shares with a fair value of $12.8 million to Majestic Dragon. The fair value was measured using Level 1 and 2 inputs, which included a marketability discount.

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5. Notes Receivable

SPAC Sponsor Notes to MEOA

In August 2022, the Company's subsidiary, SPAC Sponsor, entered into a promissory note with MEOA for a loan in the amount of $1,265,000. The entire principal amount of this note will be used solely for purposes of making a payment pursuant to the Investment Management Trust Agreement dated August 25, 2021 by and between MEOA and Continental Stock Transfer & Trust Company, a New York limited liability trust company, for an extension of consummation of an initial business combination. Such note is payable upon the earlier of consummation of MEOA's initial business combination, without interest, or, the liquidation of MEOA. At the SPAC Sponsor's discretion, the promissory note would be convertible into warrants of MEOA at a price of $1.00 per warrant upon the completion of MEOA's initial business combination.

In February, March 2022 and September 2022, the Company's subsidiary, SPAC Sponsor, in connection with the MEOA Commitment Agreement, entered into promissory notes with MEOA for a loan in the aggregate amount of $0.5 million. Such note is payable upon consummation of MEOA's initial business combination, without interest, or, at the SPAC Sponsor's discretion, would be convertible into warrants of MEOA at a price of $1.00 per warrant. If MEOA does not complete a business combination in the required timeframe such note would be forgiven.

On November 30, 2022, after giving effect to the redemption of public shares of MEOA, the Company's subsidiary owns a controlling interest of MEOA and it has been consolidated. These two above promissory notes are eliminated in consolidation at December 31, 2022.

Rainmaker Promissory Note

In September 2020, the Company entered into a Senior Secured Convertible Promissory Note with Rainmaker (the "Rainmaker Note"), pursuant to which the Company loanedRainmaker the principal amount of$3.1 $3.1 million. The Rainmaker Note is secured as a registered lien under the Uniform Commercial Code and the Personal Property Security Act (Ontario) against the assets of Rainmaker and bears interest at

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the rate of 10% per annum.The In September 2023, the Company and Rainmaker entered into Amendment No. 1 to the Rainmaker Note and the due date was extended to March 14, 2024, at which time all principal and accrued interest accrue monthly and are is due and payable in full on September 14, 2023. payable. The Company has the right, at any time, to convert all or any portion of the then outstanding and unpaid Rainmaker Note and interest into at the conversion price as defined in the Rainmaker Note.

On January 1, 2023, as a result of adopting ASU 2016-13, the Company recorded an allowance for credit losses of $3.8 million and reversed accrued interest of $0.1 million.

All amounts related to the Rainmaker Note have been fully reserved. As of December 31, 2022 December 31, 2023 and 2021, 2022, the outstanding Rainmaker Note balance, including accrued interest, was nil and $3.8 million, and $3.5 million, respectively.

Gryphon Promissory Note

In July 2021, the Company entered into a Promissory Note and Security Agreement with Gryphon, which was amended on August 30, 2021, September 29, 2021, and further amended on December 29, 2021 (the "Gryphon Note" as amended). The Gryphon Note, pursuant to which the Company loaned in the aggregate to Gryphon $12.5 million, had a payment schedule whereby the principal and accrued interest shall be forgiven upon the termination of the Merger Agreement. The Gryphon Note was unsecured and bore interest at the rate of 9.5% per annum.On April 4, 2022, the Merger Agreement was terminated and $13.1 million, including interest, was forgiven and written off to other expense.As of December 31, 2022 both December 31, 2023 and 2021, 2022, the outstanding Gryphon Note balance, including accrued interest, was nil and $10.3 million, respectively. nil.

6. Investments

Special Purpose Acquisition Company

In April 2021, the Company sponsored a special purpose acquisition company ("SPAC"), Minority Equality Opportunities Acquisition Inc. ("MEOA"), through our wholly owned subsidiary, Minority Equality Opportunities Acquisition Sponsor, LLC ("SPAC Sponsor"). MEOA's purpose is to focus initially on transactions with companies that are minority owned businesses. On July 3, 2023, MEOA announced that it did not complete an initial business combination on or prior to June 30, 2023, the deadline by which it must have completed an initial business combination. As of the close of business on July 3, 2023, MEOA's redeemable public shares were deemed cancelled and represented only the right to receive the redemption amount. MEOA instructed Continental Stock Transfer & Trust Company, the trustee of the trust account, to liquidate the redeemable securities held in the trust account. The redemption of MEOA's redeemable public shares for $10.4 million was completed in the third quarter of 2023. The Company received no proceeds from the trust account.

On November 30, 2022, after giving effect to the redemption of redeemable public shares of MEOA, the Company's subsidiary owned a controlling interest of MEOA and it was consolidated. As of December 31, 2022, the Company held 3,162,500 shares of MEOA's Class B common stock. The SPAC Sponsor agreed to waive its redemption rights with respect to its outstanding Class B common stock issued prior to MEOA's initial public offering. There were no redemption rights or liquidating distributions with respect to MEOA's warrants, which expired worthless. On December 19, 2023, the Company's 3,162,500 shares of MEOA's Class B common stock were cancelled, eliminating the Company's ownership of MEOA, and the Company recognized a $6.1 million gain related to the deconsolidation of MEOA.

Filecoiner Common Stock

In October 2021, the Company purchased 1,500,000 shares of common stock of Filecoiner, a private corporation, at a price equal to $4.00 per share and was recorded at cost. As cost of December 31, 2021, the Filecoiner common stock held by the Company was recorded on a cost basis or $6.0 million. During the year ended December 31, 2022, the Company recognized an impairment for the common stock of Filecoiner held and recorded an impairment expense of $6.0 million.

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Filecoiner Preferred Stock

In October 2021, the Company received 8,000 shares of Series B preferred stock of Filecoiner ("Filecoiner Series B Preferred Stock") for consideration for the sale of its SnapServer® product line to Filecoiner. The preferred shares have a liquidation preference of $1,000 per share, do not accrue dividends nor have voting rights. Filecoiner will use 1.5% of its annual gross revenue to redeem any outstanding shares of Filecoiner Series B Preferred Stock. This amount will be paid to the holder of the Filecoiner Series B Preferred Stock within 15 days of the completion of Filecoiner's annual December 31 audited financial statements. During any 12-calendar month period, 25% of the shares of Series B Preferred Stock shall be convertible at the option of the holder thereof at any time into a number of shares of common stock determined by dividing (i) the original issue price by (ii) the conversion price then in effect. The initial conversion price for the Series B Preferred Stock is equal to $8.00 per share. The conversion price from time to time in effect is subject to adjustment as hereinafter defined in the Filecoiner acquisition agreement. The fair value of the Filecoiner Series B Preferred Stock was estimated using a Monte Carlo simulation with the following inputs: discount rate of 40%, risk-free rate of 1.05%, cost of debt of 7.48%, together with a capital option pricing model using the following inputs: volatility of 146% and risk-free rate of 1.05%. As of December 31, 2021, the fair value of the Filecoiner Series B Preferred Stock held by the Company was $6.4 million. During the year ended December 31, 2022, the Company recognized an impairment for the preferred stock of Filecoiner held and recorded an impairment expense of $6.4 million.

Special Purpose Acquisition Company

In April 2021, the Company sponsored a special purpose acquisition company ("SPAC"), Minority Equality Opportunities Acquisition Inc. ("MEOA"), through the Company's wholly owned subsidiary, Minority Equality Opportunities Acquisition Sponsor, LLC ("SPAC Sponsor"). MEOA's purpose is to focus initially on transactions with companies that are minority owned businesses. In April 2021, SPAC Sponsor paid $25,000 of deferred offering costs on behalf of MEOA in exchange for 2,875,000 shares of MEOA's Class B common stock (the "Founder Shares"). As of December 31, 2022, the Company held an aggregate of 3,162,500 shares of MEOA's Class B common stock. As of December 31, 2021, the Founder Shares were recorded on a cost basis.

In August 2021, SPAC Sponsor participated in the private sale of an aggregate of 5,395,000 Warrants (the "Private Placement Warrants") at a purchase price of $1.00 per Private Placement Warrant. The SPAC Sponsor paid $5.4 million to MEOA, which included $1.0 million from an investor participating in SPAC Sponsor. The Private Placement Warrants are not transferable, assignable or saleable until 30 days after MEOA completes a business combination. MEOA's IPO was completed on August 30, 2021. As of December 31, 2021, the Private Placement Warrants were recorded on a cost basis.

In August 2022, MEOA entered into a business combination agreement with MEOA Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of MEOA ("Merger Sub"), and Digerati Technologies, Inc., a Nevada corporation ("Digerati"), pursuant to which, subject to the satisfaction or waiver of certain conditions set forth therein, Merger Sub will merge with and into Digerati (the "Digerati Merger"), with Digerati surviving the Digerati Merger as a wholly owned subsidiary of MEOA, and with Digerati's equity holders receiving shares of MEOA common stock.

On November 29, 2022, MEOA held a special meeting of stockholders (the "MEOA Meeting"). At the MEOA Meeting, MEOA's stockholders approved an amendment (the "Extension Amendment") to MEOA's amended and restated certificate of incorporation to extend the date by which MEOA must consummate its initial business combination from November 30, 2022 to May 30, 2023, or such earlier date as determined by MEOA's board of directors. On November 30, 2022, after giving effect to the redemption of public shares of MEOA, the Company's subsidiary owns a controlling interest of MEOA and it has been consolidated. The above SPAC investments are eliminated in consolidation at December 31, 2022.

Silicon Valley Technology Partners Preferred Shares

In November 2018, in connection with the divestiture of Overland, the Company received 1,879,699 SVTP Preferred Shares with a fair value of $2.1 million. The Company concluded it does not have a significant influence over

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the investee. During the year ended December 31, 2022, the Company recognized an impairment for the SVTP Preferred Shares held and recorded an impairment expense of $2.1 million.

7. Certain Balance Sheet Items

The following table summarizes other current assets (in thousands):

	December 31,	
	2022	2021
Digital mining hosting deposit	$ 880	$20,043
Prepaid digital hosting services	927	1,477
Prepaid services	783	406
Prepaid insurance	461	101
Other	$3,051	$22,027
Other current assets		

The following table summarizes property and equipment, net (in thousands):

	December 31,	
	2022	2021
Mining equipment	$35,550	$—
Accumulated depreciation	(1,709)	—

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Subtotal	Subtotal	33,841	—
Right of use asset	Right of use asset	418	—
Property and equipment, net	Property and equipment, net	$34,259	$—

Depreciation expense for property and equipment was $4.2 million and $1.7 million during the year years ended December 31, 2022, December 31, 2023 and 2022, respectively, inclusive of ROU asset amortization of $14,000. $56,000 and $14,000, respectively. On December 28, 2023, the Company sold its service and product segment which included the ROU asset.

During the years ended December 31, 2023 and 2022, the Company sold 3,336 and nil miners that were included in mining equipment, for cash proceeds of $4.5 million and nil, respectively. The Company had a loss on the sale of miners of $1.0 million and nil during the years ended December 31, 2023 and 2022, respectively.

Impairment of Mining Equipment

For the year ended December 31, 2022, adverse changes in the business climate, including the decline in the price of Bitcoin and two vendor bankruptcy filings, indicated that an impairment triggering event occurred, and it was determined the carrying value of mining equipment exceeded its estimated fair value. In measuring fair value, the Company used a weighted probability of the income and market approaches. For the income approach, the Company used discounted cash flow analysis and for the market approach, the Company used the sales price (market price) of similar assets. The Company compared the indicated fair value to the carrying value of its mining equipment assets, and as a result of the analysis, an impairment charge of $75.9 million was recorded for the year ended December 31, 2022. The estimated fair value of the Company's miners is classified in Level 3 of the fair value hierarchy. The Company did not incur any impairment charges for its mining equipment for the year ended December 31, 2023.

The following table summarizes other non-current assets (in thousands):

		December 31,	
		2022	2021
	December 31,		
	2023		
Prepaid digital hosting services	Prepaid digital hosting services	$18,514	$ —
Prepaid insurance and services	Prepaid insurance and services	116	251
Deposit for mining equipment		—	102,238
Other	Other	69	59
		$18,699	$102,548
Other non-current assets			

	December 31,	
	2023	2022

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8. Intangible Assets and Goodwill

The following table summarizes intangible assets, net (in thousands):

	December 31,	
	2022	2021
Supplier agreements	$39,084	$68,147
Capitalized development costs		
Channel partner relationships	730	730
Customer relationships	380	380
Developed technology	150	10,344
Capitalized development costs	103	103
	40,447	79,704
Accumulated amortization:		
Supplier agreements	(31,708)	(5,289)
Supplier agreements		
Capitalized development costs		
Channel partner relationships	(720)	(598)
Customer relationships	(366)	(353)
Developed technology	(150)	(10,344)
Capitalized development costs	(103)	(103)

	December 31,	
	2023	2022
Supplier agreements		
Supplier agreements		
Channel partner relationships		
Customer relationships		
Developed technology		
Capitalized development costs		
	37,628	
Accumulated amortization:		
Supplier agreements		
Supplier agreements		
Capitalized development costs		
Channel partner relationships		
Customer relationships		
Developed technology		
Capitalized development costs		

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		(33,047)	(16,687)
	(33,047)		
Total finite-lived assets, net	Total finite-lived assets, net	7,400	63,017
Carbon credits held for future use	Carbon credits held for future use	2,077	—
Total intangible assets, net	Total intangible assets, net	$ 9,477	$63,017

Amortization expense of intangible assets was $26.6 million $1.9 million and $5.7 million $26.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Estimated amortization expense for intangible assets is approximately $1.6 million $1.5 million, $1.6 million $1.5 million, $1.6 million $1.5 million, $1.6 million and $0.2 million $0.1 million in fiscal 2023, year 2024, 2025, 2026, and 2027, respectively.

Impairment of Intangible Assets

During the year ended December 31, 2023, a certain vendor for the Company's carbon credits was not able to perform under terms of the agreement, which indicated that an impairment triggering event occurred for the carbon credits held for future use, and the Company determined the carrying value of the indefinite-lived intangible asset exceeded its estimated fair value. The Company compared the indicated fair value to the carrying value of its indefinite-lived asset, and as a result of the analysis, an impairment charge of $1.7 million was recorded for the carbon credits held for future use for the year ended December 31, 2023.

During the year ended December 31, 2023, adverse changes in the business climate indicated that an impairment triggering event occurred for one supplier agreement, and the Company determined the carrying value of the finite-lived intangible asset exceeded its estimated fair value. The Company compared the indicated fair value to the carrying value of its finite-lived asset, and as a result of the analysis, an impairment charge of $1.2 million was recorded for the supplier agreement for the year ended December 31, 2023.

For the year ended December 31, 2022, adverse changes in the business climate, including the decline in the price of Bitcoin and two vendor bankruptcy filings, indicated that an impairment triggering event occurred, and the Company determined the carrying value of finite-lived intangible assets exceeded its estimated fair value. In measuring fair value, the Company used a weighted income and market approach. For the income approach, the Company used discounted cash flow analysis and for the market approach, the Company used the sales price (market price) of similar assets. The Company compared the indicated fair value to the carrying value of its finite-lived assets, and as a result of the analysis, an impairment charge of $13.2 million was recorded for supplier agreements for the year ended December 31, 2022.

Hertford Asset Acquisition

On July 31, 2021, the Company entered into an agreement (the "Hertford Agreement") with Hertford Advisors Ltd. ("Hertford"), a privately held company that provides turnkey mining solutions, to provide an exclusive right to assume all of Hertford's rights to a number of digital asset mining hardware agreements (the "Equipment Agreements"). The Company has assumed and executed the first Equipment Agreement directly with the manufacturer, for the purchase of up to 60,000 new digital asset mining machines, with deliveries that commenced in January 2022. In exchange for the assignment of the Equipment Agreements for which the Company has the right, but not the obligation to complete, in 2021 the Company issued to Hertford common and preferred shares with an aggregate value of $53.8 million and was included in supplier agreements.

In November 2022, the Company entered into an agreement with Hertford modifying the number of outstanding preferred shares held by Hertford (the "Modified Hertford Agreement"). Pursuant to the Modified Hertford Agreement, the Company cancelled 36,000 Series H Preferred Shares, with a value of $15.9 million, without payment of any cash consideration, and reduced the value of the supplier agreement intangible asset by such amount.

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Impairment**9. Convertible Debt**

On April 17, 2023, the Company entered into a Securities Purchase Agreement (the “LDA Purchase Agreement”) pursuant to which the Company issued to an investor, LDA Capital Limited (the “Investor”), a senior convertible promissory note having an aggregate principal amount of Intangible Assets

For $1.0 million (the “LDA Note”), as amended April 25, 2023, and a common share purchase warrant (the “LDA Warrant”) to purchase up to 455,927 common shares of the year ended December 31, 2022 Company (the “LDA Warrant Shares”). The Company received proceeds of approximately $0.8 million, which were net of fees associated with the transaction, on April 18, 2023 (the “Closing Date”). The LDA Note matures 24 months after issuance, bears interest at a rate of 7.5% per annum and is convertible into the Company's common shares (the “Conversion Shares”), adverse changes at the Investor's election, at an initial conversion price equal to the greater of (i) $2.0832 per share, or (ii) 85% of the VWAPS (as defined in the business climate, LDA Note) during the trading five days prior to delivery of a conversion notice by the Investor, subject to adjustment for certain stock splits, stock combinations and dilutive share issuances.

On August 14, 2023, in accordance with the terms of the LDA Purchase Agreement prepayment option, the Company repaid the full amount of the LDA Note, including the decline interest and fees, in the price amount of Bitcoin and two vendor bankruptcy filings, indicated that an impairment triggering event occurred, and the Company determined the carrying value of finite-lived intangible assets exceeded its estimated fair value. In measuring fair value, the Company used a weighted income and market approach. For the income approach, the Company used discounted cash flow analysis and for the market approach, the Company used the sales price (market price) of similar assets. The Company compared the indicated fair value to the carrying value of its finite-lived assets, and as $1.3 million. As a result of the analysis, an impairment charge of $13.2 million was recorded for supplier agreements for repayment, the year ended December 31, 2022.

Company For redeemed from the year ended December 31, 2021, primarily as a result holder of the Company’s disposal LDA Warrant 40% of its SnapServer the then outstanding LDA Warrant, or 182,371 LDA Warrant Shares®. product line, it At December 31, 2023, the balance of the LDA Note was determined the carrying value of finite-lived intangible assets exceeded its estimated fair value. In measuring fair value, the Company used an excess of earnings approach. nil. The Company compared the indicated fair value to the carrying value recognized a loss on debt extinguishment of its finite-lived assets, and as a result of the analysis, an impairment charge of $298,000 was recorded for developed technology for the year ended December 31, 2021.

Impairment of Goodwill

In October 2021, the Company disposed of its SnapServer® product line and removed the related goodwill of $863,000 and $63,000 which is included in the net gain on consolidated statement of operations in interest income and other expense, net.

The LDA Warrant is exercisable at an initial exercise price of $3.29 per share and expires three years from the date of issuance or earlier if the closing of a Fundamental Transaction occurs (defined as merger or consolidation, any sale of substantially all of the asset. For Company’s assets, any tender offer or exchange offer pursuant to which common shareholders can tender or exchange their shares for other securities, cash or property, as well as any reclassification of common shares into other securities, cash or property). On the year ended December 31, 2021 date that is six months from the date of issuance of the LDA Warrant, the exercise price will be adjusted to the lower of (i) $3.29, and (ii) a price equal to 110% of the average of the VWAPS (as defined in the LDA Warrant) of the Company's common shares over five days of trading preceding such date. Additionally, the exercise price of the LDA Warrant is subject to adjustment for certain stock splits, stock combinations and dilutive share issuances. Pursuant to the terms of the LDA Purchase Agreement, the Company will reserve for issuance 200% of the maximum aggregate number of common shares as are issuable upon repayment or conversion in full of the LDA Note and exercise in full of the LDA Warrant at any time. In October 2023, the Company adjusted the LDA Warrant exercise price from $3.29 to $1.342 pursuant to the terms in the LDA Purchase Agreement.

On December 29, 2023, the Company performed qualitative impairment evaluations issued 123,806 common shares with a value of $0.4 million for a cashless exercise of 200,000 LDA Warrant Shares.

The LDA Warrant contains a contingent put option. In the event of a Fundamental Transaction, the Investor may, at the Investor’s option, require the Company to purchase the LDA Warrant for an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the warrant on its remaining goodwill the date of consummation of such Fundamental Transaction. The Company has recorded the warrant as a liability and will adjust the warrant liability to fair value each reporting period until settled.

On April 17, 2023, upon issuance of the LDA Note and LDA Warrant, which are accounted for as freestanding financial instruments, the Company determined that there the aggregate fair value of $2.0 million for the instruments issued exceeds the net proceeds received under the transaction. Accordingly, the excess of the fair value over the proceeds received of $1.0 million was indications that recognized as interest

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expense. The initial fair value of the goodwill LDA Warrant was impaired measured using a Monte Carlo valuation model and recorded an impairment charge of $522,000. at December 31, 2023 using a Black Scholes valuation model with the following assumptions, respectively:

	April 17, 2023	December 31, 2023
Common share price	$ 2.98	$ 3.47
Expected volatility	120.0 %	120.0 %
Risk-free interest rate	3.8 %	4.2 %

9. 10. Preferred Shares

Series H Preferred Shares

On October 1, 2021, the Company filed articles of amendment to create a series of preferred shares, being, an unlimited number of Series H Preferred Shares and to provide for the rights, privileges, restrictions and conditions attaching thereto. The Series H Preferred Shares are convertible provided (and only if and to the extent) that prior shareholder approval of the issuance of all Sphere 3D common shares issuable upon conversion of the Series H Preferred Shares has been obtained in accordance with the rules of the Nasdaq Stock Market, at any time from time to time, at the option of the holder thereof, into 1,000 142.857 Sphere 3D common shares for every Series H Preferred Share. Each holder of the Series H Preferred Shares, may, subject to prior shareholder approval, convert all or any part of the Series H Preferred Shares provided that after such conversion the common shares issuable, together with all the common shares held by the shareholder in the aggregate would not exceed 9.99% of the total number of outstanding common shares of the Company. Each Series H Preferred Share has a stated value of $1,000. The Series H Preferred Shares are non-voting and do not accrue dividends.

In connection with These features include, in the Hertford Agreement event of the liquidation, dissolution or winding-up of the Company, entered into in July 2021, on October 1, 2021, whether voluntary or involuntary, deemed liquidation or any other distribution of the assets of the Company issued 96,000 Series H Preferred Shares with a fair value among its shareholders for the purpose of $42.4 million to Hertford. The issuance of winding-up its affairs, the Series H Preferred Shares was triggered by shall entitle each of the Company's $85.0 million deposit made holders thereof to BitFuFu for digital mining hardware and other equipment. The Company committed receive an amount equal to additional issuances of the Series H subscription price per Series H Preferred Shares to Hertford upon execution of new digital mining hardware equipment contracts Share, as defined in the Hertford Agreement. agreement, to be paid before any amount is paid or any assets of the Company are distributed to the holders of its common shares.

In November 2022, the Company entered into the Modified Hertford Agreement. Pursuant to the Modified Hertford Agreement, the Company cancelled 36,000 Series H Preferred Shares, with a value of $15.9 million, without payment of any cash consideration, and reduced the value of the supplier agreement intangible asset by such amount. The Modified Hertford Agreement also provides for certain resale restrictions applicable to the common shares that are issuable upon the conversion of the remaining Series H Preferred Shares during the two-year period ending on December 31, 2024, which are different from the restrictions contained in the Hertford Agreement, as well, commencing January 1, 2023 and terminating on December 31, 2023, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 3.0% of the aggregate number of Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such

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converted common shares within such month. Commencing January 1, 2024 and terminating on December 31, 2024, holders of Series H Preferred Shares are permitted to (a) convert Series H Preferred Shares in an aggregate amount up to or equal to 10.0% of the aggregate number of Series H Preferred Shares outstanding on the first day of each such month and (b) sell the resulting number (and no greater number) of such converted common shares within such month.

In August 2023, the Company entered into an Amended and Restated Agreement (the "Hertford Amendment") with Hertford Advisors Ltd. and certain other parties listed in the Hertford Amendment (together, the "Hertford Group"), which amends and restates in its entirety the purchase agreement between the Company and Hertford Advisors Ltd. dated July 31, 2021, as modified by the amendment to such agreement dated November 7, 2022 (together, the "Original Hertford Agreement"). As an inducement to enter into the Hertford Amendment, the Company issued to Hertford 1,376 Series H Preferred Shares and 800,000 warrants with an aggregate fair value of $1.0 million. Pursuant to the Hertford Amendment, Hertford exchanged 14,980 Series H Preferred Shares for Series H Preferred Shares held by other persons (the "Exchanged Series H Preferred Shares").

The offer and sale of the Series H Preferred Shares and the Warrants have not been registered under the Securities Act and may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements, and in each case in compliance with applicable state securities laws.

In August 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which the Company issued to two investors a total of 13,764 of the Company's Series H Preferred Shares and a total of 1,966,293 common share purchase warrants (the "Warrants"), each of which entitled the holder to purchase one common share of the Company (the "Warrant Shares"). Pursuant to the terms of the Purchase Agreement, the Company received gross proceeds of $3.0 million. The Company issued a total of 1,377 Series H Preferred Shares and 196,629 warrants as a finder's fee for the transaction with an aggregate fair value of $0.5 million. Pursuant to the terms of the Purchase Agreement, the Company will reserve for issuance the maximum aggregate number of common shares that are issuable upon exercise in full of the Warrants at any time.

The Warrants issued in connection with the Hertford Amendment and the Purchase Agreement are exercisable beginning February 12, 2024 and February 23, 2024, respectively, at an initial exercise price of $2.75 per share and have a term of three years from the date of issuance. The exercise price of the Warrants are subject to adjustment for certain stock splits, stock combinations and dilutive share issuances.

In accordance with the authoritative guidance for distinguishing liabilities from equity, the Company has determined that its Series H preferred shares carry certain redemption features beyond the control of the Company. Accordingly, the Series H Preferred Shares are presented as temporary equity and an amount of $42.35 million has been reclassified from equity to temporary equity as at December 31, 2021. The reclassification had no effect on loss available to shareholders or cash flows from operating activities.

equity. For the years year ended December 31, 2023, the Company issued 4,714,560 common shares for the conversion of 33,002 Series H Preferred Shares. For the year ended December 31, 2022 and 2021 there, no Series H Preferred Shares were related party preferred dividends of nil and $329,000, respectively. converted.

10. 11. Share Capital

On June 28, 2023, the Company filed an Articles of Amendment to effect a share consolidation (also known as a reverse stock split) of its issued and outstanding common shares on a one-for-seven basis. The share consolidation became effective on June 28, 2023. All share and per share amounts have been restated for all periods presented to reflect the share consolidation.

In April 2022, the Company issued 1,350,000 192,857 unregistered common shares, with a fair value of $1.7 million, to Bluesphere Ventures Inc. for the right to acquire up to 1,040,000 carbon credits. As of December 31, 2022, none of the carbon credits have been retired.

In March 2022, in connection with the Merger Agreement, the Company issued into escrow 850,000 121,428 common shares with a fair value of $1.2 million. On April 4, 2022, the Merger Agreement with Gryphon was terminated by the Company and the common shares were released to Gryphon as stated by the escrow agreement.

In December 2021, the Company entered into a consulting agreement with PGP Capital Advisors. ("PGP") which was amended on February 7, 2022, to provide financial advisory services (as amended, the "PGP Consulting Agreement"). As compensation for PGP's services to be provided pursuant to the PGP Consulting Agreement, on February 7, 2022, February 2022, the Company issued to PGP (i) 100,000 14,286 common shares (ii) 100,000 and 42,858 warrants to purchase up to 100,000 42,858 common shares, at an exercise price of $4.00 per share, (iii) 100,000 warrants to purchase up to 100,000 common shares at an exercise price of $5.00 per share, and (iv) 100,000 warrants to purchase up to 100,000 common shares at an exercise price of $6.00 per share. The warrants are immediately exercisable and expire five years from the issuance date. The common shares and warrants issued to PCP had, in the aggregate, with a combined fair value of $0.7 million. million to PGP Capital Advisors for financial advisory services provided.

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In December 2021, the Company entered into a consulting agreement with MCSK Holdings Ltd. (“MCSK”) to advise and assist the Company in developing and implementing appropriate plans and materials for presenting the Company and its business plan, strategy and personnel to certain identified providers of utilities for the purpose of establishing cryptocurrency operations (the “MCSK Consulting Agreement”). As compensation for MCSK’s services to be provided pursuant to the MCSK Consulting Agreement, the Company issued to MCSK 300,000 common shares with a fair value of $1.2 million.

In October 2021, the Company issued 2,880,000 common shares with a fair value of $12.8 million for a fee incurred under the July 31, 2021 Majestic Dragon agreement related to the Series H Preferred Shares issued to Hertford on October 1, 2021. The Company applied a 25% discount for lack of marketability of common shares for the six-month restriction based on a put option pricing model using volatility of 140% and a risk-free rate of 0.05%. In August 2021, the Company issued 135,000 common shares with a fair value of $456,000 under the Majestic Dragon agreement for a finder’s fee related to the Hertford Agreement.

In October 2021, in consideration for Westworld waiving its rights to consent to any and all past, present and future additional financings by the Company, the parties entered into a second amendment to the Westworld SPA under which the Company issued to Westworld, 850,000 warrants to purchase 850,000 common shares of the Company, which such warrants have a fair value of $2.8 million, a term of three years, and an exercise price of $6.00 per share.

In September 2021, the Company completed a registered direct offering of an aggregate of 22,600,000 common shares, no par value, and warrants to purchase an aggregate of 11,299,000 common shares of the Company at a combined offering price of $8.50 per share. The warrants have an exercise price of $9.50 per share. Each warrant is exercisable for one common share and is immediately exercisable and will expire five years from the issuance date. A holder (together with its affiliates) may not exercise any portion of such holder's warrants to the extent that the holder would own more than 4.99% of the Company's outstanding common shares immediately after exercise, except that upon notice from the holder to the Company, the holder may decrease or increase the limitation of ownership of outstanding stock after exercising the holder's warrants up to 9.99% of the number of common shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the warrants, provided that any increase in such limitation shall not be effective until 61 days following notice to the Company. Net proceeds, after deducting placement agent's fees, commissions and other offering expenses, were approximately $176.3 million. Maxim Group LLC (“Maxim”) acted as the sole placement agent in connection with the offering. The proceeds were used, in part, towards the purchase of crypto mining machines.

In August 2021, the Company completed the purchase and sale of 2,488,530 units (collectively, the “Units” and individually, a “Unit”) at a combined offering price of $4.25 per Unit with each Unit consisting of (a) one common share of the Company, (b) a warrant to purchase one common share of the Company at an exercise price of $6.50 per share immediately exercisable and will expire three years from the issuance date (the “A Warrant”), and (c) a warrant to purchase one common share of the Company at an exercise price of $7.50 per share immediately exercisable and will expire three years from the issuance date (the “B Warrant”) (collectively the “August 2021 Warrants”). The August 2021 Warrants include a provision restricting the warrant holder from exercising it if the aggregate number of common shares held by the warrant holder equals or exceeds 4.99% of the issued and outstanding shares of the Company, calculated on a partially converted basis (i.e., assuming the conversion of all rights to receive common shares of the Company held by the warrant holder). In addition, as an introduction fee, the Company issued to OTC Hospitality Group 106,958 A Warrants and 106,958 B Warrants, with the same terms as the August 2021 Warrants, to purchase, in the aggregate, up to 213,916 common shares and paid to OTC Hospitality Group $456,000 in cash. Net proceeds were approximately $10.1 million. The Company used the proceeds for general corporate and working capital purposes.

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In May 2021, the Company completed the closing of its underwritten public offering of 5,600,000 common shares at a price to the public of $1.25 per share. Maxim acted as the sole placement agent in connection with the offering. The Company granted to Maxim a 45-day option to purchase up to an additional 700,000 common shares, at the public offering price less underwriting discounts and commissions, of which Maxim has exercised its option to purchase the additional common shares. In addition, the Company issued Maxim 224,000 warrants, with a cashless provision, to purchase up to 224,000 common shares at a purchase price of $1.375. Net proceeds after deducting underwriting discounts, commissions and other offering expenses were approximately $6.8 million, inclusive of the over-allotment.

In May 2021, the Company entered into a settlement and termination agreement with Torrington, and as full and final settlement of all amounts owing under the February 13, 2020 Business Advisory Agreement, whether fixed, contingent or otherwise, the Company issued to Torrington, as a one-time payment, share certificates representing 600,000 common shares of the Company with a fair value of $795,000.

In May 2020, the Company entered into an equity purchase agreement and registration rights agreement with Oasis Capital, LLC ("Oasis"), to purchase from the Company up to $11.0 million worth of common shares of the Company. In November 2021, the equity purchase agreement with Oasis was terminated by the Company. During the years ended December 31, 2022 and 2021, the Company issued nil and 630,000 common shares, respectively, to Oasis for gross proceeds of nil and $1.3 million, respectively.

Unlimited authorized shares of common shares at no par value are available to the Company. At December 31, 2022 December 31, 2023, the Company had the following outstanding warrants to purchase common shares:

Date issued	Date issued	Contractual life (years)	Exercise price per share	Number outstanding	Expiration	Date issued	Contractual life (years)	Exercise price	Number outstanding		Expiration
April 2018		5	$5.60	111,563	April 17, 2023						
March 2020		3	$0.60	31,000	March 23, 2023						
July 2021	July 2021	3	$4.00	2,000,000	December 22, 2024	July 2021	3	$28.00	285,716	December 22, 2024	December 22, 2024
August 2021	August 2021	3	$6.50	2,595,488	August 25, 2024	August 2021	3	$45.50	370,787	August 25, 2024	August 25, 2024
August 2021	August 2021	3	$7.50	2,595,488	August 25, 2024	August 2021	3	$52.50	370,787	August 25, 2024	August 25, 2024
September 2021	September 2021	5	$9.50	11,299,999	September 8, 2026	September 2021	5	$66.50	1,614,299	September 8, 2026	September 8, 2026
October 2021	October 2021	3	$6.00	850,000	October 1, 2024	October 2021	3	$42.00	121,429	October 1, 2024	October 1, 2024

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February 2022	February 2022	5	$4.00	100,000	February 7, 2027	February 2022	5	$28.00	14,286	February 7, 2027	February 7, 2027
February 2022	February 2022	5	$5.00	100,000	February 7, 2027	February 2022	5	$35.00	14,286	February 7, 2027	February 7, 2027
February 2022	February 2022	5	$6.00	100,000	February 7, 2027	February 2022	5	$42.00	14,286	February 7, 2027	February 7, 2027
				19,783,538							
April 2023						April 2023	3	$1.342	73,556		April 17, 2026
August 2023						August 2023	3	$2.75	800,000		August 11, 2026
August 2023						August 2023	3	$2.75	2,162,922		August 23, 2026
				5,842,354							

11. 12. Equity Incentive Plans

As of December 31, 2022 December 31, 2023, a total of 3,995,899 820,585 common shares are authorized for issuance with respect to awards primarily granted under the 2015 Plan (not including shares subject to terminated awards under our Second Amended and Restated Stock Option Plan that become available for issuance under the 2015 Plan). Plan. In addition, the share limit will automatically increase on the first trading day in January of each calendar year during the term of the 2015 Plan by an amount equal to the lesser of (i) 10% of the total number of common shares issued and outstanding on December 31 of the immediately preceding calendar year, or (ii) such number of common shares as may be established by the Board. The 2015 Plan authorizes the board of directors to grant stock and options awards to directors, employees and consultants. As of December 31, 2022 December 31, 2023, the Company had approximately 392,000 366,415 share-based awards available for future grant.

The Company's Employee Stock Purchase Plan ("ESPP") authorizes the purchase of up to 37,500 5,357 common shares by employees under the plan. As of December 31, 2022 December 31, 2023 and 2021, 2022, there were no offering periods available to employees.

Stock Options

Option activity is summarized below: The following table summarizes option activity:

	Shares Subject to Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value		Shares Subject to Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)

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Options outstanding — January 1, 2021		101,175	$ 8.94		
Options outstanding — January 1, 2022					
Granted					
Granted					
Granted	Granted	—	$ —		
Exercised	Exercised	(100,000)	$ 2.52		
Exercised					
Exercised					
Forfeited	Forfeited	(500)	$542.00		
Options outstanding — December 31, 2021		675	$565.76		
Forfeited					
Forfeited					
Options outstanding — December 31, 2022					
Options outstanding — December 31, 2022					
Options outstanding — December 31, 2022					
Granted					
Granted					
Granted	Granted	2,726,566	$ 0.88		
Exercised	Exercised	—	$ —		
Exercised					
Exercised					
Forfeited	Forfeited	—	$ —		
Options outstanding — December 31, 2022		2,727,241	$ 1.01	5.6	$ —
Vested and expected to vest — December 31, 2022		2,727,241	$ 1.01	5.6	$ —
Exercisable — December 31, 2022		597,371	$ 1.81	5.4	$ —
Forfeited					
Forfeited					
Options outstanding — December 31, 2023					
Options outstanding — December 31, 2023					

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Options outstanding — December 31, 2023
Vested and expected to vest — December 31, 2023
Exercisable — December 31, 2023

The weighted average grant date fair values of options granted during the years ended December 31, 2023 and 2022 were $0.58 per share and $4.92 per share, respectively. For the years ended December 31, 2023 and 2022, the intrinsic value of stock options exercised was $0.1 million and nil, respectively. Cash received from stock option exercises for the years ended December 31, 2023 and 2022 was approximately $0.6 million and nil, respectively.

The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility was based on the Company's historical share price. The risk-free interest rate is determined based upon a constant maturity U.S. Treasury security with a contractual life approximating the expected term of the option. The expected term of options granted is based on term of the award. Option awards can be granted for a maximum term of up to ten years. For the years ended December 31, 2022 and 2021, the intrinsic value of stock options exercised was nil and $0.5 million, respectively. The assumptions used in the Black-Scholes model were as follows:

	Year Ended December 31,	
	2022	2021
Expected volatility	121.7-124.4%	n/a
Expected term (in years)	3.9	n/a
Risk-free interest rate	2.71-3.91%	n/a
Dividend yield	—	n/a

	Year Ended December 31,	
	2023	2022
Expected volatility	81.8-84.0%	121.7-124.4%
Expected term (in years)	0.5	3.9
Risk-free interest rate	5.27-5.52%	2.71-3.91%
Dividend yield	—	—

Restricted Stock Units

The following table summarizes information about RSU activity:

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		Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding — January 1, 2021		—	$ —		
Granted		206,053	$ 2.80		
Vested and released		(133,553)	$ 2.55		
Forfeited		(12,500)	$ 2.29		
Outstanding — December 31, 2021		60,000	$ 3.46		
Outstanding — January 1, 2022					
Granted	Granted	3,862,943	$ 2.10		
Vested and released	Vested and released	(3,046,667)	$ 2.37		
Forfeited	Forfeited	—	$ —		
Outstanding — December 31, 2022	Outstanding — December 31, 2022	876,276	$ 1.27		
Granted					
Vested and released					
Forfeited					
Outstanding — December 31, 2023					

The estimated fair value of RSUs was based on the market value of the Company's common shares on the date of grant. RSUs typically vest over a period of one year to three years from the original date of grant. The total grant date fair value of RSUs vested during the years ended December 31, 2022 December 31, 2023 and 2021 2022 was approximately $7.2 million $1.7 million and $0.3 million $7.2 million, respectively. The fair value of RSUs vested during the years ended December 31, 2022 December 31, 2023 and 2021 2022 was approximately $2.5 million $0.7 million and $392,000, $2.5 million, respectively.

Restricted Stock Awards

During 2021, the The Company granted restricted stock awards ("RSA") to certain employees directors and consultants in lieu of cash payment for services performed. The estimated fair value of the RSAs was based on the market value of the Company's common shares on the date of grant. The RSAs were fully vested on the date of grant. The fair value of the RSAs vested during the year years ended December 31, 2021 December 31, 2023 and 2022 was approximately $1.4 million. $0.2 million and nil, respectively.

The following table summarizes information about RSA activity:

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	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding — January 1, 2021	—	$ —
Granted	301,880	$ 4.74
Vested	(301,880)	$ 4.74
Outstanding — December 31, 2021	—	$ —
Granted	—	$ —
Vested	—	$ —
Outstanding — December 31, 2022	—	$ —

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding — January 1, 2022	—	$ —
Granted	—	$ —
Vested	—	$ —
Outstanding — December 31, 2022	—	$ —
Granted	89,654	$ 2.39
Vested	(89,654)	$ 2.39
Outstanding — December 31, 2023	—	$ —

Share-Based Compensation Expense

The Company recorded the following compensation expense related to its share-based compensation awards (in thousands):

		Year Ended December 31,	
		2022	2021
		Year Ended December 31,	
		Year Ended December 31,	
		Year Ended December 31,	
	2023		
Sales and marketing			
Sales and marketing			
Sales and marketing	Sales and marketing	$ —	$ 131
General and administrative	General and administrative	8,459	235

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General and administrative			
General and administrative			
Total share-based compensation expense	Total share-based compensation expense	$ 8,459	$ 366
Total share-based compensation expense			
Total share-based compensation expense			

Total unrecognized estimated compensation cost by type of award and the weighted-average remaining requisite service period over which such expense is expected to be recognized (in thousands, unless otherwise noted):

	December 31, 2022							
		Unrecognized Expense	Remaining Weighted-Average Recognition Period (years)					
	December 31, 2023					December 31, 2023		
	Unrecognized Expense					Unrecognized Expense		Remaining Weighted-Average Recognition Period (years)
RSUs	RSUs	$ 888	2.1	RSUs	$ 412	1.3		1.3
Stock options	Stock options	$ 873	1.9	Stock options	$ 179	1.3		1.3

12. 13. Net Loss per Share

Basic net loss per share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Preferred shares, outstanding common share outstanding purchase warrants, and outstanding options and RSUs are considered common stock equivalents and are only included in the calculation of diluted earnings per common share when net income is reported and their effect is dilutive. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Anti-dilutive common share equivalents excluded from the computation of diluted net loss per share were as follows:

		December 31,	
		December 31,	
		December 31,	
		December 31,	
		2022	2021
Preferred shares			
Preferred shares			
Preferred shares			
Common share purchase warrants			
Common share purchase warrants			
Common share purchase warrants	Common share purchase warrants	19,783,538	19,558,539
Options and RSUs outstanding	Options and RSUs outstanding	3,603,517	60,675
Preferred shares		60,000	96,000

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Options and RSUs outstanding

Options and RSUs outstanding

13. 14. Income Taxes

The Company is subject to taxation in Canada and also in certain foreign tax jurisdictions. The Company's tax returns for calendar year 2015 2016 and forward are subject to examination by the Canadian tax authorities. The Company's tax returns for fiscal year 2018 2019 and forward are subject to examination by the U.S. federal and state tax authorities.

The Company recognizes the impact of an uncertain income tax position on its income tax return at the largest amount that is “more likely than not” to be sustained upon audit by the relevant taxing authority. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained.

At December 31, 2022 December 31, 2023, there were no unrecognized tax benefits. The Company believes it is reasonably possible that, within the next 12 months, the amount of unrecognized tax benefits may remain unchanged. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. The Company had no material accrual for interest and penalties on its consolidated balance sheets at December 31, 2022 December 31, 2023 and 2021, 2022, and recognized no interest and/or penalties in the consolidated statements of operations for the years ended December 31, 2022 December 31, 2023 and 2021. 2022.

The components of loss before income taxes were as follows (in thousands):

		Year Ended December 31,		Year Ended December 31,
		2022	2021	
Domestic	Domestic	$ (190,248)	$ (21,577)	
Domestic				
Domestic				
Foreign				
Foreign				
Foreign	Foreign	(2,498)	4,273	
Total	Total	$ (192,746)	$ (17,304)	
Total				
Total				

A reconciliation of income taxes computed by applying the federal statutory income tax rate of 26.5% to loss before income taxes to the total income tax provision (benefit) reported in the accompanying consolidated statements of operations is as follows (in thousands):

		Year Ended December 31,		Year Ended December 31,
		2022	2021	
Income tax at statutory rate	Income tax at statutory rate	$ (50,956)	$ (4,586)	
Income tax at statutory rate				

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Income tax at statutory rate			
Foreign rate differential			
Foreign rate differential			
Foreign rate differential	Foreign rate differential	444	(139)
Change in valuation allowance	Change in valuation allowance	42,334	4,358
Change in valuation allowance			
Change in valuation allowance			
Share-based compensation expense			
Share-based compensation expense			
Share-based compensation expense	Share-based compensation expense	872	—
Change to provision and other true-ups	Change to provision and other true-ups	4,665	144
Deferred tax write-off		2,793	—
Forgiveness of debt		—	(236)
Impairment of acquired intangible assets		—	110
Change to provision and other true-ups			
Change to provision and other true-ups			
Tax impact of divestiture			
Tax impact of divestiture			
Tax impact of divestiture			
Tax impact of deconsolidation of SPAC			
Tax impact of deconsolidation of SPAC			
Tax impact of deconsolidation of SPAC			
Impairment of investment			
Impairment of investment			
Impairment of investment			
Other differences	Other differences	14	334
Provision for (benefit from) income taxes		$ 166	$ (15)
Other differences			
Other differences			
Provision for income taxes			
Provision for income taxes			
Provision for income taxes			

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are shown below. A valuation allowance has been recorded, as realization of such assets is uncertain.

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Deferred income taxes are comprised as follows (in thousands):

		December 31,	
		2022	2021
Deferred tax assets:	Deferred tax assets:		
Net operating loss and capital loss carryforwards	Net operating loss and capital loss carryforwards	$41,977	$31,210
Intangible assets	Intangible assets	21,207	2,716
Property and equipment	Property and equipment	4,325	—
Provision for losses on deposits due to vendor bankruptcy filings	Provision for losses on deposits due to vendor bankruptcy filings	4,258	—
Share-based compensation	Share-based compensation	1,458	26
Provision for losses on notes receivable			
Impairment of investments			
Other	Other	3,424	261
Deferred tax assets, gross	Deferred tax assets, gross	76,649	34,213
Valuation allowance for deferred tax assets	Valuation allowance for deferred tax assets	(76,547)	(34,213)
Deferred tax assets, net of valuation allowance	Deferred tax assets, net of valuation allowance	102	—
Deferred tax liabilities:	Deferred tax liabilities:		

	December 31,	
	2023	2022
Deferred tax assets:		

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Property and equipment			
Property and equipment			
Property and equipment			
Right of use liability	Right of use liability	(102)	—
Deferred tax liabilities	Deferred tax liabilities	(102)	—
Net deferred tax assets (liabilities)	Net deferred tax assets (liabilities)	$ —	$ —

Net deferred tax liabilities is included in other non-current liabilities. At December 31, 2022 December 31, 2023, the Company had Canadian net operating loss carryforwards of $142.8 million $217.3 million. These carryforwards will begin expiring December 31, 2031, unless previously utilized. At December 31, 2022, the Company had U.S. federal net operating loss carryforwards of $2.2 million that have no expiration date, and state net operating loss carryforwards of $0.4 million that begin expiring in December 31, 2033 unless previously utilized. The Company also has net capital loss carryforwards in Canada of $27.7 million $37.6 million, which are available indefinitely to offset taxable capital gains.

14. 15. Commitments and Contingencies

Waxahachie Lease

In January 2022, the Company entered into a lease agreement for administrative offices and research facilities located in Waxahachie, Texas (the "Waxahachie Lease") for approximately 3,600 square feet and has a term of five years. Occupancy was established in November 2022. The Company also pays a pro rata share of operating costs, insurance costs, utilities and real property taxes. On December 28, 2023, the Company sold its service and product segment and the Company is no longer is subject to the Waxahachie Lease.

Rent expense for the operating lease was $86,000 and $14,000 for the year years ended December 31, 2022. December 31, 2023 and 2022, respectively.

The following table includes supplemental information (in thousands):

	Year Ended December 31,	
	2022	2021
Cash paid related to operating lease liabilities	$ 14	$ —
Operating lease liabilities arising from obtaining ROU assets	$ 353	$ —

Approximate annual future minimum lease payments as of December 31, 2022 are as follows (in thousands):

Year:	Operating Lease
2023	$ 86
2024	86
2025	86
2026	86

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2027	71
Total minimum lease payments	415
Less imputed interest	(72)
Total	$ 343

As of December 31, 2022, the weighted-average remaining term of the operating lease is approximately 4.8 years. The weighted-average discount rate for the operating lease was 8.0%.

	Year Ended December 31,	
	2023	2022
Cash paid related to operating lease liabilities	$ 86	$ 14
Operating lease liabilities arising from obtaining ROU assets	$ —	$ 353

Greenwich Lease

On July 11, 2022, the Company entered into a lease agreement for administrative offices located in Greenwich, Connecticut (the "Greenwich Lease") for approximately 4,200 square feet. The Greenwich Lease began July 11, 2022, has a term of 12 months, without a renewal option. and expired on July 31, 2023. The Company will also pay a pro rata share of utilities. The Company has elected the short-term lease exception for the accounting of this lease. Rent expense was approximately $0.1 million for both the year years ended December 31, 2022. December 31, 2023 and 2022.

Services Agreements

On August 19, 2021, the Company entered into a Master Services Agreement (the "Gryphon MSA") with Gryphon Digital Mining, Inc. ("Gryphon"), under which Gryphon agreed to be the exclusive provider of any and all management services for all of the Company's blockchain and cryptocurrency-related operations including but not limited to services relating to all mining equipment owned, purchased, leased, operated, or otherwise controlled by the Company at any location (collectively, the "Services") unless the Gryphon MSA is terminated by the Company. On December 29, 2021, the Company and Gryphon entered into Amendment No. 1 to the Gryphon MSA (the "Gryphon MSA Amendment") which extended the initial term of the Gryphon MSA to five years as the Company did not receive delivery of a specified minimum number of digital mining machines during 2022. Subject to written notice from the Company and an opportunity by Gryphon to cure for a period of up to 180 days, the Gryphon MSA provided the Company with the right terminate the Gryphon MSA in the event of: (i) Gryphon's failure to perform the Services under the Gryphon MSA in a professional and workmanlike manner in accordance with generally recognized digital mining industry standards for similar services, or (ii) Gryphon's gross negligence, fraud or willful misconduct in connection with performing the Services. Gryphon shall be entitled to specific performance or termination for cause in the event of a breach by the Company, subject to written notice and an opportunity to cure for a period of up to 180 days. As consideration for the Gryphon MSA, Gryphon received the equivalent of 22.5% of the net operating profit, as defined in the Gryphon MSA, of all of the Company's blockchain and digital currency related operations as a management fee. In addition, any costs Gryphon incurred on the Company's behalf were reimbursed to Gryphon as defined in the Gryphon MSA. During the years ended December 31, 2023 and 2022, the Company paid costs under the Gryphon MSA of $8.4 million and $1.3 million, respectively.

On April 7, 2023, the Company filed litigation against Gryphon outlining several breaches to the Gryphon MSA, including but not limited to, several fiduciary and operational breaches. On October 6, 2023, in accordance with the cure period, the Company terminated the Gryphon MSA. In November 2023, Gryphon indicated that upon receipt of certain information it would remit outstanding Bitcoin proceeds, less fees and expenses that the Company asserts is currently held by Gryphon on behalf of the Company, which the Company believes amounts to approximately 21.6 Bitcoin and approximately $0.6 million of revenue at December 31, 2023, before factoring in fees and expenses. Due to the uncertainty regarding when the Company would receive the Bitcoin, the Bitcoin proceeds, less fees and expenses, will be recognized when received.

On October 18, 2023, the Company entered into a Hosting Agreement with Joshi Petroleum, LLC (the "Joshi Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company's mining equipment. The Joshi Hosting Agreement has an initial term of three years with subsequent one year renewal periods until either party provides written notice to the other party of its desire to avoid and given renewal term at least 30 days in advance of the conclusion of the prior initial term or renewal period. As required by the Joshi Hosting Agreement, the Company paid a deposit of $0.1 million, and will pay an additional

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$0.2 million, representing the last two months of estimated service fees. During the years ended December 31, 2023 and 2022, the Company incurred costs under the Joshi Hosting Agreement of $0.1 million and nil, respectively.

On April 4, 2023, the Company entered into a Master Hosting Services Agreement with Rebel Mining Company, LLC (the "Rebel Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company's mining equipment. The Rebel Hosting Agreement has a term of three years with subsequent one year renewal periods. As required by the Rebel Hosting Agreement, the Company paid a deposit of $2.6 million representing the last two months of estimated service fees. During the years ended December 31, 2023 and 2022, the Company incurred costs under the Rebel Hosting Agreement of $5.3 million and nil, respectively. Costs incurred under the Rebel Hosting Agreement of $3.0 million were paid through the Gryphon MSA and are included in the Gryphon MSA costs above. On October 6, 2023, the Company terminated the Gryphon MSA, and the Company pays costs under the Rebel Hosting Agreement directly.

On February 8, 2023, the Company entered into a Hosting Agreement with Lancium FS 25, LLC (the "Lancium Hosting Agreement") for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company's mining equipment. The Lancium Hosting Agreement has a term of two years with subsequent one year renewal periods. As required by the Lancium Hosting Agreement, the Company paid a deposit of $0.2 million representing a partial payment towards the last two months of estimated service fees. During the years ended December 31, 2023 and 2022, the Company incurred costs under the Lancium Hosting Agreement of $1.9 million and nil, respectively. Costs incurred under the Lancium Hosting Agreement of $1.2 million were paid through the Gryphon MSA and are included in the Gryphon MSA costs above. On October 6, 2023, the Company terminated the Gryphon MSA, and the Company pays costs under the Lancium Hosting Agreement directly.

On June 3, 2022, the Company entered into a Master Agreement with Compute North LLC (the "Compute North MA") for, the colocation, management, and other services of certain of the Company's mining equipment for an initial term of five years. In September 2022, Compute North filed for Chapter 11 bankruptcy. As of December 31, 2022 December 31, 2023, the Company has deposits, in the aggregate, of $0.7 million to Compute North for which during the years ended December 31, 2023 and 2022, the Company has recorded a $0.3 million and $0.4 million, respectively, provision for losses on the deposit due to Compute North's 2022 bankruptcy filing. During both the year years ended December 31, 2022, December 31, 2023 and 2022, the Company incurred no costs under the Compute North MA.

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In December 2022, the Compute North MA was assigned to GC Data Center Granbury, LLC (the "GC Data Center MA") and has a term of five years from such assignment date. Under the GC Data Center MA, the monthly service fee is payable based on the actual hashrate performance of the equipment per miner type per location as a percentage of the anticipated monthly hashrate per miner type. A deposit of $0.5 million previously paid to Compute North for the last two months of monthly service fees was remitted to GC Data Center on behalf of the Company and is included in prepaid digital hosting services at December 31, 2022 December 31, 2023. During the year ended December 31, 2022, the The Company incurred costs under the GC Data Center MA of $5.1 million and $0.1 million.

On August 19, 2021, million during the Company entered into a Master Services Agreement with Gryphon (the "Gryphon MSA"). To provide greater certainty as to years ended December 31, 2023 and 2022, respectively. During the term years ended December 31, 2023 and 2022, costs incurred under the GC Data Center MA of $2.2 million and $0.1 million, respectively were paid through the Gryphon MSA on December 29, 2021, the Company and Gryphon entered into Amendment No. 1 to the Gryphon MSA (the "Gryphon MSA Amendment") which extended the initial term of the Gryphon MSA to five years as the Company did not receive delivery of a specified minimum number of digital mining machines during 2022. Subject to written notice from the Company and an opportunity by Gryphon to cure for a period of up to 180

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days, the Company shall be entitled to terminate the Gryphon MSA in the event of: (i) Gryphon's failure to perform the services under the Gryphon MSA in a professional and workmanlike manner in accordance with generally recognized digital mining industry standards for similar services, or (ii) Gryphon's gross negligence, fraud or willful misconduct in connection with performing the services. Gryphon shall be entitled to specific performance or termination for cause in the event of a breach by the Company, subject to written notice and an opportunity to cure for a period of up to 180 days. As consideration for the Gryphon MSA, Gryphon shall receive the equivalent of 22.5% of the net operating profit, as defined are included in the Gryphon MSA of all of costs above. On October 6, 2023, the Company's blockchain and cryptocurrency-related operations as a management fee. In addition, any costs Gryphon incurs on the Company's behalf are to be reimbursed to Gryphon as defined in Company terminated the Gryphon MSA. The MSA, and the Company incurred pays costs under this agreement of $1.3 million and nil during the years ended December 31, 2022 and 2021, respectively. GC Data Center MA directly.

Digital Mining Hosting Sub-Lease Sub-License

On October 5, 2021, the Company entered into a Sub-License and Delegation Agreement ("Hosting Sub-Lease") by and between Gryphon and the Company, which assigned to the Company certain Master Services Agreement, dated as of September 12, 2021 (the "Core Scientific MSA"), by and between Core Scientific, Inc. ("Core Scientific"), and Gryphon and Master Services Agreement Order #2 ("Order 2"). On December 29, 2021, the Company and Gryphon entered into Amendment No. 1 to the Sub-Lease Agreement (the "Sub-Lease Amendment") to provide Gryphon the right to recapture the usage of up to 50% of the hosting capacity to be managed by Core Scientific. The agreement allows for approximately 230 MW of carbon neutral digital mining hosting capacity to be managed by Core Scientific as hosting partner. As part of the agreement, Core Scientific will provide digital mining fleet management and monitoring solution, Minder™, data analytics, alerting, monitoring, and miner management services. The Hosting Sub-Lease shall automatically terminate upon the termination of the Core Scientific MSA and/or Order 2 in accordance with their respective terms.

On October 31, 2022, the Company filed an arbitration request against Core Scientific regarding the Hosting Sub-Lease. The Company has requested that certain advanced deposits paid be refunded back to it as a result of the modification to the Company's machine purchase agreement with FuFu Technology Limited (now Ethereal Tech Pte. Ltd.). In December 2022, Core Scientific filed Chapter 11 bankruptcy.

During both the years ended December 31, 2023 and 2022, the Company incurred costs under the Sub-Lease Amendment of $0.6 million. The costs incurred under the Sub-Lease Amendment were paid through the Gryphon MSA and included in the Gryphon MSA costs above. As of December 31, 2022 December 31, 2023, the Company had paid $35.1 has a pre-paid deposit balance of $33.9 million towards the Hosting Sub-Lease, which the Company has recorded a $15.7 $23.9 million provision for losses on the pre-paid portion of the deposit due to Core Scientific's Chapter 11 bankruptcy filing in December 2022. The Company incurred costs under this agreement of $0.6 million and nil during During the years ended December 31, 2022 December 31, 2023 and 2021, respectively. 2022, the Company had $8.2 million and $15.7 million, respectively, of expense included in provision for losses on deposits due to vendor bankruptcy filings on the consolidated statements of operations.

Majestic Dragon Financial Advisory Services

In July 2021, the Company retained, Majestic Dragon Financial Services Ltd. ("Majestic Dragon"), to provide consulting and financial advisory services to the Company commencing on the closing of the Hertford Agreement, dated as of July 31, 2021, for a term ending on the date on which Majestic Dragon and its affiliates or any funds managed by Majestic Dragon cease to own, directly or indirectly, any equity interests of the Company. In January 2022, the Company mined its first Bitcoin and recorded expense of $3.5 million for a 100 Bitcoin liability to Majestic Dragon.

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On October 29, 2022, the Company and Majestic Dragon entered into a settlement and release agreement and as a result, the July 2021 agreement was terminated and the Company is no longer obligated to make the two 100 Bitcoin payments stated in the Majestic Dragon Advisory Agreement. During the year ended December 31, 2022, the Company reversed the Bitcoin liability and recognized a gain on forgiveness of the liability of $2.1 million, included in interest income and other, net. During the year ended December 31, 2022, the Company recorded a fair value adjustment of $1.4 million to the Bitcoin liability, included in general and administrative expense.

NuMiner Machine Purchase Agreement

In November 2021, the Company paid a $10.0 million refundable deposit to NuMiner Global, Inc. ("NuMiner") and in February 2022, entered into an agreement with NuMiner to purchase 60,000 units of new NM440 Machines (the "NuMiner Agreement") for the purpose of mining digital assets. Bitcoin. In June 2022, the NuMiner Agreement was terminated and the Company requested the $10.0 million deposit be refunded. At December 31, 2022, the Company recorded a $10.0 million provision for losses on the deposit for mining equipment due to collectability issues with NuMiner.

Underwriting Agreement

Subject to the terms of the underwriting agreement for MEOA's initial public offering, as amended on August 30, 2022, the underwriter is entitled to earned a deferred underwriting fee of $4.6 million, which is was recorded as deferred underwriting fee in the Company's consolidated balance sheets at December 31, 2022, and is was held in a restricted trust account upon account. At December 31, 2023, the completion of MEOA's initial business combination. deferred underwriting fee was nil as MEOA was no longer subject to consolidation with the Company.

Letters of credit

During the ordinary course of business, the Company provides standby letters of credit to third parties as required for certain transactions initiated by the Company. As of December 31, 2022 December 31, 2023, the Company's Company had one no outstanding standby letter letters of credit to be used for the bond necessary for the Company to receive mining machines. credit.

Warranty and Extended Warranty

The Company had $6,700 nil and $56,000 $6,700 in deferred costs included in other current and non-current assets related to deferred service revenue at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Changes in the liability for deferred revenue associated with extended warranties and service contracts were as follows (in thousands):

	Deferred Revenue
Liability at January 1, 2021 January 1, 2022	$ 739
Revenue recognized during the period	(760)
Change in liability for warranties issued during the period	369
Liabilities sold	(134)
Liability at December 31, 2021	214
Revenue recognized during the period	(190)
Change in liability for warranties issued during the period	115
Liability at December 31, 2022	$139
Current Revenue recognized during the period	(121)
Change in liability for warranties issued during the period	163
Liabilities sold	(181)
Liability at December 31, 2023	$ 83 —
Non-current liability	56
Liability at December 31, 2022	$ 139

Litigation

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The Company is, from time to time, subject to claims and suits arising in the ordinary course of business. In The Company cannot predict the opinion of management, the ultimate resolution final outcome of such pending proceedings will proceedings. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Paid expenses related to the defense of such claims are recorded by the Company as incurred and paid. On the basis of current information, the Company does not have believe there is a reasonable possibility that a material effect on loss, if any, will result from any claims, lawsuits and proceedings to which the Company is subject to either individually, or in the aggregate.

On April 7, 2023, the Company filed a suit against Gryphon in the U.S. District Court for the Southern District of New York. The Company alleges, among other things, that Gryphon materially breached its obligations to the Company, both its contractual duties under the Gryphon MSA dated August 19, 2021, and its fiduciary duties, including as a custodian of the Company's results assets. On August 22, 2023, Gryphon asserted counterclaims alleging breach of operations, financial position contract, breach of the implied covenant of good faith and fair dealing, negligence in managing its computer systems, and defamation. On November 7, 2023, Gryphon voluntarily dismissed its defamation claim. Gryphon has amended its complaint several times, and on December 14, 2023, added a second breach of contract claim predicated on another alleged breach of the Gryphon MSA. On February 2, 2024, the Company filed a partial motion to dismiss the second breach of contract claim, the negligence claim, and the breach of the implied covenant claim for failure to state a claim. On February 16, 2024, the court so-ordered a stipulation agreed to by the parties dismissing the second breach of contract claim, the negligence claim, and the breach of the implied covenant claim with prejudice. The so-ordered stipulation expressly preserves the Company's ability to seek the recovery of its costs and attorney's fees incurred in connection with the dismissed claims. The Company disputes the allegations against it and intends to vigorously defend itself and to vigorously pursue its claims against Gryphon. At this preliminary stage, the Company believes that Gryphon's claims lack merit; however, because this litigation is still at this early stage, the Company cannot reasonably estimate the likelihood of an unfavorable outcome or cash flows.

the magnitude of such an outcome, if any.

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15. 16. Segment Information

The Company has two operating segments, (1) Digital Mining and (2) Service and Product. The relevant guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. On December 28, 2023, the Company sold its Service and Product segment.

The Digital Mining segment generates revenue from the digital currency the Company earns through its bitcoin Bitcoin mining activities. The Company generates its digital mining revenue from two mining pool operators. The Company's revenue from digital mining is generated in the United States.

The Service and Product segment generates revenue from long-term customer contracts for service contracts and extended service contract and the sale of products related to the Company's data storage product line.

Digital Mining Segment

The Company generates its digital mining revenue from one mining pool operator. The Company's revenue from digital mining service and product is generated in the United States. For the years ended December 31, 2022 and 2021, the Company had one supplier

Summary information by segment (in thousands):

Twelve months ended December 31, 2023	Digital Mining	Service and Product	Unallocated	Total Consolidated

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Revenue	$ 19,730	$ 2,176	$ —	$ 21,906
Segment gross profit	$ 4,699	$ 1,263	$ —	$ 5,962
Segment loss from operations	$ (12,139)	$ (995)	$ (16,865)	$ (29,999)
Capital expenditures	$ 1,561	$ —	$ —	$ 1,561
Interest expense	$ —	$ —	$ 1,183	$ 1,183
Depreciation and amortization	$ 6,089	$ 23	$ 78	$ 6,190
Provision for losses on deposits made due to vendor bankruptcy filings	$ 8,509	$ —	$ —	$ 8,509
Impairment of acquired intangible assets	$ 1,721	$ —	$ 1,231	$ 2,952

Twelve months ended December 31, 2022	**Digital Mining**	**Service and Product**	**Unallocated**	**Total Consolidated**
Revenue	$ 3,443	$ 2,634	$ —	$ 6,077
Segment gross profit	$ 1,399	$ 1,261	$ —	$ 2,660
Segment loss from operations	$ (135,048)	$ (1,026)	$ (21,579)	$ (157,653)
Capital expenditures	$ 17,631	$ —	$ —	$ 17,631
Interest expense	$ —	$ —	$ —	$ —
Depreciation and amortization	$ 28,024	$ 135	$ 104	$ 28,263
Impairment of mining equipment	$ 75,922	$ —	$ —	$ 75,922
Provision for losses on deposits made due to vendor bankruptcy filings	$ 16,069	$ —	$ —	$ 16,069
Impairment of acquired intangible assets	$ 13,182	$ —	$ —	$ 13,182
Provision for losses on deposit for mining equipment	$ 10,000	$ —	$ —	$ 10,000
Impairment of investments	$ —	$ —	$ 14,529	$ 14,529
Forgiveness of note receivable	$ —	$ —	$ 13,145	$ 13,145

A summary of mining equipment. segment assets is as follows (in thousands):

Service and Product Segment

As of December 31, 2023	**Digital Mining**	**Service and Product**	**Unallocated**	**Total Consolidated**
Total assets	$ 44,338	$ —	$ 1,325	$ 45,663

As of December 31, 2022	**Digital Mining**	**Service and Product**	**Unallocated**	**Total Consolidated**
Total assets	$ 63,077	$ 689	$ 19,250	$ 83,016

Service and product had the following customers that represented more than 10% of revenue.

	Year Ended December 31,	
	2022	**2021**
Customer A	19.8 %	14.7 %
Customer B	13.1 %	10.8 %

The Company's revenue from service and product is generated primarily in the United States.

	Year Ended December 31,	
	2023	**2022**

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Customer A	22.0 %	19.8 %
Customer B	14.3 %	13.1 %
Customer C	11.3 %	— %

Service and product had the following receivable's that represented more than 10% of accounts receivable.

	December 31, 2022	December 31, 2021
Customer A	22.7 %	26.3 %
Customer B	15.2 %	19.6 %
Customer C	14.5 %	— %
Customer D	10.5 %	10.6 %
Customer E	10.2 %	— %
Customer F	— %	25.5 %

	December 31, 2023	December 31, 2022
Customer A	— %	22.7 %
Customer B	— %	15.2 %
Customer C	— %	14.5 %
Customer D	— %	10.5 %
Customer E	— %	10.2 %

16. 17. Subsequent Events

On January 16, 2024, the Company reached a settlement agreement (the "Settlement Agreement") with Core Scientific, which was approved by a United States Bankruptcy Judge on January 16, 2024 as part of Core Scientific's emergence from bankruptcy, for $10.0 million of Core Scientific's equity. The Settlement Agreement includes access to potential additional funds for interest as well as an additional equity pool if the value of Core Scientific's equity decreases below plan value in the 18 months after the date of the Settlement Agreement commensurate with the other unsecured creditors. On January 23, 2024, the Company received 2,050,982 shares of Core Scientific Inc. common stock trading under the Nasdaq symbol CORZ.

In January 2024, the first quarter Company granted 1,114,942 RSUs with a fair value of 2023, $2.2 million and vesting periods of up to two years.

In January 2024, the Company granted 246,150 options with a fair value of $0.5 million and a vesting period of 11 months.

Subsequent to December 31, 2023, pursuant to the Modified Hertford Agreement, the Company issued 5,239,000 2,422,710 common shares for the conversion of 5,239 16,959 Series H Preferred Shares.

In the first quarter of 2023, the Company sold 2,066 miners originally included in mining equipment, for cash proceeds of $3.1 million.

On February 28, 2023, the Company granted 3,112,910 RSUs with a fair value of $1.3 million and a vesting period of nine months.

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Exhibit 4.2

DESCRIPTION OF SECURITIES

Sphere 3D Corp. (the "Company") authorized capital shares consist of unlimited number of common shares, no par value; unlimited number of Series A Preferred Shares, no par value; unlimited number of Series B Preferred Shares, no par value; unlimited number of Series C Preferred Shares, no par value; unlimited number of Series D Preferred Shares, no par value; unlimited number of Series E Preferred Shares, no par value; unlimited number of Series F Preferred Shares, no par value; unlimited number of Series G Preferred Shares, no par value; and unlimited number of Series H Preferred Shares, no par value. As of March 22, 2023March 4, 2024, issued and outstanding were 73,929,018 17,796,326 common shares, and 54,761 26,556 Series H Preferred Shares. There are no Series A, Series B, Series C, Series D, Series E, Series F, or Series G Preferred Shares outstanding. The conversion of the outstanding Series H Preferred Shares will result in substantial dilution to our common shareholders. Pursuant to our articles of amalgamation, the Board of Directors has the authority to fix and determine the voting rights, rights of redemption and other rights and preferences of preferred shares. The Series H Preferred Shares have no voting rights.

The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of the Business Corporation Act (Ontario) and our Articles and By-laws. The Company encourages you to review its:

- Articles of Amendment dated June 28, 2023;
- Articles of Amendment dated October 1, 2021;
- Articles of Amendment dated July 13, 2021;
- Articles of Amendment dated January 4, 2021;
- Articles of Amendment dated September 29,2020;
- Articles of Amendment dated May 6, 2020;
- Articles of Amendment dated November 6, 2019;
- Articles of Amendment dated July 12, 2019;
- Articles of Amendment dated November 13, 2018;
- Articles of Amendment dated November 5, 2018;
- Articles of Amendment dated September 28, 2018;
- Articles of Amendment dated July 11, 2017;
- Articles of Amalgamation dated March 24, 2015;
- By-law No. 1, as amended; and
- By-law No. 2.

Common Shares

Voting, Dividend and Other Rights. Each outstanding common share entitles the holder to one vote on all matters presented to the shareholders for a vote. Holders of common shares have no cumulative voting, pre-emptive, subscription or conversion rights. All common shares to be issued pursuant to this registration statement will be duly authorized, fully paid and non-assessable. Our Board of Directors determines if and when distributions may be paid out of legally available funds to the holders. To date, the Company has not declared any dividends with respect to its common shares. Our declaration of any cash dividends in the future will depend on our Board of Directors' determination as to whether, in light of our earnings, financial position, cash requirements and other relevant factors existing at the time, it appears advisable to do so. The Company does not anticipate paying cash dividends on the common shares in the foreseeable future.

Rights Upon Liquidation. Upon liquidation, subject to the right of any holders of preferred shares to receive preferential distributions, each outstanding common share may participate pro rata in the assets remaining after payment of, or adequate provision for, all our known debts and liabilities.

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Majority Voting. Two holders representing not less than 25% 33⅓% of the outstanding common shares constitute a quorum at any meeting of the shareholders. A plurality of the votes cast at a meeting of shareholders elects our directors. The common shares do not have cumulative voting rights. Therefore, the holders of a majority of the outstanding

common shares can elect all of our directors. In general, a majority of the votes cast at a meeting of shareholders must authorize shareholder actions other than the election of directors.

Preferred Shares

*Authority of Board of Directors to Create Series and Fix Rights*Authority of Board of Directors to Create Series and Fix Rights.

Under our certificate of amalgamation, as amended, our Board of Directors can issue an unlimited number of preferred shares from time to time in one or more series. The Board of Directors is authorized to fix by resolution as to any series the designation and number of shares of the series, the voting rights, the dividend rights, the redemption price, the amount payable upon liquidation or dissolution, the conversion rights, and any other designations, preferences or special rights or restrictions as may be permitted by law. Unless the nature of a particular transaction and the rules of law applicable thereto require such approval, our Board of Directors has the authority to issue these preferred shares without shareholder approval.

Series H Preferred Shares

The holders of Series H Preferred Shares have the following rights, restrictions and privileges in respect of their preferred shares:

- The Series H Preferred Shares are convertible into 1,000 142.857 Sphere 3D common shares for every one Series H Preferred Share. Each holder may convert such holders Series H Preferred Shares provided that after such conversion the common shares issuable, together with all the Sphere 3D common shares beneficially owned by the shareholder, in the aggregate, would not exceed 9.99% of the total number of outstanding Sphere 3D common shares.
- Pursuant to an agreement between the Company and Hertford Advisors Ltd. dated November 7, 2022 August 11, 2023, there are certain conversion and resale restrictions applicable to the common shares that are issuable upon the conversion of the Series H Preferred Shares during the two-year period ending on December 31, 2024.
- The holders of Series H Preferred Shares are not entitled to receive dividends and are not entitled to voting rights, except as required by law.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

The Company's by-laws provide that shareholders seeking to nominate candidates for election as directors at a meeting of shareholders must provide the Company with timely written notice of their proposal. The Company's by-laws also specify requirements as to the form and

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content of a shareholder's notice. These provisions may preclude shareholder's from making nominations for directors at an annual meeting of shareholders.

Indemnification of Our Executive Officers and Directors

In accordance with the by-laws of the Company, directors and officers are each indemnified by the Company against all liability and costs arising out of any action or suit against them from the execution of their duties, provided that they have carried out their duties honestly and in good faith with a view to the best interests of the Company and have otherwise complied with the provisions of applicable corporate law.

Exhibit 10.32

LEASE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF ELLIS §

This Lease Agreement ("Lease") is made and entered into effective as of this 25th day of January, 2022 ("Effective Date") by and between BarBell Real Estate, LLC, a Texas limited liability company ("Landlord") and HVE, Inc, a Delaware Corporation ("Tenant").

WHEREAS, Landlord is the current owner of the Leased Premises; and

WHEREAS, Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord subject to the terms stated in this Lease Agreement and in any other documents duly referenced and incorporated herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are herby acknowledged and confessed by the Parties, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises for the Term, on the following terms, conditions, and covenants:

SEC. 1 - DEFINITIONS

"Building" means a structure located on the west side of the Premises and identified as 1348 Highway 287 Bypass, Waxahachie, Texas.

"Force Majeure" means a force beyond the reasonable ability of the party to overcome using reasonable diligence which causes a party to this Lease Agreement to be unable to perform any of its obligations hereunder in a timely manner, such as weather, strikes, riots, acts of God, war, unavailability of labor or material, governmental laws, regulations or restrictions, or other similar causes; provided, that the failure or inability to pay any monetary amount shall not be deemed to be an event of Force Majeure.

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"Improvements" means all office space within the Leased Premises and other improvements that may be used by Tenant in accordance with this Lease Agreement and in connection with the operation of Tenant's business.

"Leased Premises" means a 3,672 square feet area of the Building as further described in the floor plan attached to this Lease Agreement and incorporated herein as "Exhibit A."

"Operating Expenses" means Landlord's costs for operating and maintaining the Building and related parking areas, which shall include, without limitation, real estate and personal property taxes and assessments, management fees, heating, electricity, water, waste disposal, sewage, operating materials and supplies, service agreements and charges, lawn care, snow removal, restriping, repairs, repaving, cleaning and custodial, security, insurance, the cost of contesting the validity or applicability of any governmental acts which may affect operating expenses, an all other direct operating costs of operating and maintaining the Building and related parking areas, unless expressly excluded from Operating Expenses. Operating Expenses shall not include any amount related to (a) a capital account or capital improvement, (b) ground leases; (c) principal or interest payments on any mortgage or deed of trust on the Building or the Premises; (d) any amount for

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which Landlord is reimbursed through insurance, by third persons, or directly by other Tenants of the Premises; and (e) costs of items and services for which Tenant reimburses Landlord or pays third persons directly.

"Party" shall mean the Landlord or Tenant, who shall be collectively referred to as "Parties."

"Premises" means that property described as LOT 6 BLK A RVG PLAZA 1.381 AC in the property records of the Ellis Appraisal District. (1348 Highway 287 Business, Waxahachie, Texas)

"Proportionate Share" means a percentage of Operating Expenses and Taxes for which Tenant is responsible, prorated annually over a 12-month period. The percentage is equal to the size of the Leased Premises (in square feet) divided by the total amount of rentable space (in square feet) available in the Building.

"Rent" means the amount of $7,038.00 (3,672 sf @ $23.00/sf).

"Rent Commencement Date" means the thirtieth (30th) day after the date on which a certificate of occupancy is issued by the City of Waxahachie for the Leased Premises.

"Taxes" means a percentage of real estate taxes and any other taxes including leasehold taxes and assessments attributable to the Leased Premises and accruing during the Term.

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"Tenant Improvements" means all of the Improvements that are to be constructed by Tenant in accordance with the Work Letter.

"Tenant Improvement Allowance (TIA)" means an amount up to, but not more than, $146,880.00 (3,672 sf @ $40.00/sf).

"Work Letter" means that document which establishes the rights, obligations, and expectations of Landlord and Tenant as related to the construction of the necessary Improvements for the Leased Premises.

Sec. 1 - IMPROVEMENTS

Tenant Improvements

(1) Tenant agrees to construct at Tenant's sole cost and expense all necessary Improvements for the finish-out of the Leased Premises as set forth in the accompanying Work Letter, which is fully incorporated into this Lease Agreement as though set forth herein.

Except for the Improvements outlined in this Lease Agreement or in the Work Letter, Tenant shall make no alterations or changes of any nature to the Leased Premises or to the exterior of the Building without first obtaining Landlord's consent in writing. Any and all Improvements made to the Leased Premises which become affixed or attached to the Leased Premises shall remain the property of Landlord at the expiration or termination of the Lease Agreement.

(2) Landlord agrees to provide a Tenant Improvement Allowance (TIA) to offset Tenant's cost for Tenant Improvements. Landlord shall pay the TIA to Tenant according to the terms stated in the Work Letter.

SEC. 2 - TERMS OF LEASE AGREEMENT

(3) Purpose:Landlord and Tenant agree that the Leased Premises shall be used only for Tenant's regular business purposes. Any other use of Leased Premises by Tenant without prior written consent of Landlord shall be considered a default of this Lease Agreement.

(4) Term: The term of this Lease Agreement ("Term") shall commence on the Effective Date and expire on the five (5) year anniversary of the Rent Commencement Date. Tenant shall notify Landlord in writing of the expected Rent Commencement Date at least thirty (30) days prior to the Rent Commencement Date.

(5) Security Deposit: On the Effective Date of this Lease Agreement, Tenant shall pay to Landlord a one-time security deposit equal to Rent.

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(6) Triple Net Lease Agreement: Landlord and Tenant agree that this shall be a triple net (NNN) Lease Agreement. Beginning on the Rent Commencement date, and continuing thereafter for the Term of this Lease Agreement, Tenant shall pay Rent and the Proportionate Share of Operating Expenses and Taxes to Landlord on a monthly basis, with payment due no later than the 1st of every month. All payments shall be paid by Tenant to Landlord's address as provided in the Notices provision of this Lease Agreement. All payments received more than five (5) days after the due date shall include an additional fee of $25.00 per day until all payments are satisfied.

(7) No Exclusive Right: This Lease Agreement does not convey to Tenant an exclusive right to the Premises, Building, or Leased Premises. Landlord shall hold the rights to lease other areas of the Premises or Building to any same or like use as the Tenant.

(8) Insurance: Tenant shall, at its own cost and expense, maintain and keep in force at all times during the Term: (a) commercial general liability insurance, which shall include coverage against claims for personal injury, death, or property damage occurring on, in or about the Leased Premises with limits of not less than $1,000,000 with respect to the Leased Premises, Landlord's personal property, and Tenant's conduct of business therein, with Landlord named as additional insured; and (b) employers' liability and workers' compensation insurance to the extent required by the laws of the State of Texas. Notwithstanding anything to the contrary set forth in this Lease Agreement, Landlord and Tenant hereby release one another and their respective owners, officers, employees, and property manager from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for loss or damage covered by said insurance, even if such loss or damage shall have been caused by the fault or negligence of the other Party, or anyone for whom such Party may be responsible.

In the event Tenant shall fail to obtain insurance required hereunder and fails to maintain the same in force continuously during the term, Landlord may, but shall not be required to, obtain the same and charge the Tenant for same as additional Rent. Furthermore, Tenant agrees not to keep upon the premises any articles or goods which may be prohibited by the standard form of fire insurance policy, and in the event the insurance rates applicable to fire and extended coverage covering the Leased Premises shall be increased by reason of any use of the Leased Premises made by Tenant, then Tenant shall pay to Landlord, upon demand, such increase in insurance premium as shall be caused by said use or Tenant's proportionate share of any such increase.

INDEMNIFICATION

TENANT AGREES TO INDEMNIFY, DEFEND, AND HOLD LANDLORD HARMLESS FROM ANY AND ALL CLAIMS OR LIABILITIES WHICH MAY ARISE FROM ANY CAUSE WHATSOEVER AS A RESULT OF TENANT'S USE AND

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OCCUPANCY OF THE LEASED PREMISES, AND FURTHER SHALL INDEMNIFY LANDLORD FOR ANY LOSSES WHICH LANDLORD MAY SUFFER IN CONNECTION WITH TENANT'S USE AND OCCUPANCY OR CARE, CUSTODY, AND CONTROL OF THE LEASED PREMISES. TENANT ALSO AGREES TO INDEMNIFY AND HOLD HARMLESS LANDLORD FROM ANY AND ALL CLAIMS OR LIABILITIES WHICH MAY ARISE FROM ANY LATENT DEFECTS IN THE LEASED PREMISES THAT THE LANDLORD IS NOT AWARE OF AT THE SIGNING OF THE LEASE AGREEMENT OR AT ANY TIME DURING THE LEASE TERM. THIS AGREEMENT SHALL SURVIVE THE TERMINATION OF THIS LEASE AGREEMENT.

(9) Encumbrances: Nothing in the Lease Agreement shall be construed to authorize the Tenant or any other person acting for the Tenant to encumber the rents of the Leased Premises or the interest of the Tenant in the Leased Premises or any person under and through whom the Tenant has acquired its interest in the Leased Premises with a mechanic's lien or any other type of encumbrance. Under no circumstance shall the Tenant be construed to be the agent, employee or representative of Landlord. In the event a lien is placed against the Leased Premises, through actions of the Tenant, Tenant will promptly pay the same or bond against the same and take steps immediately to have such lien removed. If the Tenant fails to have the lien removed, the Landlord shall take steps to remove the lien and the Tenant shall pay Landlord for all expenses related to the lien and removal thereof, and Tenant shall be in default of this Lease Agreement.

(10) Permits: A copy of any and all local, state or federal permits acquired by the Tenant which are required for the use of the Leased Premises shall be kept on-site at all times and shall be readily accessible and produced to Landlord, Landlord's agents, or any local, state, or federal officials upon demand.

(11) Maintenance and Repairs: Tenant shall be responsible for all repairs and maintenance on the Leased Premises due to normal wear and tear on the Leased Premises; particularly items which need immediate attention including but not limited to, the replacement of light bulbs, normal repair and cleaning of windows, cleaning of bathrooms, clearing of toilets, etc. Tenant shall properly maintain the premises in a good, safe and clean condition and shall properly and promptly remove all rubbish and hazardous wastes and see that the same are properly disposed of according to all local, state, or federal laws, rules regulations or ordinances.

In the event the Leased Premises are damaged as a result of any neglect or negligence of Tenant, his employees, agents, business invitees, or any independent contractors serving the Tenant or in any way as a result of Tenant's use and occupancy of the premises, then Tenant shall be primarily responsible for seeing that the proper claims are placed with Tenant's insurance company or the damaging party's insurance company, and shall furthermore be responsible for seeing that the building is safeguarded with respect to said damage and that all proper notices with respect to said damage are made in a timely fashion, including notice to Landlord and the party or parties causing said damage.

(12) Sale: Tenant shall, in the event of the sale or assignment of Landlord's interest in the Building, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Landlord covering the Leased Premises, attorn to the purchaser and recognize such purchaser as Landlord under this Lease.

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(13) Transfer: Tenant may not transfer or assign this Lease Agreement, or any right or interest hereunder, or sublet said leased premises or any part thereof without first obtaining the prior written consent and approval of Landlord.

(14) Damage: In the event the Building shall be destroyed or damaged as a result of any fire or other casualty which is not the result of the intentional acts or neglect of Tenant and which precludes or adversely affects the Tenant's occupancy of the Leased Premises, then in every such cause, the Rent and other costs to Tenant herein set forth shall be abated or adjusted according to the extent to which the Leased Premises have been rendered unfit for use and occupation by the Tenant and until the Leased Premises have been put in a condition at the expense of the Landlord, at least to the extent of the value and as nearly as possible to the condition of the Leased Premises existing immediately prior to such damage. It is understood, however, in the event of total or substantial destruction to the Leased Premises that in no event shall the Landlord's obligation to restore, replace, or rebuild exceed an amount equal to the sum of the insurance proceeds available for reconstruction with respect to said damage.

Tenant shall, during the term of this Lease Agreement, at its sole expense, keep the interior of the Leased Premises in as good a condition and repair as it is at the date of this Lease Agreement, reasonable wear and use excepted. This obligation would include the obligation to replace any plate glass damaged as a result of the neglect or acts of Tenant or his guests or invitees. Furthermore, the Tenant shall not knowingly commit nor permit to be committed any act or thing contrary to the rules and regulations prescribed from time to time by any federal, state, or local authorities, and shall expressly not be allowed to keep or maintain any hazardous waste materials or contaminates on the premises. Tenant shall also be responsible for the cost, if any, which would be incurred to bring his contemplated operation and business activity into compliance with any law or regulation of a federal, state, or local authority.

(15) Tenant Default: In the event that the Tenant shall fail to pay Rent and the Proportionate Share of Operating Expenses and Taxes as required, or any part thereof, when the same are due and payable, or shall otherwise be in default of any other terms of this Lease Agreement for a period of more than fifteen (15) days, after receiving notice of default, then the Landlord may declare the Lease Agreement terminated. Landlord may then immediately re-enter the Leased Premises and take possession of the same together with any of Tenant's personal property, equipment, or fixtures left on the premises. Those items may be held by the Landlord as security for the Tenant's eventual payment or satisfaction of rental defaults or other defaults of Tenant under the Lease Agreement. If Tenant is in default, Landlord shall be entitled to take any and all action to protect its interest in the personal property and equipment and to prevent the unauthorized removal of said property or equipment. Such threatened action would be deemed to constitute irreparable harm and injury to the Landlord in violation of its security interest in said items of personal property. Furthermore, in the event of default, Landlord may expressly undertake all reasonable preparations and efforts to release the Leased Premises including, but not limited to, the removal of all inventory, equipment, or leasehold improvements of the Tenant's, at the Tenant's expense, without the need to first procure an order of any court to do so. In the interim, Landlord would be obligated to undertake reasonable steps and procedures to safeguard the value of Tenant's property, including the storage of the same, under reasonable terms and conditions at Tenant's expense, and, in addition, it is understood that Landlord may sue Tenant for any damages or past Rents due and owing, and may undertake all and additional legal remedies then available.

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(16) Landlord Default: Tenant may send written notice to Landlord stating duties or obligations that have not been fulfilled under the full performance of this Lease Agreement. If said duties or obligations have not been cured within thirty (30) days from receiving such notice, unless Landlord, in good faith, needs to more time to cure or remedy such issue in accordance with standard industry protocol, then Landlord shall be in default of this Lease Agreement.

If Landlord should be in default, Tenant shall have the option to terminate this Lease Agreement and be held harmless against any of its terms or obligations.

(17) Disputes: If any dispute should arise in relation to this Lease Agreement, Landlord and Tenant shall first negotiate amongst themselves in "good faith." Afterwards, if the dispute is not resolved, then Landlord and Tenant shall seek mediation in accordance with the laws of the State of Texas. If Landlord and Tenant fail to resolve the dispute through mediation, then the American Arbitration Association shall be used in accordance with their rules. Landlord and Tenant agree to the binding effect of any ruling or judgment made by the American Arbitration Association.

(18) Tenant Insolvency: Tenant agrees that if all or a substantial portion of Tenant’s assets are placed in the hands of a receiver or a Trustee, and such status continues for a period of 30 days, or should the Tenant make an assignment for the benefit of creditors or be adjudicated bankrupt, or should the Tenant institute any proceedings under the Bankruptcy Act or any amendment thereto, then Tenant shall be in default of this Lease Agreement. Neither this Lease Agreement nor any interest in the Leased Premises shall become an asset in any such proceeding and, in such event, and in addition to any other remedies belonging to Landlord by law or by this Lease Agreement, it shall be lawful for the Landlord to declare the Term of this Lease Agreement ended and to re-enter and take possession of the Leased Premises and all Improvements therein, and to remove all persons therefrom. In such event, Tenant shall have no further claim to the Leased Premises.

(19) Subordination: Upon request of Landlord, Tenant will subordinate its rights hereunder to the lien of any mortgage now or hereafter in force against the property or any portion thereof, and to all advances made or hereafter to be made upon the security thereof, and to any ground or underlying lease of the property provided, however, that in such case the holder of such mortgage, or the Landlord shall agree that this Lease Agreement shall not be divested or in any way affected by foreclosure or other default proceedings under said mortgage, obligation secured thereby, or Lease Agreement, so long as Tenant shall not be in default under the terms of this Lease Agreement. Tenant agrees that this Lease Agreement shall remain in full force and effect notwithstanding any such default proceedings under said mortgage or obligation secured thereby.

Tenant shall, in the event of the sale or assignment of Landlord's interest in the Building, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Landlord covering the Leased Premises, attorn to the purchaser and recognize such purchaser as Landlord under this Lease Agreement.

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(20) Tenant Usage: Tenant shall comply with all rules, regulations, and laws of any governmental authority with respect to use and occupancy. Tenant shall not conduct or permit to be conducted upon the Leased Premises any business or permit any act which is contrary to or in violation of any law, rules, or regulations and requirements that may be imposed by any authority or any insurance company with which the Leased Premises is insured. Tenant shall not allow the Leased Premises to be used in any way which will invalidate or be in conflict with any insurance policies applicable to the Building. In no event shall explosives or hazardous materials be taken onto or retained on the Leased Premises. Furthermore, Tenant shall not install or use any equipment that will cause undue interference with the peaceable and quiet enjoyment of the Leased Premises by other tenants of the Building.

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(21) Tenant Signage: Tenant shall not place on any exterior door, wall, or window of the Leased Premises any sign or advertising matter without Landlord's prior written consent and the approval of the local municipality. Thereafter, Tenant agrees to maintain such sign or advertising matter as first approved by Landlord in good condition and repair. Tenant shall conform to any uniform reasonable sign plan or policy that Landlord may introduce with respect to the Building. Upon vacating the Leased Premises, Tenant shall remove all signs and repair all damages caused or resulting from such removal.

(22) Pets: No pets shall be allowed on the Leased Premises without the prior written permission of Landlord unless said pet is required for reasons of disability under the Americans with Disability Act.

(23) Condition of Leased Premises: Tenant acknowledges that he has had the opportunity to inspect the Leased Premises and acknowledges with his signature on this Lease Agreement that the Leased Premises are in good condition and comply in all respects with the requirements of this Lease Agreement. Landlord makes no representation or warranty with respect to the condition of the Leased Premises or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Tenant represents that Tenant has inspected the Leased Premises and is leasing and will take possession of the Leased Premises with all current fixtures present in their "as is" condition as of the date hereof.

(24) Americans With Disabilities Act: Per 42 U.S. Code § 12183, if Tenant is using the Leased Premises as a public accommodation (e.g. restaurants, shopping centers, office buildings) or there are more than fifteen (15) employees, the Leased Premises must provide accommodations and access to persons with disabilities that is equal or similar to that available to the general public. Owners, operators, lessors, and lessees of commercial properties are all responsible for ADA compliance. If the Leased Premises is not in compliance with the Americans with Disability Act any modifications or construction will be the responsibility of Landlord.

(25) Right of Access: It is agreed and understood that Landlord and Landlord's agents shall have the complete and unencumbered right of entry to the Leased Premises at any time or times for purposes of inspecting or showing the

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Leased Premises and for the purpose of making any necessary repairs to the Building or equipment as may be required of Landlord under the terms of this Lease Agreement or as may be deemed necessary with respect to the inspection, maintenance, or repair of the Building. In accordance with State and local laws, Landlord shall have the right to enter the Leased Premises without the consent of Tenant in the event of an emergency.

(26) Estoppel Certificate: Tenant at any time and from time to time, upon at least ten (10) days prior notice by Landlord, shall execute, acknowledge, and deliver to Landlord and to any other person, firm, or corporation specified by Landlord, a statement certifying that the Lease Agreement is unmodified and in full force and effect, or if the Lease Agreement has been modified, then that the same is in full force and effect except as modified, and stating the modifications, stating the dates to which the fixed Rent and additional costs have been paid, and stating whether or not there exists any default by Landlord under this Lease Agreement and, if so, specifying each such default.

(27) Holdover: Should Tenant remain in possession of the Leased Premises after the cancellation, expiration, or sooner termination of the Lease Agreement without the execution of a new Lease Agreement or addendum, such holding over in the absence of a written agreement to the contrary shall be deemed to have created and be construed to be a tenancy from month to month with the Rent and additional costs to be due and payable in the same amount as the previous month plus an additional $7,500.00 holdover penalty, terminable upon thirty 30 days' notice by either party.

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(28) Waiver: Waiver by Landlord of a default under this Lease Agreement shall not constitute a waiver of a subsequent default of any nature.

(29) Governing Law and Venue: This Lease Agreement shall be governed by the laws of the State of Texas. If legal action is necessary to enforce this Lease Agreement, exclusive venue will lie in Ellis County, Texas.

(30) Attorney's Fees: Each Party shall bear its own legal fees and expenses incurred in connection with this Lease Agreement. If, as a result of any breach or default by either Landlord or Tenant of its respective obligations under this Lease Agreement, either party shall bear its own expenses if it employs an attorney to enforce or defend any of its rights.

(31) Force Majeure: If the performance by Landlord or Tenant of any provision of this Lease Agreement (other than the payment of Rent or any other monetary amount) is delayed or prevented by Force Majeure then the period for Landlord's or Tenant's performance of the provision shall be automatically extended for the same amount of time that Landlord or Tenant is so delayed or hindered.

NOTICES

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Landlord: BarBell Real Estate, LLC
431 S. Ring Rd.
Waxahachie, TX 75165

Tenant: HVE, Inc.
100 Executive Ct., Suite 3
Waxahachie, TX 75165

ADDITIONAL TERMS AND CONDITIONS. See accompanying Work Letter.

AMENDMENT(S). No amendment of this Lease shall be effective unless reduced to writing and subscribed by both Landlord and Tenant with all the formality of the original.

SEVERABILITY. If any term or provision of this Lease Agreement is illegal, invalid or unenforceable, such term shall be limited to the extent necessary to make it legal and enforceable, and, if necessary, severed from this Lease Agreement. All other terms and provisions of this Lease Agreement shall remain in full force and effect.

BINDING EFFECT. This Lease Agreement and any amendments thereto shall be binding upon Landlord and Tenant and their respective successors, heirs, assigns, executors and administrators.

LANDLORD SIGNATURE **TENANT SIGNATURE**

Kyle J. Beller / Manager 1/25/2022 Chris Cunningham Senior VP 1/25/2022
Printed Name/Title Date Printed Name/Title Date

/s/ Kyle Beller /s/ Chris Cunningham
_____ _____
Signature Signature
BarBell Real Estate, LLC HVE, Inc.

Exhibit 21.1

Subsidiaries of the Company

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Name of subsidiary	Jurisdiction of Incorporation or Organization
Sphere 3D Inc.	Ontario, Canada
HVE Inc.	Delaware, United States
Sphere 3D Mining Corp.	Delaware, United States
101250 Investments Ltd.	Turks and Caicos Islands
Minority Equality Opportunities Acquisition Sponsor, LLC	Delaware, United States
Minority Equality Opportunities Acquisition Inc.	Delaware, United States

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-269663) 333-269663 and 333-271989); Form F-1 (File No. 333-254742); Forms F-3 (File Nos. 333-206357, 333-259277 and 333-259092) and Forms S-8 (File Nos. 333-203149, 333-203151, 333-205236, 333-209251, 333-214605, 333-216209, 333-220152, 333-222771, 333-228380, 333-231472, 333-238145, 333-252632, 333-262154, 333-269298) 333-269298, and 333-276395) of our report dated March 31, 2023 March 13, 2024 with respect to the audited financial statements of Sphere 3D Corp. (the "Company") appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2022 December 31, 2023. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ *MaloneBailey, LLP*

www.malonebailey.com

Houston, Texas

March 31, 2023

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-269663); Form F-1 (No. 333-254742);Form F-3 (No. 333-206357, No. 333-259277, No. 333-259092) and Form S-8 (No. 333-203149, No. 333-203151, No. 333-205236, No. 333-209251, No. 333-214605, No. 333-216209, No. 333-220152, No. 333-222771, No. 333-228380, No. 333-231472, No. 333-238145, No. 333-252632, No. 333-262154, No. 333-269298) of Sphere 3D Corp.(the "Company") of our report dated March 30, 2022, relating to the consolidated financial statements of the Company (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's going concern uncertainty), appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission.

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/s/ Smythe LLP

Chartered Professional Accountants

Vancouver, Canada

March 31, 2023 13, 2024

Exhibit 31.1

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

I, Patricia Trompeter, Chief Executive Officer of Sphere 3D Corp. certify that:

1. I have reviewed this annual report on Form 10-K of Sphere 3D Corp.;

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

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

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

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

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

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

    (d) Disclosed in this report any change in the issuer's registrant's internal control over financial reporting that occurred during the period covered by registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report report) that has materially affected, or is reasonably likely to materially affect, the issuer's registrant's internal control over financial reporting; and

5. The company's registrant's other certifying officer(s) officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's registrant's auditors and the audit committee of the issuer's registrant's board of directors (or persons performing the equivalent functions):

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

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's registrant's internal control over financial reporting.

Date: March 31, 2023 March 13, 2024

/s/ Patricia Trompeter

Patricia Trompeter

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kurt L. Kalbfleisch, certify Chief Financial Officer of Sphere 3D Corp.certify that:

1. I have reviewed this annual report on Form 10-K of Sphere 3D Corp.;

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

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

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

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

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

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

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(d) Disclosed in this report any change in the issuer's registrant's internal control over financial reporting that occurred during the period covered by registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report report) that has materially affected, or is reasonably likely to materially affect, the issuer's registrant's internal control over financial reporting; and

5. The company's registrant's other certifying officer(s) officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's registrant's auditors and the audit committee of the issuer's registrant's board of directors (or persons performing the equivalent functions):

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

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's registrant's internal control over financial reporting.

Date: March 31, 2023 March 13, 2024

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Senior Vice-President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION. 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Annual Report of Sphere 3D Corp. (the "Registrant") on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patricia Trompeter, Chief Executive Officer of the Registrant, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Registrant.

Date: March 31, 2023 March 13, 2024

/s/ Patricia Trompeter

Patricia Trompeter
Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION. 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Annual Report of Sphere 3D Corp. (the "Registrant") on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kurt L. Kalbfleisch, Senior Vice-President and Chief Financial Officer of the Registrant, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Registrant.

Date: March 31, 2023 March 13, 2024

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Senior Vice-President and
Chief Financial Officer

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