

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2024

OR

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

For the transition period from: to:

Commission file number: 001-33675

**RIOT PLATFORMS, INC.**

(Exact name of registrant as specified in its charter)

<b>Nevada</b>	<b>84-1553387</b>
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

<b>3855 Ambrosia Street , Suite 301 , Castle Rock , CO</b>	<b>80109</b>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(303) 794-2000**

Securities registered under Section 12(b) of the Securities Exchange Act:

<b>Common Stock, no par value per share</b>	<b>RIOT</b>	<b>The Nasdaq Capital Market</b>
(Title of class)	(Trading Symbol)	(Name of each exchange on which registered)

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Emerging growth company <input type="checkbox"/>	

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

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

As of October 28, 2024, the registrant had 332,325,535 shares of its common stock, no par value per share, outstanding, which was the only class of its registered securities outstanding as of that date.

**RIOT PLATFORMS, INC.**

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**RIOT PLATFORMS, INC.**

As used in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (this “Quarterly Report”), the terms “we,” “us,” “our,” the “Company,” the “Registrant,” “Riot Platforms,” and “Riot” mean Riot Platforms, Inc., a Nevada corporation, and its consolidated subsidiaries, unless otherwise indicated.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (the “PSLRA”). The Company may also make forward-looking statements in the other reports and documents filed with the United States Securities and Exchange Commission (the “SEC”), including those documents and filings incorporated by reference herein. All statements in this Quarterly Report and the documents incorporated by reference herein other than statements of historical fact are “forward-looking statements” within the scope of this cautionary note, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations, integration of new equipment, systems, technologies, services or developments, and the development and implementation of industrial-scale immersion-cooled Bitcoin mining hardware at our Bitcoin mining facilities in Kentucky and Texas; future economic conditions, performance, or outlooks; future political conditions; the outcome of contingencies; potential acquisitions or divestitures; the number and value of Bitcoin rewards and transaction fees we earn from our Bitcoin mining operations; future self-mining hash rate capacity; timing of receipt and deployment of miners; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe, or anticipate will or may occur in the future; and assumptions underlying or based upon any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as “believes,” “expects,” “may,” “should,” “would,” “will,” “intends,” “plans,” “estimates,” “anticipates,” “projects” and similar words or expressions; however, forward-looking statements may be made without such terminology.

Such forward-looking statements reflect our management’s opinions, expectations, beliefs, and assumptions based on information currently available to management regarding future events, which may not materialize or prove to be correct due to certain risks and uncertainties, including those risks which the Company’s management has identified and believes to be material and those which management has not identified, or which management does not believe to be material. Such risk factors are described in greater detail under the heading “Risk Factors” in Part II, Item 1A of this Quarterly Report and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 (“2023 Annual Report”), as well as under similar headings in subsequent filings we may make with the SEC. It is not possible for our management to predict all risks, the potential impact of all factors on our business, or the extent to which any factor, or combination of factors, may cause our actual results to differ, perhaps materially, from those contained in, or implied by, any forward-looking statements we may make. You should not place undue reliance on these forward-looking statements, which reflect our management’s opinions only as of the date the statements are made and are not guarantees of future performance or actual results. Should any risks or uncertainties develop into actual events, these developments could have a material adverse effect on our business, financial condition, results of operations, stockholder’s equity, and cash flows, and the market price of our securities may decline, as a result.

Accordingly, you should read this Quarterly Report, and the other filings we make with the SEC, completely and with the understanding that our future results may be materially different from our historical results and from the results expressed in, or implied by, the forward-looking statements contained in this Quarterly Report and the documents incorporated by reference herein. The forward-looking statements contained in this Quarterly Report and the documents incorporated by reference herein speak only as of the date they are made and, unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are expressly qualified by the foregoing cautionary statements and are made in reliance of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the PSLRA.

**PART I - FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**Riot Platforms, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited; in thousands, except for share and per share amounts)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 355,709	\$ 597,169
Restricted cash	72,673	—
Accounts receivable, net	15,348	24,706
Contract assets, including retainage of \$ 1,097 and \$ 3,166 , respectively	15,368	15,359
Prepaid expenses and other current assets	30,638	29,107
Bitcoin	—	311,178
Derivative asset, current portion	36,995	30,781
Equity method investment - marketable securities, at fair value	190,134	—
Future power credits, current portion	—	271
Total current assets	716,865	1,008,571
Property and equipment, net	1,173,275	704,194
Bitcoin	660,350	—
Deposits	136,376	215,009
Finite-lived intangible assets, net	11,331	15,697
Derivative asset, less current portion	90,621	73,437
Operating lease right-of-use assets	23,555	20,413
Future power credits, less current portion	589	638
Goodwill	96,763	—
Other long-term assets	12,571	13,121
<b>Total assets</b>	<b>\$ 2,922,296</b>	<b>\$ 2,051,080</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 12,512	\$ 23,157
Contract liabilities	8,806	4,073
Accrued expenses	45,352	62,371
Deferred gain on acquisition post-close dispute settlement	26,007	26,007
Deferred revenue, current portion	2,518	2,458
Contingent consideration liabilities, current portion	26,085	271
Debt, current portion	657	257
Operating lease liability, current portion	4,291	2,421
Total current liabilities	126,228	121,015
Deferred revenue, less current portion	14,156	15,801
Operating lease liability, less current portion	20,550	18,924
Contingent consideration liabilities, less current portion	589	638
Debt, less current portion	5,600	526
Other long-term liabilities	6,144	6,154
<b>Total liabilities</b>	<b>173,267</b>	<b>163,058</b>
<b>Commitments and contingencies - Note 17</b>		
<b>Stockholders' equity</b>		
Preferred stock, no par value, 15,000,000 shares authorized:		
2 % Series A Convertible Preferred stock, 2,000,000 shares authorized; no shares issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
0 % Series B Convertible Preferred stock, 1,750,001 shares authorized; no shares issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
Common stock, no par value; 680,000,000 shares authorized; 324,280,388 and 230,836,624 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	3,575,694	2,687,692
Accumulated deficit	( 826,854 )	( 799,820 )
Accumulated other comprehensive income (loss), net	189	150
Total stockholders' equity	2,749,029	1,888,022
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,922,296</b>	<b>\$ 2,051,080</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Riot Platforms, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited; in thousands, except for share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenue:</b>				
Bitcoin Mining	\$ 67,491	\$ 31,222	\$ 194,651	\$ 128,987
Engineering	12,638	15,536	26,940	50,995
Other	4,657	5,133	12,509	21,884
Total revenue	84,786	51,891	234,100	201,866
<b>Costs and expenses:</b>				
Cost of revenue (excludes depreciation and amortization presented below):				
Bitcoin Mining	51,472	24,449	123,296	69,995
Engineering	13,517	13,194	27,796	46,939
Other	7,948	26,135	22,588	73,929
Acquisition-related costs	3,079	—	3,079	—
Selling, general, and administrative	66,936	29,067	185,777	61,578
Depreciation and amortization	60,000	64,569	129,669	190,071
Change in fair value of Bitcoin	( 8,554 )	25,261	( 166,231 )	( 72,733 )
Change in fair value of derivative asset	24,318	( 3,943 )	( 23,398 )	( 11,274 )
Power curtailment credits	( 12,417 )	( 49,601 )	( 31,445 )	( 66,146 )
Loss (gain) on sale/exchange of equipment	—	5,306	68	5,336
Casualty-related charges (recoveries), net	—	—	( 2,487 )	1,526
Total costs and expenses	206,299	134,437	268,712	299,221
Operating income (loss)	( 121,513 )	( 82,546 )	( 34,612 )	( 97,355 )
<b>Other income (expense):</b>				
Interest income (expense)	5,175	2,318	21,132	3,331
Unrealized gain (loss) on equity method investment - marketable securities	( 38,082 )	—	( 13,620 )	—
Other income (expense)	90	31	131	96
Total other income (expense)	( 32,817 )	2,349	7,643	3,427
Net income (loss) before taxes	( 154,330 )	( 80,197 )	( 26,969 )	( 93,928 )
Current income tax benefit (expense)	( 32 )	157	( 65 )	( 31 )
Deferred income tax benefit (expense)	—	—	—	5,045
Total income tax benefit (expense)	( 32 )	157	( 65 )	5,014
Net income (loss)	\$ ( 154,362 )	\$ ( 80,040 )	\$ ( 27,034 )	\$ ( 88,914 )
Basic and diluted net income (loss) per share	\$ ( 0.54 )	\$ ( 0.44 )	\$ ( 0.10 )	\$ ( 0.53 )
Basic and diluted weighted average number of shares outstanding	286,243,674	180,952,689	261,977,695	168,758,240

See accompanying Notes to Condensed Consolidated Financial Statements.

**Riot Platforms, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
(Unaudited; in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ ( 154,362 )	\$ ( 80,040 )	\$ ( 27,034 )	\$ ( 88,914 )
Other comprehensive income (loss):				
Unrealized holding gains (losses) on convertible note	208	—	39	—
Comprehensive income (loss)	<u>\$ ( 154,154 )</u>	<u>\$ ( 80,040 )</u>	<u>\$ ( 26,995 )</u>	<u>\$ ( 88,914 )</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Riot Platforms, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(Unaudited; in thousands, except for share amounts)

**Three Months Ended September 30, 2024**

	Common Stock		Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount			
<b>Balance as of July 1, 2024</b>	<b>283,674,768</b>	<b>\$3,257,024</b>	<b>\$ ( 672,492 )</b>	<b>\$ ( 19 )</b>	<b>\$ 2,584,513</b>
Issuance of restricted stock, net of forfeitures and delivery of common stock underlying stock awards, net of tax withholding	5,985,014	( 709 )	—	—	( 709 )
Issuance of common stock/At-the-market offering, net of offering costs	27,379,983	214,813	—	—	214,813
Issuance of common stock in connection with the acquisition of Block Mining	7,240,623	73,999	—	—	73,999
Stock-based compensation	—	30,567	—	—	30,567
Net income (loss)	—	—	( 154,362 )	—	( 154,362 )
Other comprehensive income (loss)	—	—	—	208	208
<b>Balance as of September 30, 2024</b>	<b>324,280,388</b>	<b>\$3,575,694</b>	<b>\$ ( 826,854 )</b>	<b>\$ 189</b>	<b>\$ 2,749,029</b>

**Three Months Ended September 30, 2023**

	Common Stock		Accumulated deficit	Total stockholders' equity
	Shares	Amount		
<b>Balance as of July 1, 2023</b>	<b>182,250,554</b>	<b>\$ 2,080,627</b>	<b>\$ ( 765,216 )</b>	<b>\$ 1,315,411</b>
Issuance of restricted stock, net of forfeitures and delivery of common stock underlying stock awards, net of tax withholding	2,435,045	( 974 )	—	( 974 )
Issuance of common stock/At-the-market offering, net of offering costs	11,615,345	132,571	—	132,571
Stock-based compensation	—	13,519	—	13,519
Net income (loss)	—	—	( 80,040 )	( 80,040 )
<b>Balance as of September 30, 2023</b>	<b>196,300,944</b>	<b>\$ 2,225,743</b>	<b>\$ ( 845,256 )</b>	<b>\$ 1,380,487</b>

**Nine Months Ended September 30, 2024**

	Common Stock		Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount			
<b>Balance as of January 1, 2024</b>	<b>230,836,624</b>	<b>\$2,687,692</b>	<b>\$ ( 799,820 )</b>	<b>\$ 150</b>	<b>\$ 1,888,022</b>
Issuance of restricted stock, net of forfeitures and delivery of common stock underlying stock awards, net of tax withholding	16,089,325	( 11,478 )	—	—	( 11,478 )
Issuance of common stock/At-the-market offering, net of offering costs	70,113,816	730,779	—	—	730,779
Issuance of common stock in connection with the acquisition of Block Mining	7,240,623	73,999	—	—	73,999
Stock-based compensation	—	94,702	—	—	94,702
Net income (loss)	—	—	( 27,034 )	—	( 27,034 )
Other comprehensive income (loss)	—	—	—	39	39
<b>Balance as of September 30, 2024</b>	<b>324,280,388</b>	<b>\$3,575,694</b>	<b>\$ ( 826,854 )</b>	<b>\$ 189</b>	<b>\$ 2,749,029</b>

**Nine Months Ended September 30, 2023**

	Common Stock		Accumulated deficit	Total stockholders' equity
	Shares	Amount		
<b>Balance as of January 1, 2023</b>	<b>167,751,112</b>	<b>\$ 1,907,784</b>	<b>\$ ( 756,342 )</b>	<b>\$ 1,151,442</b>
Issuance of restricted stock, net of forfeitures and delivery of common stock underlying stock awards, net of tax withholding	987,322	( 13,925 )	—	( 13,925 )
Issuance of common stock/At-the-market offering, net of offering costs	27,492,345	317,232	—	317,232
Issuance of common stock in connection with the acquisition of ESS Metron	70,165	—	—	—
Stock-based compensation	—	14,652	—	14,652
Net income (loss)	—	—	( 88,914 )	( 88,914 )
<b>Balance as of September 30, 2023</b>	<b>196,300,944</b>	<b>\$ 2,225,743</b>	<b>\$ ( 845,256 )</b>	<b>\$ 1,380,487</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Riot Platforms, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited; in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Net income (loss)	\$ ( 27,034 )	\$ ( 88,914 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation	94,702	14,652
Depreciation and amortization	129,669	190,071
Amortization of license fee revenue	( 73 )	( 73 )
Noncash lease expense	2,709	1,858
Deferred income tax expense (benefit)	—	( 5,045 )
Change in fair value of Bitcoin	( 166,231 )	( 72,733 )
Change in fair value of derivative asset	( 23,398 )	( 11,274 )
Unrealized (gain) loss on equity method investment - marketable securities	13,620	—
Loss (gain) on sale/exchange of equipment	68	5,336
Casualty-related charges	—	1,526
Revenue recognized from Bitcoin mined	( 194,651 )	( 128,987 )
Proceeds from sale of Bitcoin	9,518	118,833
Changes in assets and liabilities:		
(Increase)/decrease in operating assets	20,977	5,603
Increase/(decrease) in operating liabilities	( 16,572 )	( 42,803 )
Net cash provided by (used in) operating activities	<u>( 156,696 )</u>	<u>( 11,950 )</u>
<b>Investing activities</b>		
Acquisition of Block Mining, net of cash acquired	( 7,203 )	—
Deposits on equipment	( 331,176 )	( 90,512 )
Security deposits	( 4,408 )	—
Investment in equity method investment - marketable securities	( 203,754 )	—
Purchases of property and equipment, including construction in progress	( 182,134 )	( 148,209 )
Casualty-related recoveries	2,487	—
Proceeds from the sale of equipment	—	6,369
Patent costs incurred	—	( 34 )
Net cash provided by (used in) investing activities	<u>( 726,188 )</u>	<u>( 232,386 )</u>
<b>Financing activities</b>		
Proceeds from the issuance of common stock / At-the-market offering	746,426	324,600
Offering costs for the issuance of common stock / At-the-market offering	( 15,647 )	( 7,368 )
Proceeds from Credit and Security Facility	—	4,420
Repayments of Credit and Security Facility	( 202 )	( 3,530 )
Debt issuance costs	—	( 82 )
Repayment of debt assumed in acquisition of Block Mining	( 5,002 )	—
Repurchase of common shares to pay employee withholding taxes	( 11,478 )	( 13,925 )
Net cash provided by (used in) financing activities	<u>714,097</u>	<u>304,115</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	( 168,787 )	59,779
Cash and cash equivalents and restricted cash at beginning of period	597,169	230,328
Cash and cash equivalents and restricted cash at end of period	<u>\$ 428,382</u>	<u>\$ 290,107</u>

See accompanying Notes to Condensed Consolidated Financial Statements.



**Riot Platforms, Inc.**  
**Condensed Consolidated Statements of Cash Flows - Continued**  
(Unaudited; in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Supplemental information:</b>		
Cash paid for interest	\$ 35	\$ 35
Cash paid for taxes	\$ —	\$ 680
Non-cash transactions		
Issuance of common stock for acquisition of Block Mining	\$ 73,999	\$ —
Contingent liability entered into for acquisition of Block Mining	\$ 26,085	\$ —
Reclassification of deposits to property and equipment	\$ 405,401	\$ 33,273
Construction in progress included in accrued expenses	\$ 12,690	\$ 9,342
Bitcoin exchanged for employee compensation	\$ 2,099	\$ 696
Right of use assets exchanged for new operating lease liabilities	\$ 5,850	\$ 1,249
The following reconciles cash, cash equivalents, and restricted cash to the amounts presented above:		
Cash, cash equivalents, and restricted cash, beginning of the period:		
Cash and cash equivalents	\$ 597,169	\$ 230,328
Restricted cash	—	—
Total cash, cash equivalents, and restricted cash as presented above	<u>\$ 597,169</u>	<u>\$ 230,328</u>
Cash, cash equivalents, and restricted cash, end of the period:		
Cash and cash equivalents	\$ 355,709	\$ 290,107
Restricted cash	72,673	—
Total cash, cash equivalents, and restricted cash as presented above	<u>\$ 428,382</u>	<u>\$ 290,107</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Riot Platforms, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 1. Organization and Basis of Presentation**

***Organization***

Riot Platforms is a vertically-integrated Bitcoin mining company principally engaged in enhancing our capabilities to mine Bitcoin in support of the Bitcoin blockchain. The Company has a large-scale Bitcoin mining facility in Rockdale, Texas (the "Rockdale Facility") and is currently developing a second large-scale Bitcoin mining facility located in Corsicana, Texas (the "Corsicana Facility"). Upon completion, the Corsicana Facility's Bitcoin mining capacity is expected to exceed the current Bitcoin mining capacity of the Rockdale Facility. During the three months ended September 30, 2024, the Company acquired two Bitcoin mining sites located in Paducah, Kentucky (the "Kentucky Facility"), which have existing operational Bitcoin mining capacity and the potential for significant expansion.

***Basis of presentation and principles of consolidation***

The accompanying unaudited condensed consolidated financial statements ("Condensed Consolidated Financial Statements") and these notes (these "Notes") have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal and recurring adjustments, considered necessary for a fair presentation of such interim results. Unless otherwise indicated, amounts are stated in thousands of U.S. Dollars except for share, per share, and miner amounts, and Bitcoin quantities, prices, and hash rate.

The results in the Condensed Consolidated Financial Statements and these Notes include required estimates and assumptions of management, and they are not necessarily indicative of results to be expected for the year ending December 31, 2024, or for any future interim period. Further, the Condensed Consolidated Financial Statements and these Notes do not include all the information and notes required by GAAP for a complete presentation of annual financial statements. As such, the Condensed Consolidated Financial Statements and these Notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023, and notes thereto, included in the 2023 Annual Report.

As described in Note 19. *Segment Information*, the Company's two reportable segments are: Bitcoin Mining and Engineering.

**Note 2. Significant Accounting Policies and Recent Accounting Pronouncements**

***Use of estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ materially from those estimates. The most significant accounting estimates inherent in the preparation of the Company's financial statements include revenue recognition; valuation of the derivative asset classified under Level 3 on the fair value hierarchy; determination of the useful lives and recoverability of long-lived assets; impairment analysis of fixed assets and finite-lived intangibles; impairment analysis of goodwill; allocating the fair value of purchase consideration to assets acquired and liabilities assumed in business acquisitions; stock-based compensation; and the valuation allowance associated with the Company's deferred tax assets.

***Reclassifications***

Certain prior period amounts have been reclassified to conform to the current period presentation in the Condensed Consolidated Financial Statements and these Notes. The reclassifications did not have a material impact on the Condensed Consolidated Financial Statements and related disclosures. The impact on any prior period disclosures was immaterial.

***Significant Accounting Policies***

Except for the updates noted below, see the Company's 2023 Annual Report for a detailed discussion of the Company's significant accounting policies.

**Riot Platforms, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

*Bitcoin*

The Company's Bitcoin is recorded at fair value, as determined using the period-end closing price of Bitcoin on the Company's principal market, Coinbase (the "Principal Market"), and changes in fair value are recognized in Change in fair value of Bitcoin, in *Operating income (loss)* on the Condensed Consolidated Statements of Operations, as of, and for the three and nine months ended September 30, 2024.

During 2024, Riot made the strategic decision to temporarily halt the sale of its Bitcoin production and instead, increase its Bitcoin holdings. As a result of its intent to hold its Bitcoin, the Company began classifying its Bitcoin held as a non-current asset on its Condensed Consolidated Balance Sheet. For the nine months ended September 30, 2024, all sales of Bitcoin occurred before the strategic decision and, as such Bitcoin was sold nearly immediately after receipt by the Company, the proceeds were recognized within *Operating activities* on the Condensed Consolidated Statements of Cash Flows.

*Property and equipment*

Effective January 1, 2024, the Company changed the estimated useful life of its miners and mining equipment from 2 years to 3 years. See Note 7. *Property and Equipment*, for a description of the change and its impact.

*Goodwill*

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually as of November 30, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. We use both qualitative and quantitative analyses in making this determination. The Company determined that it has two reporting units for goodwill impairment testing purposes, Bitcoin Mining and Engineering, which are consistent with internal management reporting and management's oversight of operations. Our analyses require significant assumptions and judgments, including assumptions about future economic conditions, revenue growth, and operating margins, among other factors. Examples of events or changes in circumstances considered in the qualitative analysis, many of which are subjective in nature, include: a significant negative trend in our industry or overall economic trends, a significant change in how we use the acquired assets, a significant change in our business strategy, a significant decrease in the market value of the asset, a significant change in regulations or in the industry that could affect the value of the asset, and a change in segments. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs the quantitative test to identify and measure the amount of goodwill impairment loss by comparing the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds the fair value, goodwill of the reporting unit is considered impaired and that excess is recognized as a goodwill impairment loss.

*Revenue recognition*

The Company participates in digital asset mining pools by executing agreements with mining pool operators for the provision of hash calculation services to the mining pool. Currently, the Company only participates in a Full-Pay-Per-Share mining pool. The Company decides when to provide hash calculation services under the agreements and the Company's enforceable right to compensation begins only when, and lasts as long as, the Company provides hash calculation services to the mining pool operator and is created as power is provided over time. The only consideration due to the Company relates to the provision of hash calculation services. Such agreements are freely terminable, at any time, by the Company or by the pool operator, without penalty to either party. Providing hash calculation services in digital asset transaction verification services is an output of the Company's ordinary activities and is the only performance obligation in the agreements with mining pool operators.

The transaction consideration received, if any, is noncash consideration in the form of Bitcoin. Changes in the fair value of the noncash consideration after contract inception due to the form of the consideration (changes in the market price of Bitcoin) are not included in the transaction price and, therefore, are not included in revenue. Certain mining pool operators charge fees to cover the costs of maintaining the pool. These fees are deducted from amounts we may otherwise earn and are treated as a reduction to the consideration received. Fees fluctuate and historically have averaged no more than approximately 2% per reward earned. Under the agreements neither party can dispute settlement terms after approximately thirty-five days following settlement.

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In exchange for providing hash calculation services, the Company is entitled to a Full-Pay-Per-Share ("FPPS") payout of Bitcoin based on a contractual formula, which primarily calculates the hash rate provided to the mining pool as a percentage of total network hash rate, and other inputs.

The Company is entitled to consideration even if a block is not successfully placed by the mining pool operator. Bitcoin network block subsidies are based on the total amount of block subsidies that are expected to be generated on the Bitcoin network as a whole during the 24-hour period beginning at 0:00:00 UTC daily (i.e., the "measurement period"), while network transaction fees are based on the total amount of transaction fees and block rewards that are actually generated on the blockchain network as a whole during the measurement period.

The Company is also entitled to a fractional share of the Bitcoin award and transaction fees from the mining pool operator as determined based on the hash rate provided by the Company to the mining pool as a percentage of the total expected Bitcoin network hash rate based on the current network difficulty. The Company is entitled to its relative share of consideration at the end of each measurement period, even if a block is not successfully placed by the mining pool.

For accounting purposes, the agreement by and between the Company and the mining pool operator has a duration of less than 24 hours as a result of the agreement being continually renewed at the beginning of each measurement period. However, the continual renewal of the agreement does not represent a material right requiring separate performance obligations as the FPPS formula remains the same upon each renewal.

Consideration is all variable. Revenue is recognized on the same day that control of the contracted service transfers to the mining pool operators, which is the same day as contract inception. As it is probable that a significant reversal of cumulative revenue will not occur and we are able to calculate the payout based on the contractual formula, revenue is estimated and recognized based on the spot price of Bitcoin determined using the Company's Principal Market at the beginning of each measurement period, which the Company considers to be 0:00:00 UTC on the date of contract inception. Noncash consideration is measured at fair value at agreement inception. The fair value of the crypto asset consideration is determined using the quoted price per the Principal Market at the beginning of each measurement period at the single bitcoin level (one bitcoin).

There is no significant financing component in these transactions, due to the performance obligations and settlement of the transactions being on a daily basis.

***Change in Reportable Segments***

Previously, the Company operated in three reportable business segments: Bitcoin Mining, Data Center Hosting, and Engineering. Commencing January 1, 2024, the Company's reportable segments have changed to reflect the termination of its legacy Data Center Hosting business, with Bitcoin Mining and Engineering as the Company's two remaining reportable business segments. See Note 19. *Segment Information* for more information.

***Recently Issued Accounting Pronouncements***

The Company continually assesses new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of such change to its Condensed Consolidated Financial Statements and assures that there are proper controls in place to ascertain that the Company's Condensed Consolidated Financial Statements properly reflect the change.

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories and additional reconciling items that meet quantitative thresholds and expands disclosures for income taxes paid by requiring disaggregation by certain jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024; early adoption is permitted. The Company is evaluating the impact the updated guidance will have on its 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* ("ASU 2023-08"), which establishes accounting guidance for crypto assets meeting certain

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criteria. Bitcoin meets these criteria. The amendments require crypto assets meeting the criteria to be recognized at fair value with changes recognized in net income each reporting period. Upon adoption, a cumulative-effect adjustment was made to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt ASU 2023-08 for the year ended December 31, 2023, effective as of January 1, 2023. As a result of the adoption, the Company recorded a cumulative-effect adjustment to its *Accumulated deficit* balance of approximately \$ 6.0 million as of January 1, 2023, as a result of recognizing its Bitcoin held as of January 1, 2023, at fair value.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 is intended to enhance reportable segment disclosures by requiring disclosures of significant segment expenses regularly provided to the chief operating decision maker ("CODM"), requiring disclosure of the title and position of the CODM and explanation of how the reported measures of segment profit and loss are used by the CODM in assessing segment performance and allocation of resources. ASU 2023-07 is effective for the Company for annual periods beginning after December 31, 2023. The Company is finalizing its evaluation of the impact the updated guidance will have on its disclosures.

### **Note 3. Acquisitions**

On July 23, 2024, the Company acquired 100 % of the equity interests of Block Mining, Inc. ("Block Mining"), a Kentucky-based, vertically-integrated Bitcoin mining company, for total consideration of approximately \$ 113.6 million, which was comprised of \$ 13.5 million in cash (adjusted for net working capital acquired and other items, excluding the payoff of debt of \$ 5.0 million, which was accounted for as a transaction separate from the acquisition) from the Company's existing cash, 7.2 million shares of Riot common stock valued at approximately \$ 74.0 million, and a contingent purchase price payable to the sellers with an estimated fair value of \$ 26.1 million. Under the contingent purchase price payable, the sellers are eligible to earn an additional \$ 32.5 million in potential earn-out targets if certain milestones are reached by December 31, 2025.

The acquisition of Block Mining immediately increased Riot's hash rate, expanded Riot's footprint geographically, and provided exposure to additional energy markets outside of the Electric Reliability Council of Texas ("ERCOT"), including the Paducah Power Systems, Tennessee Valley Authority (TVA) and Big Rivers Electric Corporation in the Midcontinent Independent System Operator ("MISO") region. Block Mining is a vertically-integrated Bitcoin miner consisting of two operational sites, both in Kentucky, which consist of existing operational Bitcoin mining capacity, with the potential to expand. Additionally, Block Mining owns a separate greenfield expansion opportunity in Kentucky, adjacent to an existing substation, presenting the opportunity for further expansion. Block Mining is a capital efficient developer and operator of Bitcoin mining facilities with an experienced management team that will add to Riot's ability to execute on its vertically-integrated strategy.

The acquisition was accounted for as an acquisition of a business using the acquisition method of accounting, which requires recognition of assets acquired and liabilities assumed at their respective fair values on the date of acquisition. As of September 30, 2024, the Company has completed a preliminary allocation of the purchase consideration. Therefore, the allocation of the purchase price to assets acquired and liabilities assumed is based on provisional estimates and is subject to continuing management analysis, with assistance from third party valuation advisors. The Company expects to finalize the valuation of these assets and liabilities, and consideration transferred, as soon as practicable, but not later than one year from the acquisition date. Any changes to the preliminary estimates of the fair value of the assets acquired and liabilities assumed will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill.

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The following table presents the allocation of the purchase consideration:

Cash and cash equivalents	\$ 6,295
Accounts receivable	362
Prepaid expenses and other current assets	2,979
Property and equipment	20,165
Right of use asset	3,733
Accounts payable	( 1,471 )
Accrued expenses	( 833 )
Operating lease liability	( 3,733 )
Debt	( 10,678 )
<b>Total identifiable assets and liabilities acquired</b>	<b>16,819</b>
Goodwill	96,763
<b>Total purchase consideration</b>	<b>\$ 113,582</b>

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued expenses were determined to be the carrying values due to the short-term nature of the assets and liabilities. The fair value of the acquired trade receivables was determined to be the net realizable amount of the closing date book value of \$ 0.4 million.

The fair value of property and equipment was estimated by applying the cost approach, which uses the replacement cost as an indicator of fair value. The assumptions of the cost approach include replacement cost new and physical deterioration factors including remaining life and effective age. The replacement cost new was based on a price per terahash consistent with prices the Company pays for new Bitcoin miners and an effective age of three years, consistent with the Company's current estimated useful life of Bitcoin miners.

The right of use asset and operating lease liabilities consisted of an operating lease of a data center in Calvert City, Kentucky. The lease has annual payments of approximately \$ 1.4 million and a remaining lease term of approximately 3.0 years as of acquisition.

The assumed debt consisted of a \$ 5.0 million secured loan and a \$ 5.7 million note payable. The secured loan was paid off on the date of acquisition. The note payable carries a fixed rate of 8.81 %, and matures in December 2035, with annual principal and accrued interest payments beginning on December 31, 2024. The fair value of the debt at acquisition of \$ 5.7 million was determined to equal its carrying value due at acquisition as the interest rate is reasonably consistent with rates the Company would expect to incur for similar debt instruments.

Goodwill was attributable to the assembled workforce of experienced personnel at Block Mining and synergies expected to be achieved from the combined operations of Riot and Block Mining. The goodwill recognized is not expected to be deductible for tax purposes. We assigned the goodwill to our Bitcoin Mining reportable segment.

The operating results of Block Mining have been included in the Company's Consolidated Statements of Operations since the acquisition date. Through September 30, 2024, the Company recognized \$ 3.1 million of acquisition-related costs related to this acquisition that were expensed as incurred.

The following unaudited pro forma financial information summarizes the combined results of operations for Riot and Block Mining, Inc. as if the companies were combined as of January 1, 2023. The unaudited pro forma information does not reflect the effect of costs or synergies that may result from the acquisition and excludes acquisition-related costs of \$ 3.1 million incurred during the nine months ended September 30, 2024. This unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of future operating results of the combined company. This information should not be used as a predictive measure of the Company's future financial position, results of operations, or liquidity.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 87,365	\$ 58,126	\$ 254,303	\$ 222,944
Net income (loss)	\$ ( 157,166 )	\$ ( 80,967 )	\$ ( 28,411 )	\$ ( 90,382 )

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**Note 4. Revenue from Contracts with Customers**

**Disaggregated revenue**

Revenue disaggregated by reportable segment is presented in Note 19. *Segment Information*.

**Contract balances**

Contract assets relate to uncompleted Engineering contracts. As of September 30, 2024 and December 31, 2023, contract assets were \$ 15.4 million and \$ 15.4 million, respectively.

Contract liabilities primarily relate to upfront payments and consideration received from a legacy data center hosting customer and uncompleted Engineering contracts. The following table presents changes in contract liabilities and deferred revenue:

	Nine Months Ended September 30, 2024
Beginning balance	\$ 22,332
Revenue recognized	( 13,640 )
Additions and other changes in contract liabilities	16,788
Ending balance	<u>\$ 25,480</u>

During the nine months ended September 30, 2024, \$ 5.5 million of the beginning balance of contract liabilities and deferred revenue was recognized as revenue.

**Remaining performance obligation**

The following table presents the estimated future recognition of the Company's remaining performance obligations, which represent the transaction price of current contracts for work to be performed.

	Remainder of						
	2024	2025	2026	2027	2028	Thereafter	Total
Legacy data center hosting contract	\$ 647	\$ 2,362	\$ 2,362	\$ 2,362	\$ 2,362	\$ 6,168	\$ 16,263
Engineering	510	8,296	—	—	—	—	8,806
Other	23	97	97	97	97	—	411
Total contract liabilities	<u>\$ 1,180</u>	<u>\$ 10,755</u>	<u>\$ 2,459</u>	<u>\$ 2,459</u>	<u>\$ 2,459</u>	<u>\$ 6,168</u>	<u>\$ 25,480</u>

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**Note 5. Bitcoin**

The following table presents information about the Company's Bitcoin holdings:

	Quantity	Amounts
<b>Balance as of January 1, 2024</b>	<b>7,362</b>	<b>\$ 311,178</b>
Revenue recognized from Bitcoin mined	3,312	194,651
Change in Bitcoin receivable	6	( 93 )
Proceeds from sale of Bitcoin	( 212 )	( 9,518 )
Exchange of Bitcoin for employee compensation	( 41 )	( 2,099 )
Change in fair value of Bitcoin	—	166,231
<b>Balance as of September 30, 2024</b>	<b>10,427</b>	<b>\$ 660,350</b>
Carrying value of Bitcoin as of September 30, 2024 <sup>(a)</sup>		\$ 390,531
Realized gains on the sale or exchange of Bitcoin for the three months ended September 30, 2024 <sup>(b)</sup>		\$ 304
Realized gains on the sale or exchange of Bitcoin for the nine months ended September 30, 2024 <sup>(b)</sup>		\$ 7,661
Revenue recognized from Bitcoin mined for the three months ended September 30, 2024		\$ 67,491
Change in fair value of Bitcoin for the three months ended September 30, 2024		\$ 8,554
<b>Balance as of January 1, 2023</b>	<b>6,974</b>	<b>\$ 115,415</b>
Revenue recognized from Bitcoin mined	4,996	128,987
Proceeds from sale of Bitcoin	( 4,615 )	( 118,833 )
Exchange of Bitcoin for employee compensation	( 28 )	( 696 )
Change in fair value of Bitcoin	—	72,733
<b>Balance as of September 30, 2023</b>	<b>7,327</b>	<b>\$ 197,606</b>
Carrying value of Bitcoin as of September 30, 2023 <sup>(a)</sup>		\$ 165,353
Realized gains on the sale or exchange of Bitcoin for the three months ended September 30, 2023 <sup>(b)</sup>		\$ 13,495
Realized gains on the sale or exchange of Bitcoin for the nine months ended September 30, 2023 <sup>(b)</sup>		\$ 47,171
Revenue recognized from Bitcoin mined for the three months ended September 30, 2023		\$ 31,222
Change in fair value of Bitcoin for the three months ended September 30, 2023		\$ ( 25,261 )

- a) The carrying value of Bitcoin is equal to the post-impairment value of all Bitcoin held as of the adoption of ASU 2023-08 on January 1, 2023, and, for Bitcoin produced subsequent to the adoption of ASU 2023-08, the initial value of the Bitcoin as determined for revenue recognition purposes.
- b) Bitcoin is sold on a first in, first out (FIFO) basis. For all periods presented, gains were recognized on all sales of Bitcoin and exchanges of Bitcoin for employee compensation and are included in *Change in fair value of Bitcoin* on the Condensed Consolidated Statements of Operations.

All additions of Bitcoin were the result of Bitcoin generated by the Company's Bitcoin Mining operations (see Note 4. *Revenue from Contracts with Customers*). All dispositions of Bitcoin were the result of sales on the open market to fund Company operations and for compensation for certain employees.



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**Note 6. Investments***Equity method investment - marketable securities*

During the nine months ended September 30, 2024, the Company acquired approximately 90.1 million common shares of Bitfarms Ltd. ("Bitfarms") on the open market for approximately \$ 203.8 million. As of September 30, 2024, the Company's investment in Bitfarms was equal to approximately 19.9 % of all outstanding Bitfarms common stock.

In September 2024, the Company and Bitfarms entered into a settlement agreement, under which, the Company intends to review its investment in Bitfarms on a continuing basis and, subject to the terms of the settlement agreement, depending upon various factors, including without limitation, any discussion between the Company, Bitfarms and/or the Board of Bitfarms and Bitfarms' advisors regarding, among other things, Bitfarms' financial position and strategic direction, overall market conditions, other investment opportunities available to the Company, and the availability of securities of Bitfarms at prices that would make the purchase or sale of such securities desirable, the Company may (i) increase or decrease its position in Bitfarms through, among other things, the purchase or sale of securities of Bitfarms, including through transactions involving its common shares and/or other equity, debt, notes, other securities, or derivative or other instruments that are based upon or relate to the value of securities of Bitfarms in the open market or otherwise, (ii) enter into transactions that increase or hedge its economic exposure to its investment without affecting its beneficial ownership of Bitfarms common stock or (iii) consider or propose other actions, including submitting a revised proposal to acquire Bitfarms.

On September 23, 2024, Bitfarms appointed an independent director to its Board of Directors that the Company proposed to be nominated and supported. As a result, for accounting purposes, the Company determined it obtained the ability to exercise significant influence over its investment. Therefore, the Company began accounting for its investment under the equity method of accounting and elected to account for it at fair value. There have been no intra-entity transactions, and therefore, no intra-entity profits or losses. Unrealized gains and losses are recognized in *Other income (expense)* on the Condensed Consolidated Statements of Operations. The fair value measurement of the Company's investment in Bitfarms is based on quoted prices in an active market and valued at the closing price reported at the end of each period and thus represents a Level 1 measurement on the fair value hierarchy.

The following table presents information about the equity method investment - marketable securities ("marketable securities):

Investment, at cost	\$ 203,754
Unrealized losses	( 13,620 )
Fair value as of September 30, 2024	<u>\$ 190,134</u>

For the three months ended September 30, 2024, unrealized losses on the marketable securities were \$ 38.1 million.

*Convertible note*

During the year ended December 31, 2023, the Company invested in a \$ 4.5 million convertible note at face value. The convertible note has a three-year term and earns interest at a rate of 12 % per annum, which may be paid in cash or in-kind, and converts into equity of the issuer of the convertible note at the end of the three-year term.

The fair value measurement of the convertible note is based on significant inputs not observable in the market and thus represents a Level 3 measurement on the fair value hierarchy. The significant assumptions used to estimate fair value of the convertible note as of September 30, 2024, primarily consisted of a discount rate of 12.7 %, which reflected the issuance date spread premium over the selected yield for the remaining time to maturity.

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The following table presents information about the convertible note:

Fair value as of December 31, 2023	\$ 4,709
Accrued interest	417
Amortized costs basis	5,126
Unrealized holding gains (losses) in accumulated other comprehensive income	39
Fair value as of September 30, 2024	\$ 5,165

For the three months ended September 30, 2024, unrealized holding gains in accumulated other comprehensive income were \$ 0.2 million. For the three and nine months ended September 30, 2023, no unrealized holding gains or losses were recognized in other comprehensive income.

## **Note 7. Property and Equipment**

The following table presents the Company's property and equipment:

	September 30, 2024	December 31, 2023
Buildings and building improvements	\$ 650,139	\$ 348,865
Land rights and land improvements	10,904	10,320
Miners and mining equipment	853,258	496,230
Machinery and facility equipment	43,180	39,144
Office and computer equipment	2,765	2,108
Construction in progress	84,234	166,970
Total cost of property and equipment	1,644,480	1,063,637
Less accumulated depreciation	( 471,205 )	( 359,443 )
Property and equipment, net	\$ 1,173,275	\$ 704,194

The Company did not incur any impairment charges for its property and equipment during the three and nine months ended September 30, 2024 and 2023.

For the three months ended September 30, 2024 and 2023, depreciation expense related to property and equipment totaled \$ 58.5 million and \$ 63.1 million, respectively, and \$ 125.3 million and \$ 185.7 million, respectively, for the nine months ended September 30, 2024 and 2023.

### **Miners and mining equipment**

As of September 30, 2024, the Company had deployed miners in its Bitcoin Mining operations at its Rockdale, Corsicana, and Kentucky Facilities. As of December 31, 2023, the Company had deployed miners at its Bitcoin Mining operations only at the Rockdale Facility.

During 2023, the Company entered into a long-term master purchase and sales agreement, dated as of June 23, 2023, as amended, (the "Master Agreement") to acquire miners from MicroBT Electronics Technology Co., LTD, through its manufacturing affiliate, SuperAcme Technology (Hong Kong) Limited (collectively "MicroBT"). In 2023, we executed purchase orders with MicroBT to acquire U.S.-manufactured miners with a total hash rate of 25.6 Exahash per second ("EH/s"), for a total purchase price of approximately \$ 453.4 million, subject to downward adjustment, as provided under the Master Agreement. Delivery of these miners to the Corsicana Facility, for deployment in immersion cooling systems, began in 2023, and all miners under these purchase orders are expected to be received by the end of 2024. The Master Agreement also provides the Company with an option to purchase additional miners with a total hash rate of approximately 75.0 EH/s, on the same terms as the initial order.

During the nine months ended September 30, 2024, the Company entered into an additional purchase order with MicroBT under the Master Agreement to acquire 31,500 air-cooled miners with a total hash rate of 5.9 EH/s for a total purchase price of approximately \$ 96.7 million. This purchase order is in addition to existing purchase options under the Master Agreement. Delivery of these miners occurred during the nine months ended September 30, 2024.

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Effective January 1, 2024, as a result of new information about the useful lives of Bitcoin miners, the Company determined the estimated useful life of its Bitcoin miners will be increased from two years to three years. In making this determination, the Company took into consideration its first-hand experience of miners remaining in service beyond a two-year period, as well as its increased use of immersion-based mining, which the Company anticipates will extend the useful life of miners, due to improved heat removal and reduced exposure to particulates, as compared to traditional air-cooled mining. For the three months ended September 30, 2024, the effect of this change in estimate was a reduction in depreciation expense and a decrease in net loss of approximately \$ 21.0 million, and a decrease in basic and diluted loss per share of \$ 0.07. For the nine months ended September 30, 2024, the effect of this change in estimate was a reduction in depreciation expense and an increase in net income of approximately \$ 69.4 million, and an increase in basic and diluted earnings per share of \$ 0.26.

***Casualty-related charges (recoveries), net***

In December 2022, the Rockdale Facility was damaged during severe winter storms in Texas. As of September 30, 2024, the Company estimated that total damages of \$ 10.3 million had been incurred. During the nine months ended September 30, 2024, the Company received net insurance recoveries of \$ 2.5 million, in addition to the \$ 7.5 million recovered during the year ended December 31, 2023. Recoveries are recognized when they are probable of being received. During the nine months ended September 30, 2023, net casualty related charges of \$ 1.5 million were recognized. No amounts were recognized during the three months ended September 30, 2024 or 2023.

***Construction in progress***

In 2022, the Company initiated development of the Corsicana Facility to expand its Bitcoin Mining capabilities, on a 265 -acre site in Navarro County, Texas, located near the Navarro Switch.

The initial phase of development of the Corsicana Facility involves the construction of immersion-cooled Bitcoin Mining infrastructure, including a high-voltage power substation and electrical and water transmission facilities to supply power and water to the facility. Operations of this initial phase of the development commenced in April 2024, following energization of the substation. As of September 30, 2024, Corsicana deployed Bitcoin mining infrastructure comprised of three operational buildings, Buildings A1, A2 and B1, and a fourth building, Building B2, which was under construction. Development of Building B2 continues on schedule and is expected to be completed during the fourth quarter of 2024.

During the year ended December 31, 2023, the Company entered into a purchase agreement to acquire immersion cooling systems for use in Bitcoin mining data center facilities developed at the Corsicana Facility. Delivery and installation of these immersion cooling systems was completed during the nine months ended September 30, 2024, with miner installation and operations commencing progressively as the systems are installed. The purchase agreement also provides the Company an option to purchase additional immersion cooling systems from the same manufacturer, on the same terms as the initial order, through December 31, 2025.

During the nine months ended September 30, 2024, the Company entered into a second purchase agreement to acquire immersion cooling systems from a different manufacturer for use in the Bitcoin mining data center facilities at the Corsicana Facility. Delivery of these immersion cooling systems was completed in the third quarter of 2024.

Through September 30, 2024, the Company had incurred total costs of approximately \$ 377.6 million related to the development of the Corsicana Facility (exclusive of miners), including \$ 10.1 million paid to acquire the land on which the facility is being developed.

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**Note 8. Finite-Lived Intangible Assets**

The following table presents the Company's finite-lived intangible assets as of September 30, 2024:

	Gross book value	Accumulated amortization	Net book value	Weighted- average life (years)
Customer contracts	\$ 6,300	\$ ( 1,757 )	\$ 4,543	10
Trademark	5,000	( 1,417 )	3,583	10
UL Listings	2,700	( 638 )	2,062	12
Patents	10,060	( 8,917 )	1,143	Various
Finite-lived intangible assets	<u>\$ 24,060</u>	<u>\$ ( 12,729 )</u>	<u>\$ 11,331</u>	

The following table presents the Company's finite-lived intangible assets as of December 31, 2023:

	Gross book value	Accumulated amortization	Net book value	Weighted- average life (years)
Customer contracts	\$ 6,300	\$ ( 1,292 )	\$ 5,008	10
Trademark	5,000	( 1,042 )	3,958	10
UL Listings	2,700	( 469 )	2,231	12
Patents	10,060	( 5,560 )	4,500	Various
Finite-lived intangible assets	<u>\$ 24,060</u>	<u>\$ ( 8,363 )</u>	<u>\$ 15,697</u>	

For the three months ended September 30, 2024 and 2023, amortization expense related to finite-lived intangible assets was \$ 1.5 million and \$ 1.5 million, respectively, and \$ 4.4 million and \$ 4.4 million for the nine months ended September 30, 2024 and 2023.

The following table presents the estimated future amortization of the Company's finite-lived intangible assets as of September 30, 2024:

Remainder of 2024	\$ 1,457
2025	1,355
2026	1,355
2027	1,355
2028	1,355
Thereafter	4,455
Total	<u>\$ 11,331</u>

The Company did not identify any impairment of its finite-lived intangible assets during the three and nine months ended September 30, 2024 and 2023.

**Note 9. Power Supply Agreements**
**Rockdale Facility**
*Power Purchase Agreement*

In May 2020, the Company's subsidiary, Whinstone US, Inc. ("Whinstone"), entered into a long-term power purchase agreement (the "PPA") to provide power at fixed prices to the Rockdale Facility, via the nearby Sandow Switch. Pursuant to the PPA, the Company has agreed to acquire a total of 345 megawatts ("MW") of long-term, fixed-price power, in multiple blocks, as follows: 130 MW contracted in May 2020, through April 30, 2030; 65 MW contracted in March 2022, through April 30, 2030; and 150 MW contracted in November 2022, through October 31, 2027. Additionally, the PPA also allows the purchase of additional power, at market prices, as needed.

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Under the PPA, the Company may also elect not to utilize its long-term, fixed-price power for its operations, and instead elect to sell that power in exchange for credits against future power costs when there is a benefit to the Company, depending on the spot market price of electricity. The Company's power strategy combines participation in Demand Response Services Programs, as described below, participation in ERCOT's Four Coincident Peak ("4CP") program, and sales of power, to attempt to manage operating costs most efficiently.

During the three months ended September 30, 2024 and 2023, the Company earned credits against future power costs in exchange for power resold of approximately \$ 12.4 million and \$ 49.6 million, respectively, and approximately \$ 31.4 million and \$ 66.1 million, respectively, during the nine months ended September 30, 2024 and 2023. These amounts are recorded in *Power curtailment credits* on the Condensed Consolidated Statements of Operations.

The Company determined the PPA meets the definition of a derivative because it allows for net settlement. However, because the Company has the ability to offer the power back for sale outside of the PPA, rather than taking physical delivery, the Company determined that physical delivery is not probable through the entirety of the contract and therefore, the Company does not believe the normal purchases and normal sales scope exception applies to the PPA. Accordingly, the PPA (a non-hedging derivative contract) is accounted for as a derivative and recorded at its estimated fair value each reporting period in *Derivative asset* on the Condensed Consolidated Balance Sheets with the change in the fair value recorded in *Change in fair value of derivative asset* on the Condensed Consolidated Statements of Operations. The PPA is not designated as a hedging instrument. The Facilities Agreement, Demand Response Service Programs, and the 4CP program are not part of the PPA, and are therefore not subject to treatment and valuation as a derivative along with PPA.

The estimated fair value of the Company's derivative asset is classified under Level 3 of the fair value hierarchy due to the significant unobservable inputs utilized in the valuation, which include the fixed price of each block for all 345 MW of power to be delivered per the PPA, discounted cash flow estimation models containing quoted commodity exchange spot and forward prices in megawatt hours ("mWh") and are adjusted for basis spreads for load zone-to-hub differentials through the term of the PPA, which is scheduled to end as of April 30, 2030, and a discount rate of 23.1 %. Actual power usage is not a variable input in the determination of the fair value as the price and quantity of power to be delivered per the PPA are fixed despite the existence of multiple blocks with separate power amounts.

The discount rate reflects the nature of the contract as it relates to the risk and uncertainty of the estimated future mark-to-market adjustments, forward price curves of the power supply, broker/dealer quotes, and other similar data obtained from quoted market prices or independent pricing vendors, risk-free rate of return, which is determined from United States Treasury Bond yields, estimated cost of debt, which includes a Moody's rating, and an equity risk premium based upon market data provided by a global cost of capital service provider. The discount rate includes observable market inputs, but also includes unobservable inputs based on qualitative judgment related to Company credit risk.

The following table presents the unobservable inputs used in the valuation of the *Derivative asset*:

Valuation Date	Significant Unobservable Input	Range		Average
September 30, 2024	Forward prices (per mWh)	\$ 31.22	- \$ 84.77	\$ 48.80
December 31, 2023	Forward prices (per mWh)	\$ 26.35	- \$ 83.60	\$ 43.80

The terms of the PPA require margin-based collateral, calculated as exposure resulting from fluctuations in the market cost rate of electricity versus the fixed price stated in the contract. As of September 30, 2024, the margin-based collateral requirement of the Company was zero .

While the Company manages operating costs at the Rockdale Facility in part by periodically selling back unused or uneconomical power, the Company does not consider such actions to be trading activities.

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The following table presents changes in the estimated fair value of the *Derivative asset*:

Balance as of December 31, 2023	\$ 104,218
Change in fair value of derivative asset:	
Change due to future price curve	38,396
Change due to passage of time and settlements	( 14,998 )
Total change in fair value of derivative assets	23,398
Balance as of September 30, 2024	\$ 127,616

The following table presents the *Change in fair value of the derivative asset* for the three months ended September 30, 2024:

Change due to future price curve	\$ ( 8,907 )
Change due to passage of time and settlements	( 15,411 )
Total change in fair value of derivative assets	\$ ( 24,318 )

*Demand Response Services Programs*

Concurrently with the PPA, Whinstone entered into an interconnection agreement for the extension of delivery system transmission/substation facilities to facilitate delivery of electricity to the Rockdale Facility (the "Facilities Agreement"). Power costs incurred under the Facilities Agreement are determined every 15 minutes using settlement information provided by ERCOT and are recorded in *Cost of revenue* on the Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2024, the construction of the interconnection was completed and power costs under the Facilities Agreement are no longer being incurred.

ERCOT has implemented Demand Response Services Programs for customers like the Company that have the ability to reduce or modify electricity use in response to ERCOT instructions or signals. These Demand Response Services Programs provide the ERCOT market with valuable grid stability and economic services by helping to preserve system reliability, enhancing competition and load predictability, mitigating price spikes, and stabilizing the grid by encouraging the demand side of the market to give more visibility and control of their power consumption to grid operators. Market participants with flexible electrical loads, like the Company, may participate in these Demand Response Service Programs directly by offering their electrical loads into the ERCOT markets, or indirectly by voluntarily reducing their energy usage in response to increasing power demand in the ERCOT marketplace. The Demand Response Services Programs run concurrent with the PPA.

Under these Demand Response Services Programs, the Company can participate in a variety of programs known as "ancillary services" by electing to designate a portion of its available electrical load for participation in such programs on a forward basis. For each respective Demand Response Services Program, the Company receives compensation based on hourly rates for power and the amount of electrical load which it has bid into the program. Through ancillary services, the Company competitively bids amongst other market participants to sell ERCOT the ability to control the Company's electrical load on demand, which requires the Company to remain powered on during the times in which its power is bid into ancillary services, and giving ERCOT the ability to direct the Company to power down the amount of power bid into the program. The Company receives compensation for its participation in ancillary services whether or not the Company is actually called to power down.

The Company also participates in the 4CP program, which refers to the highest-load settlement intervals in each of the four summer months (June, July, August, and September), during which time, demand for power is typically at its highest across the ERCOT grid. The 4CP program participants may voluntarily power down operations during these times and in doing so, reduce the electrical load demand on the ERCOT grid. Participants that reduce their load in these peak periods receive credits to transmission costs on future power bills during the subsequent year, reducing overall power costs for the year. As a result of participation in the 4CP program in 2023, the Company's transmission charges in its ongoing 2024 monthly power bills are substantially reduced. The 4CP program has an indefinite life.

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#### *Corsicana Facility*

During the nine months ended September 30, 2024, the Company's subsidiary, Riot Corsicana, LLC, entered into an agreement with ICE Futures U.S., Inc., a subsidiary of the InterContinental Exchange to access the exchange for the execution of electricity futures contracts. The Company intends to purchase agreements up to the amount of power used at the Corsicana Facility. These financial instruments meet the definition of derivatives, but are not designated as hedging instruments, and will be recognized at fair value, with any gains or losses recognized in Net income (loss).

The Company has entered into the electricity futures contracts to manage electricity price risk and reduce the variability of cash flows associated with purchases of electricity used for the Company's Bitcoin Mining operations at its Corsicana Facility.

As of September 30, 2024, the Company held outstanding electricity futures contracts for 16,640 MWh with a combined fair value of less than \$ 0.1 million included in *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets. During the three and nine months ended September 30, 2024, realized and unrealized gains and losses of less than \$ 0.1 million were recognized in *Other income (expense)* on the Condensed Consolidated Statements of Operations.

#### *Kentucky Facility*

In April 2021, the Company's subsidiary, Block Mining, entered into a long-term power purchase agreement (the "Kentucky PPA") to provide power to one of its locations in Kentucky. Pursuant to the Kentucky PPA, the Company has the ability, but not the obligation, to acquire up to a total of 60 MW of power at one of its facilities through mid-April 2041. The all-in power rate includes a portion of the total fee that is at a fixed rate and another portion that adjusts annually. The Company determined the Kentucky PPA does not meet the definition of a derivative because it does not contain any net settlement provisions.

Under the Kentucky PPA, the Company may also elect not to utilize its long-term, fixed-price power for its operations, and instead elect to sell that power back into the MISO grid in exchange for credits against future power costs when there is a benefit to the Company, depending on the spot market price of electricity. The Company's power strategy combines participation in Demand Response Services Programs and sales of power, to attempt to manage operating costs most efficiently.

### **Note 10. Deposits**

The following table presents the activity of the Company's deposits paid:

Deposits on equipment:	
Balance as of December 31, 2023	\$ 185,294
Additions	331,176
Reclassifications to property and equipment	( 405,401 )
Balance as of September 30, 2024	111,069
Security deposits	25,307
Total long-term deposits	<u>\$ 136,376</u>

#### ***Deposits on Equipment***

During the nine months ended September 30, 2024, the Company made deposits and advance payments of \$ 257.4 million to MicroBT for the purchase of miners and made deposits of \$ 68.8 million for the purchases of other property and equipment, primarily consisting of electrical components and immersion tanks used in the development of the Corsicana Facility. During the nine months ended September 30, 2024, the Company reclassified \$ 347.2 million of deposits made to MicroBT and \$ 58.2 million of other deposits to property and equipment in connection with the receipt of the equipment. See Note 7. *Property and Equipment*.

#### ***Security Deposits***

During the year ended December 31, 2023, the Company paid \$ 23.0 million, all of which remains held as a deposit as of September 30, 2024, as a security deposit in connection with its 215 MW increase to the long-term, fixed-price power secured under the PPA, resulting in a total of 345 MW under contract at fixed prices. See Note 9. *Power Purchase Agreement*.

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During the year ended December 31, 2022, the Company paid approximately \$ 4.7 million as a security deposit for the development of the Corsicana Facility, all of which was returned during the nine months ended September 30, 2024.

The Company has other security deposits totaling approximately \$ 2.2 million for its offices and facilities, including \$ 1.8 million associated with its ground lease.

**Note 11. Accrued Expenses**

Accrued expenses consist of the following:

	September 30, 2024	December 31, 2023
Construction in progress	\$ 12,690	\$ 23,451
Power related costs and remittances	10,865	11,114
Compensation	13,742	14,888
Insurance	28	7,490
Other	8,027	5,428
Total accrued expenses	<u>\$ 45,352</u>	<u>\$ 62,371</u>

**Note 12. Debt**

**Credit and Security Facility**

The Company's subsidiary, ESS Metron, LLC ("ESS Metron"), has a Credit and Security Facility Agreement, as amended, which provides for a \$ 10.0 million credit and security facility consisting of a \$ 6.0 million revolving line of credit (the "Revolving Line of Credit") and a \$ 4.0 million equipment guidance line (the "Equipment Guidance Line").

The Revolving Line of Credit matures on December 31, 2024, with interest due monthly and principal due at maturity. All amounts borrowed under the Revolving Line of Credit carry a variable interest of not less than 4.0 % and are secured by the assets of ESS Metron. As of September 30, 2024, the interest rate was 8.0 %. During the nine months ended September 30, 2024, there were no borrowings or payments under the Revolving Line of Credit. As of September 30, 2024 and December 31, 2023, the outstanding balance on the Revolving Line of Credit was \$ 0 .

The Equipment Guidance Line matures on December 31, 2024, and permits the Company to finance up to 80.0 % of certain equipment purchases. All amounts borrowed under the Equipment Guidance Line carry a variable interest of not less than 4.0 % and are secured by the assets of ESS Metron. As of September 30, 2024, the interest rate was 8.0 %. During the nine months ended September 30, 2024, there were no borrowings under the Equipment Guidance Line and approximately \$ 0.5 million outstanding under the Equipment Guidance Line converted to a fixed rate term loan (see below). As of September 30, 2024 and December 31, 2023, the outstanding balance on the Equipment Guidance Line was \$ 0 and \$ 0.5 million, relatively.

All borrowings and accrued interest under the Equipment Guidance Line convert to fixed rate term loans every six months, which have either five-year terms for borrowings used to acquire vehicles and manufacturing equipment ("Manufacturing Term Loans") or three-year terms for borrowings of equipment other than vehicles and manufacturing equipment ("Equipment Term Loans"). The Manufacturing Term Loans made upon the first conversion of guidance line loans carry interest at a fixed rate equal to the five-year treasury rate plus 2.5 % as of conversion and the Equipment Term Loans made upon the first conversion of guidance line loans carry interest at a fixed rate equal to the three-year treasury rate plus 2.5 % as of conversion. All subsequent conversions to Manufacturing Term Loans and Equipment Term Loans carry interest at a fluctuating rate equal to the lender's prime rate.

During the three months ended September 30, 2024, approximately \$ 0.5 million outstanding under the Equipment Guidance Line was converted into a three-year Equipment Term Loan with a fixed interest rate of 6.6 %. As of September 30, 2024 and December 31, 2023, the outstanding balance of the Equipment Term Loans was approximately \$ 0.6 million and \$ 0.3 million, respectively.

As of September 30, 2024, the outstanding balance on the Equipment Term Loans was recognized net of deferred financing costs of less than \$ 0.1 million. The net current outstanding debt balance of \$ 0.3 million was recognized within *Debt, current portion* and the net long-term outstanding debt balance of \$ 0.3 million was recognized within *Debt, less current portion* on the Condensed Consolidated Balance Sheets.



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As of September 30, 2024, ESS Metron was not in compliance with its EBITDA covenant of the Credit and Security Facility Agreement. However, in October 2024, a waiver was issued for the lack of compliance as of September 30, 2024.

***Revolving Credit Facilities***

***\$50 Million Credit Facility***

In July 2024, the Company entered into a one-year \$ 50.0 million Revolving Credit Facility (“\$50 Million Credit Facility”). Revolving Loans borrowed by the Company under the \$50 Million Revolving Credit Facility carry a per annum interest rate of 1.25 % plus the Secured Overnight Financing Rate. Letters of Credit issued under the \$50 Million Revolving Credit Facility have a one-year term and incur fees of 1.25 % per annum on the amount of Letters of Credit outstanding. Letters of Credit require the issuance of cash collateral by the Company equal to 105 % of the Letter of Credit exposure.

Concurrent with entry into the \$50 Million Credit Facility, as required by the agreement, the Company funded the entire \$ 50.0 million amount of the credit facility as security into a control account maintained by the lender to serve as collateral. The balance maintained in the control account is included in *Restricted cash* on the Condensed Consolidated Balance Sheets. Variable interest, equal to approximately 4.6 % per annum as of September 30, 2024, is earned by the Company on the amount held in the control account.

During the nine months ended September 30, 2024, the Company issued \$ 8.4 million in letters of credit against the \$50 Million Credit Facility.

***\$20 Million Credit Facility***

In August 2024, the Company entered into a two-year \$ 20.0 million Revolving Credit Facility (“\$20 Million Credit Facility”). Revolving Loans borrowed by the Company under the \$20 Million Revolving Credit Facility carry a per annum interest rate of 1.60 % plus the Secured Overnight Financing Rate. Letters of Credit issued under the \$20 Million Revolving Credit Facility have a one-year term and incur fees of 1.5 % per annum on the amount of Letters of Credit outstanding. Letters of Credit require the issuance of cash collateral by the Company equal to 105 % of the Letter of Credit exposure.

Concurrent with entry into the \$20 Million Credit Facility, as required by the agreement, the Company funded the entire \$ 20.0 million amount as security into a control account maintained by the lender to serve as collateral. The balance maintained in the control account is included in *Restricted cash* on the Condensed Consolidated Balance Sheets. Variable interest, equal to approximately 4.25 % per annum as of September 30, 2024, is earned by the Company on the amount held in the control account.

During the nine months ended September 30, 2024, the Company did not issue any letters of credit against the \$20 Million Credit Facility.

***Note Payable***

As part of the acquisition of Block Mining, the Company acquired a \$ 5.7 million note payable with a fixed rate of 8.81 %. The note matures in December 2035, with annual principal and accrued interest payments due beginning on December 31, 2024.

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The following table presents the Company's future note payable principal payments due as of September 30, 2024:

Remainder of 2024	\$ 352
2025	314
2026	343
2027	373
2028	405
Thereafter	3,888
Total	<u>\$ 5,675</u>

**Note 13. Leases**

As of September 30, 2024 and December 31, 2023, operating lease right of use assets were \$ 23.6 million and \$ 20.4 million, respectively, and operating lease liabilities were \$ 24.8 million and \$ 21.3 million, respectively.

The following table presents the components of the Company's lease expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 2,262	\$ 1,014	\$ 4,431	\$ 2,973
Variable lease cost	167	55	428	162
Operating lease expense	<u>\$ 2,429</u>	<u>\$ 1,069</u>	<u>\$ 4,859</u>	<u>\$ 3,135</u>

The following table presents supplemental lease information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating leases net operating cash outflows	\$ 2,328	\$ 806	\$ 3,549	\$ 2,600
Right of use assets exchanged for new operating lease liabilities	\$ 3,733	\$ 567	\$ 5,850	\$ 1,249
Weighted-average remaining lease term – operating leases	6.3	7.7	6.3	7.7
Weighted-average discount rate – operating leases	7.0 %	6.7 %	7.0 %	6.7 %

The following table presents the Company's future minimum operating lease payments as of September 30, 2024:

	Ground lease	Office and other leases	Total
Remainder of 2024	\$ 499	\$ 1,222	\$ 1,721
2025	2,058	3,835	5,893
2026	2,119	2,768	4,887
2027	2,183	1,776	3,959
2028	2,249	1,331	3,580
Thereafter	7,369	6,867	14,236
Total undiscounted lease payments	16,477	17,799	34,276
Less present value discount	( 3,957 )	( 5,478 )	( 9,435 )
Present value of lease liabilities	<u>\$ 12,520</u>	<u>\$ 12,321</u>	<u>\$ 24,841</u>

**Note 14. Stockholders' Equity**

During the nine months ended September 30, 2024, approximately 4.5 million shares of common stock vested or were issued to the Company's board of directors, officers, employees, and advisors in settlement of an equal number of fully vested restricted stock awards ("RSAs") or restricted stock units ("RSUs") awarded to such individuals by the Company under the Company's 2019 Equity Incentive Plan, as amended (the "2019 Equity Incentive Plan"). The Company withheld approximately 1.1 million of these shares, with a fair value of approximately \$ 11.5 million, to cover the withholding taxes related to the settlement of these vested RSAs and RSUs, as permitted by the 2019 Equity Incentive Plan.

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*Acquisition of Block Mining*

During the nine months ended September 20, 2024, the Company issued approximately 7.2 million shares of common stock with a value of approximately \$ 74.0 million as consideration for the acquisition of Block Mining (see Note 3. *Acquisitions*).

*At-the-Market ("ATM") Equity Offerings*

2023 ATM Offering

In August 2023, the Company entered into the 2023 ATM Offering, under which it could offer and sell up to \$ 750.0 million in shares of the Company's common stock.

During the nine months ended September 30, 2024, the Company received net proceeds of approximately \$ 114.9 million (\$ 117.3 million of gross proceeds, net of \$ 2.4 million in commissions and expenses) from the sale of 8,644,100 shares of its common stock at a weighted average fair value of \$ 13.57 per share under its 2023 ATM Offering. With the sale and issuance of those shares, no additional shares of Common Stock will be offered or sold under the 2023 ATM Offering.

February 2024 ATM Offering

In February 2024, the Company entered into the February 2024 ATM Offering, under which it could offer and sell up to \$ 750.0 million in shares of the Company's common stock.

During the nine months ended September 30, 2024, the Company received net proceeds of approximately \$ 462.5 million (\$ 471.9 million of gross proceeds, net of \$ 9.4 million in commissions and expenses) from the sale of 40,646,055 shares of its common stock at a weighted average fair value of \$ 11.61 per share under its February 2024 ATM Offering. With the sale and issuance of those shares, no additional shares of Common Stock will be offered or sold under the February 2024 ATM Offering.

August 2024 ATM Offering

In August 2024, the Company entered into the August 2024 ATM Offering, under which it could offer and sell up to \$ 750.0 million in shares of the Company's common stock.

During the nine months ended September 30, 2024, the Company received net proceeds of approximately \$ 153.3 million (\$ 157.2 million of gross proceeds, net of \$ 3.9 million in commissions and expenses) from the sale of 20,823,661 shares of its common stock at a weighted average fair value of \$ 7.55 per share under its August 2024 ATM Offering. As of September 30, 2024, approximately \$ 592.8 million of shares of the Company's common stock were available for sale under the August 2024 ATM Offering.

In October 2024, the Company received net proceeds of approximately \$ 62.1 million from the sale of 8,106,500 shares of its common stock at a weighted average fair value of \$ 7.81 per share under its August 2024 ATM Offering.

**Note 15. Stock-Based Compensation**

The 2019 Equity Incentive Plan authorizes the granting of stock-based compensation awards to directors, officers, employees, and advisors of the Company in the form of RSAs, RSUs, or stock options, all of which settle in shares of the Company's common stock upon vesting.

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The following table presents the Company's stock-based compensation expense by category:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Performance-based stock awards and units	\$ 26,172	\$ 3,926	\$ 72,983	\$ ( 12,424 )
Service-based stock awards and units	4,393	9,593	21,719	27,076
Total stock-based compensation	<u>\$ 30,565</u>	<u>\$ 13,519</u>	<u>\$ 94,702</u>	<u>\$ 14,652</u>

Stock-based compensation expense is recognized in *Selling, general and administrative* on the Condensed Consolidated Statements of Operations.

*Performance-Based Awards and Units*

Performance-based RSAs and RSUs and units are eligible to vest over a three-year performance period based on the Company's total shareholder return ("TSR") as compared to the performance of the Russell 3000 Index (the "Index TSR").

The following table presents a summary of the activity of the performance-based RSAs:

	Number of Shares	Weighted Average Grant-Date Per Share Fair Value
Balance as of January 1, 2024	4,928,526	\$ 21.71
Granted	18,088,998	\$ 12.39
Vested	( 252,380 )	\$ 23.30
Forfeited	( 3,068,574 )	\$ 13.01
Balance as of September 30, 2024	<u>19,696,570</u>	<u>\$ 13.01</u>

As of September 30, 2024, there was approximately \$ 183.7 million of unrecognized compensation cost related to the performance-based RSAs, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2.0 years.

The following table presents a summary of the activity of the performance-based RSUs:

	Number of Units	Weighted Average Grant-Date Per Share Fair Value
Balance as of January 1, 2024	246,426	\$ 19.59
Granted	1,522,612	\$ 11.41
Vested	—	—
Forfeited	—	—
Balance as of September 30, 2024	<u>1,769,038</u>	<u>\$ 12.55</u>

As of September 30, 2024, there was approximately \$ 15.9 million of unrecognized compensation cost related to the performance-based RSUs, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2.1 years.

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*Service-Based Awards and Units*

Service-based RSAs and RSUs vest over one, two, and three-year service periods.

The following table presents a summary of the activity of the service-based RSAs:

	<b>Number of Shares</b>	<b>Weighted Average Grant-Date Per Share Fair Value</b>
Balance as of January 1, 2024	4,897,894	\$ 9.14
Granted	8,132,948	\$ 10.08
Vested	( 4,226,509 )	\$ 7.84
Forfeited	( 6,028,701 )	\$ 12.72
Balance as of September 30, 2024	<u>2,775,632</u>	<u>\$ 11.82</u>

As of September 30, 2024, there was approximately \$ 29.6 million of unrecognized compensation cost related to the service-based RSAs, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2.4 years.

The following table presents a summary of the activity of the service-based RSUs:

	<b>Number of Units</b>	<b>Weighted Average Grant-Date Per Share Fair Value</b>
Balance as of January 1, 2024	155,213	\$ 19.30
Granted	294,608	\$ 9.95
Vested	( 71,071 )	\$ 17.79
Forfeited	—	—
Balance as of September 30, 2024	<u>378,750</u>	<u>\$ 12.31</u>

As of September 30, 2024, there was approximately \$ 4.2 million of unrecognized compensation cost related to the service-based RSUs, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2.3 years.

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**Note 16. Fair Value Measurements**
**Assets and Liabilities Measured at Fair Value on a Recurring Basis:**

The Company's assets and liabilities measured at fair value on a recurring basis consisted of the following as of September 30, 2024, and December 31, 2023:

Fair value measured as of September 30, 2024				
	Total carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Bitcoin <sup>(a)</sup>	\$ 660,350	\$ 660,350	\$ —	\$ —
Equity method investment - marketable securities <sup>(b)</sup>	\$ 190,134	\$ 190,134	\$ —	\$ —
Convertible note <sup>(b)</sup>	\$ 5,165	\$ —	\$ —	\$ 5,165
Derivative asset <sup>(c)</sup>	\$ 127,616	\$ —	\$ —	\$ 127,616
Note payable <sup>(d)</sup>	\$ 5,675	\$ —	\$ —	\$ 5,675
Contingent consideration liability <sup>(e)</sup>	\$ 26,674	\$ —	\$ —	\$ 26,674

Fair value measured as of December 31, 2023				
	Total carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Bitcoin <sup>(a)</sup>	\$ 311,178	\$ 311,178	\$ —	\$ —
Convertible note <sup>(b)</sup>	\$ 4,709	\$ —	\$ —	\$ 4,709
Derivative asset <sup>(c)</sup>	\$ 104,218	\$ —	\$ —	\$ 104,218
Contingent consideration liability <sup>(e)</sup>	\$ 909	\$ —	\$ —	\$ 909

- (a) See Note 5. *Bitcoin*.  
(b) See Note 6. *Investments*.  
(c) See Note 9. *Power Purchase Agreement*.  
(d) See Note 12. *Debt*.  
(e) See Note 17. *Commitments and Contingencies*.

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

As of September 30, 2024 and December 31, 2023, the fair values of cash and cash equivalents, accounts receivable, contract assets, prepaid expenses and other current assets, accounts payable, contract liabilities, and accrued expenses approximated their carrying values because of the short-term nature of these instruments.

**Note 17. Commitments and Contingencies**
**Commitments**
*Miners and mining equipment*

Through September 30, 2024, the Company paid approximately \$ 448.5 million in total deposits and payments to MicroBT for the purchase of miners pursuant to the Master Agreement described in Note 7. *Property and Equipment*. The remaining commitment of approximately \$ 112.5 million is due in installments through approximately December 2024 based on the estimated miner delivery schedule.

Through September 30, 2024, the Company paid \$ 72.4 million in total deposits and payments for the purchase of immersion cooling systems, as described in Note 7. *Property and Equipment*. The remaining commitment of approximately \$ 7.7 million is due upon commissioning of the systems, which is expected to occur in the fourth quarter of 2024.

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*Contingent consideration*

As part of the Block Mining acquisition, the sellers are eligible to earn an additional \$ 32.5 million in potential earn-out targets if certain milestones are reached by December 31, 2025. This contingent consideration was recognized as the acquisition date fair value of \$ 26.1 million and is recognized on the Condensed Consolidated Balance Sheets in *Contingent consideration liabilities, current portion*. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement on the fair value hierarchy. These inputs include management's best estimate of both the probability and timing of achieving the milestones, a risk-free interest rate of approximately 5% based on the U.S. Treasury rate for the corresponding time periods and a credit spread of approximately 1% based on the median of Investment Grade High Yield Debt Instruments with a Standard & Poor's BB credit rating. This credit rating was selected based on an independently-produced synthetic credit rating analysis.

**Contingencies**

**Legal Proceedings**

The Company, and our subsidiaries, are subject at times to various claims, lawsuits and governmental proceedings relating to our business and transactions arising in the ordinary course of business. We cannot predict the final outcome of such proceedings. Where appropriate, we vigorously defend such claims, lawsuits and proceedings. Some of these claims, lawsuits and proceedings seek damages, including, direct, consequential, exemplary, and/or punitive damages, in amounts that could, if awarded, be significant. Certain of the claims, lawsuits and proceedings arising in ordinary course of business are covered by our insurance program. We maintain property, and various types of liability insurance in an effort to protect ourselves from such claims. In terms of any matters where there is no insurance coverage available to us, or where coverage is available and we maintain a retention or deductible associated with such insurance, we may establish an accrual for such loss, retention or deductible based on current available information. In accordance with accounting guidance, if it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements, and the amount of loss is reasonably estimable, then an accrual for the cost to resolve or settle these claims is recorded by us on the Condensed Consolidated Balance Sheets. If it is reasonably possible that an asset may be impaired as of the date of the financial statement, then we disclose the range of possible loss. Costs related to the defense of such claims are recorded by us as they are incurred. Management, with the assistance of outside counsel, may from time to time adjust such accruals according to new developments in the matter, court rulings, or changes in the strategy affecting our defense of such matters. On the basis of current information, we do not believe there is a reasonable possibility that any material loss, if any, will result from any claims, lawsuits and proceedings to which we are subject to either individually, or in the aggregate.

**Green Revolution Cooling Patent Dispute**

On March 22, 2024, Green Revolution Cooling, Inc. ("GRC") filed a complaint against the Company in Case No. 6:24-CV-152 in the Western District of Texas for patent infringement. More specifically, GRC has alleged that the immersion cooling systems provided to the Company by third parties infringe GRC's U.S. Patent Nos. 9,992,914 (the "914 Patent") and 10,123,463 (the "'463 Patent"). In the complaint, GRC seeks unspecified damages and an injunction against all products that allegedly infringe the '914 and '463 Patents (or in lieu of an injunction, an award of a compulsory forward royalty). The Company has engaged counsel and is working with its counsel and the third-party providers of the immersion cooling systems to evaluate and defend the Company from this infringement claim. While a preliminary investigation of GRC's claims is underway, the Company cannot reasonably predict the outcome of such ongoing litigation, or the magnitude of such outcome, at this time.

**Northern Data Working Capital Disputes**

On September 7, 2022, the Company filed a complaint against Northern Data AG ("Northern Data") in the Delaware Court of Chancery (Case No. C.A. No. 2022-0792-LWW) disputing the purchase price of Whinstone and seeking declaratory relief and specific performance of the stock purchase agreement. On March 31, 2023, the parties filed a stipulation agreeing to dismiss all claims without prejudice and to submit the dispute for final determination to an independent accountant. The Company placed approximately \$ 29.5 million in escrow pending the final determination of the independent accountant, and, on June 9, 2023, the independent accountant rendered a written final determination finding in favor of the Company on disputed issues totaling approximately \$ 27.1 million. Accordingly, approximately \$ 27.1 million of the escrowed amount was released from escrow and distributed to the Company on June 13, 2023, with the remaining approximately \$ 2.4 million held in escrow allocated to Northern

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Data. As a result, the Company recognized a Deferred gain on acquisition post-close dispute settlement of \$ 26.0 million on the Condensed Consolidated Balance Sheets.

Following the final determination, Northern Data filed a complaint against the Company in the Delaware Court of Chancery (the "Chancery Court") on June 23, 2023 (Case No. C.A. No. 2023-0650-LWW) challenging the independent accountant's written final determination and seeking to re-litigate the purchase price adjustment process. The Company contests the legal and factual basis of Northern Data's claims and filed a motion to dismiss the complaint on July 17, 2023, which the Chancery Court heard on February 13, 2024. The Chancery Court denied the motion to dismiss on May 17, 2024, at which time the court advised the parties that summary judgment briefing after focused discovery may be a worthwhile endeavor. Under the parties' current schedule, discovery is ongoing and motions for summary judgment may be filed later this year. While the Company intends to vigorously oppose such complaint, the Company cannot accurately predict the outcome of the ongoing litigation, estimate the magnitude of such outcome, or forecast when such litigation will be resolved, due to its early stage.

#### **Legacy Hosting Customer Disputes**

##### **Rhodium**

On May 2, 2023, Whinstone US, Inc. ("Whinstone") filed a petition against Rhodium 30MW, LLC ("Rhodium 30MW"), Rhodium JV, LLC ("Rhodium JV"), Air HPC LLC ("Air HPC"), and Jordan HPC, LLC ("Jordan HPC") and, together with Rhodium 30MW, Rhodium JV, and Air HPC, collectively, the "Defendants") in Case No. CV41873 in the 20th District Court (the "District Court") of Milam County, Texas. In its amended petition filed May 3, 2023, Whinstone asserted breach of contract claims for Rhodium JV and Air HPC's failure to pay certain hosting and service fees under the now-terminated Whinstone-Rhodium hosting agreements ("Hosting Agreements") and sought a declaration regarding the rights and obligations under certain hosting agreements with the Defendants and that no power credits are owed to any Rhodium entity under any agreement. Whinstone sought recovery of more than \$ 26 million, plus reasonable attorneys' fees and costs, expenses, and pre- and post-judgment interest. On June 12, 2023, Defendants answered and, along with non-parties Rhodium Encore LLC, Rhodium 2.0 LLC, and Rhodium 10mw LLC (collectively, the "Rhodium Non-Parties" and, together with Defendants, collectively, "Rhodium"), filed contingent counterclaims for breach of contract and moved to compel arbitration for alleged unpaid energy sale credits and lost profits. On August 14, 2023, Whinstone filed a second amended petition to include a declaration regarding the rights and obligations under the now-terminated water agreement between Whinstone and various Rhodium entities.

On September 13, 2023, the District Court compelled Whinstone's claims against Defendants to arbitration over Whinstone's objection and stayed the lawsuit pending such arbitration.

On December 11, 2023, Rhodium submitted an arbitration demand to the American Arbitration Association ("AAA"), seeking damages and specific performance of unspecified contracts. Rhodium amended its demand on June 4, 2024 to include additional claims and disclosed it seeks at least \$ 67 million in damages. Whinstone does not believe Rhodium's claims have any merit, and will vigorously contest such claims, as appropriate. Whinstone objected to the AAA's jurisdiction and authority to entertain the claims and decide any issues of arbitrability. Subject to those objections, Whinstone submitted counterclaims to the AAA on December 29, 2023 against Rhodium JV and Air HPC for breach of contract, seeking recovery of at least \$ 20 million in past-due revenue share payments, plus reasonable attorneys' fees and costs, expenses, and pre- and post-judgment interest.

After a permanent arbitrator was appointed and written discovery commenced, Rhodium filed for bankruptcy protection on August 24, 2024 and August 29, 2024 in a now jointly administered proceeding styled *In re: Rhodium Encore LLC, et al.*, Case No. 24-90448 (ARP), in the United States Bankruptcy Court for the Southern District of Texas—Houston Division. Therein, Rhodium filed a motion to assume the Hosting Agreements, and the court set a contested hearing on the matter commencing November 12, 2024. Because depositions have not been completed, the Company cannot reasonably predict the outcome of such ongoing proceedings, or the magnitude of such an outcome, at this time.

##### **SBI Crypto Co.**

On April 5, 2023, SBI Crypto Co., Ltd. ("SBI") filed a complaint in the United States District Court for the Western District of Texas (Case No. 6:23-cv-252), which it later amended, against Whinstone alleging breach of contract, fraud, and negligent bailment claims related to a colocation services agreement between Whinstone and SBI that was terminated in 2021. On July 21, 2023, Whinstone



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filed a motion to dismiss the amended complaint, which was denied on October 25, 2023. SBI seeks recovery of at least \$ 15.0 million in lost profits and at least \$ 16.0 million for equipment damage, plus reasonable attorneys' fees and costs, expenses, costs, and pre- and post-judgment interest. Whinstone believes many of the claims are barred or waived, and that all of SBI's claims substantively lack merit, and Whinstone plans to vigorously contest the same, as appropriate. While a preliminary investigation of the merits of SBI's claims has commenced and because this litigation is still at this early stage, the Company cannot reasonably estimate the outcome of such ongoing litigation, or the magnitude of such an outcome, at this time.

#### GMO

On June 13, 2022, GMO Gamecenter USA, Inc. and its parent, GMO Internet Group, Inc. (collectively "GMO"), filed a complaint against Whinstone alleging breach of a colocation services agreement between GMO and Whinstone, which has since been terminated, seeking damages in excess of \$ 150.0 million for lost profit and profit-sharing payments GMO alleges it was owed from Whinstone. The case is pending in the United States District Court for the Southern District of New York (Case No. 1:22-cv-05974-JPC). Whinstone has responded to GMO's claims and raised counterclaims of its own, alleging GMO itself breached the colocation services agreement, seeking a declaratory judgment and damages in excess of \$ 25.0 million. On October 19, 2023, GMO filed its fourth amended complaint claiming an additional \$ 496.0 million in damages, for loss of future profits and future profit-sharing payments GMO alleges would have been received through the term of the agreement, based on Whinstone's allegedly wrongful termination of the colocation services agreement as of June 29, 2023. The Company cannot reasonably estimate the outcome of such ongoing litigation, or the magnitude of such an outcome, at this time.

#### Note 18. Earnings Per Share

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

	September 30, 2024	September 30, 2023
Warrants to purchase common stock	63,000	63,000
Unvested RSAs	22,472,202	5,540,298
Unvested RSUs	2,147,788	—
Total	<u>24,682,990</u>	<u>5,603,298</u>

#### Note 19. Segment Information

The Company has two reportable segments: Bitcoin Mining and Engineering. The reportable segments are identified based on the types of service performed. No operating segments have been aggregated to form the reportable segments.

Gross profit (loss) is the segment performance measure the CODM uses to assess the Company's reportable segments. Segment gross profit (loss) is defined as segment revenue less segment cost of revenue, and is before elimination of intersegment profits.

Prior to 2024, the Company had a Data Center Hosting reportable segment but has since terminated all contracts with its Data Center Hosting customers. Commencing with the three months ended March 31, 2024, the CODM ceased analyzing the performance of the Data Center Hosting operations and the Company ceased reporting Data Center Hosting as a separate reportable business segment. The Company has no plans to offer data center hosting services to new customers. All residual revenue and costs of revenue related to Data Center Hosting incurred during the three and nine months ended September 30, 2024, are included in *Revenue: Other* and *Cost of Revenue: Other*. Prior period amounts related to Data Center Hosting have been recast into *Revenue: Other* and *Cost of Revenue: Other*.

Other than the \$ 96.8 million of goodwill from the Block Mining acquisition allocated to the Bitcoin Mining segment, the Company does not allocate assets to the reporting segments because its assets are managed on an entity-wide basis and, therefore, does not separately disclose the total assets of its reportable operating segments.

The Bitcoin Mining segment generates revenue from the Bitcoin the Company earns through its Bitcoin mining activities. The Engineering segment generates revenue through customer contracts for custom engineered electrical products. All *Revenue: Other* revenue is from external customers.

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All revenue and cost of revenue from intersegment transactions have been eliminated in the Condensed Consolidated Statements of Operations.

During the three and nine months ended September 30, 2024, and 2023, aside from the Bitcoin Mining revenue generated as a result of the Company's participation in a mining pool, no single customer or related group of customers contributed 10% or more of the Company's total consolidated revenue.

The following tables present segment revenue and segment gross profit (loss):

**Three Months Ended September 30, 2024**

	Bitcoin Mining	Engineering	Other	Total
Revenue from external customers	\$ 67,491	\$ 12,638	\$ 4,657	\$ 84,786
Intersegment revenue	—	3,129	38,531	41,660
Segment revenue	67,491	15,767	43,188	126,446
Less: Segment cost of revenue	( 90,003 )	( 15,706 )	( 7,948 )	( 113,657 )
<b>Segment gross profit (loss)</b>	<b>\$ ( 22,512 )</b>	<b>\$ 61</b>	<b>\$ 35,240</b>	<b>\$ 12,789</b>

**Three Months Ended September 30, 2023**

	Bitcoin Mining	Engineering	Other	Total
Revenue from external customers	\$ 31,222	\$ 15,536	\$ 5,133	\$ 51,891
Intersegment revenue	—	1,049	29,679	30,728
Segment revenue	31,222	16,585	34,812	82,619
Less: Segment cost of revenue	( 31,667 )	( 13,974 )	( 48,595 )	( 94,236 )
<b>Segment gross profit (loss)</b>	<b>\$ ( 445 )</b>	<b>\$ 2,611</b>	<b>\$ ( 13,783 )</b>	<b>\$ ( 11,617 )</b>

**Nine Months Ended September 30, 2024**

	Bitcoin Mining	Engineering	Other	Total
Revenue from external customers	\$ 194,651	\$ 26,940	\$ 12,509	\$ 234,100
Intersegment revenue	—	6,569	116,988	123,557
Segment revenue	194,651	33,509	129,497	357,657
Less: Segment cost of revenue	( 240,284 )	( 32,546 )	( 22,588 )	( 295,418 )
<b>Segment gross profit (loss)</b>	<b>\$ ( 45,633 )</b>	<b>\$ 963</b>	<b>\$ 106,909</b>	<b>\$ 62,239</b>

**Nine Months Ended September 30, 2023**

	Bitcoin Mining	Engineering	Other	Total
Revenue from external customers	\$ 128,987	\$ 50,995	\$ 21,884	\$ 201,866
Intersegment revenue	—	7,129	89,359	96,488
Segment revenue	128,987	58,124	111,243	298,354
Less: Segment cost of revenue	( 93,840 )	( 51,792 )	( 139,442 )	( 285,074 )
<b>Segment gross profit (loss)</b>	<b>\$ 35,147</b>	<b>\$ 6,332</b>	<b>\$ ( 28,199 )</b>	<b>\$ 13,280</b>

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The following table presents the reconciliation of segment gross profit (loss) to *net income (loss) before taxes* :

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Segment gross profit (loss)</b>	<b>\$ 12,789</b>	<b>\$ (11,617)</b>	<b>\$ 62,239</b>	<b>\$ 13,280</b>
<b>Reconciling Items:</b>				
Elimination of intersegment profits	( 940 )	( 270 )	( 1,819 )	( 2,277 )
Acquisition-related costs	( 3,079 )	—	( 3,079 )	—
Selling, general, and administrative	( 66,936 )	( 29,067 )	( 185,777 )	( 61,578 )
Depreciation and amortization	( 60,000 )	( 64,569 )	( 129,669 )	( 190,071 )
Change in fair value of Bitcoin	8,554	( 25,261 )	166,231	72,733
Change in fair value of derivative asset	( 24,318 )	3,943	23,398	11,274
Power curtailment credits	12,417	49,601	31,445	66,146
(Loss) gain on sale/exchange of equipment	—	( 5,306 )	( 68 )	( 5,336 )
Casualty-related (charges) recoveries, net	—	—	2,487	( 1,526 )
Interest income (expense)	5,175	2,318	21,132	3,331
Unrealized gain (loss) on equity method investment - marketable securities	( 38,082 )	—	( 13,620 )	—
Other income (expense)	90	31	131	96
Net income (loss) before taxes	<u>\$ ( 154,330 )</u>	<u>\$ ( 80,197 )</u>	<u>\$ ( 26,969 )</u>	<u>\$ ( 93,928 )</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations (this "MD&A") should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes (the "Notes") and other financial information included elsewhere in this Quarterly Report and with our audited consolidated financial statements for the year ended December 31, 2023, as included in our 2023 Annual Report.*

*This MD&A contains statements of management's beliefs, expectations and assumptions regarding our future business, and any statements other than statements of historical fact are "forward-looking statements" within the meaning of the PSLRA, which are made in reliance of the safe harbor provisions of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the PSLRA. Such statements express management's beliefs, opinions, projections and expectations regarding future events and circumstances, based on information available to management as of the date of this Quarterly Report, and are subject to risks and uncertainties, and our actual results could differ materially from those discussed in these forward-looking statements. Further, these forward-looking statements should not be construed either as assurances of performance or as promises of a given course of action. You should review the sections of this Quarterly Report entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of factors that could cause actual results to differ materially – and potentially adversely – from the results described in or implied by the forward-looking statements contained in this MD&A and elsewhere in this Quarterly Report.*

Unless otherwise indicated, amounts are stated in thousands of U.S. Dollars except for: share, per share, and miner amounts; Bitcoin quantities, prices, and hash rate; cost to mine one Bitcoin; and production value of one Bitcoin mined.

### Business Overview

We are a vertically-integrated Bitcoin mining company principally engaged in enhancing our capabilities to mine Bitcoin in support of the Bitcoin blockchain. Our Rockdale Facility is believed to be the largest Bitcoin mining facility in North America, as measured by developed capacity, and we are currently evaluating further growing its capacity. Additionally, we are developing the Corsicana Facility, a second large-scale Bitcoin mining facility, which, upon completion, is expected to have approximately 1.0 gigawatts ("GW") of capacity available for our own Bitcoin Mining activities. On July 23, 2024, we completed a transaction to acquire Block Mining, a Kentucky-based vertically-integrated Bitcoin miner consisting of two operational sites, both in Kentucky, totaling 60 MW of operational capacity with potential to expand up to 155 MW. We intend to expand Block Mining's two sites, targeting 110 MW for self-mining operations by the end of 2024. Additionally, Block Mining owns a greenfield expansion opportunity, adjacent to an existing substation, presenting an opportunity to develop 60 MW and with potential to expand to 150 MW. Block Mining is a capital efficient developer and operator of Bitcoin mining facilities that will add to our ability to execute our leading vertically-integrated strategy.

We operate in an environment which is constantly evolving based on the proliferation of Bitcoin and cryptocurrencies in general. A significant component of our strategy is to effectively and efficiently allocate capital between opportunities that generate the highest return on investment.

### Industry Trends

The price of Bitcoin increased during the first quarter of 2024 due to a new source of demand, the eleven Bitcoin spot Exchange Traded Funds ("ETFs") approved to begin trading by the SEC on January 11, 2024. Significant interest in the ETFs followed their introduction. One such ETF earned recognition as the fastest ETF ever to surpass \$10 billion in assets under management since its launch. The ETFs, as an investment vehicle, provided a new access point for investors to gain exposure to Bitcoin through more traditional methods resulting in the ETFs seeing a combined net inflow of approximately \$18.5 billion through September 30, 2024.

During 2023 and 2024, the Bitcoin mining industry saw record growth as the price of Bitcoin increased from the lows experienced in early 2023. The increasing Bitcoin price renewed opportunities to access capital markets to fund growth, leading to unprecedented expansion in mining operations and resulting in a doubling in the size of provisioned hash calculation services on the network, as measured by total hash rate. Many Bitcoin mining companies heavily invested in infrastructure, upgrading and expanding mining fleets in advance of the April 2024 Bitcoin network halving. We expect competition within the mining industry to continue as long as Bitcoin prices remain elevated or increase further.

The Bitcoin mining industry recently experienced an increase in transaction fees on the Bitcoin network, as well as an increase in overall demand for Bitcoin. Various protocols on the Bitcoin network gained popularity during 2023, and at various times temporarily resulted in a significant increase in the transaction fee paid to add a certain Bitcoin transaction to the blockchain. These

transaction fees are volatile in nature but are paid directly to miners and are representative of public interest in transacting in Bitcoin. Transaction fees are packaged with the block subsidy issued by the Bitcoin network to combine for the total reward paid to miners upon solving a block.

The Bitcoin subsidy issued by the Bitcoin network for solving a block is subject to periodic incremental halving. The network halving is a preprogrammed, fixed process of the Bitcoin network where the Bitcoin subsidy for solving a block received by miners is reduced by half approximately every four years. The network halving is a process designed to implement a periodic decreasing schedule of the issuance of new Bitcoin into the market which results in a predictable and controlled inflationary rate. The network halving will continue to occur on this schedule until the amount of Bitcoin in existence reaches the cap of 21.0 million. Historically, many Bitcoin miners have been a source of selling pressure on Bitcoin as miners have sold their production to fund operations. After each halving, the decrease in the subsidy provided to miners from the Bitcoin network may lead to fewer rewards for miners and thus may result in a decrease in the supply of bitcoin sold by miners into the market. The network halving occurred in April 2024, cutting the subsidy from 6.25 to 3.125 Bitcoin per block.

Prior to the halving event, shifts in strategy by prominent Bitcoin miners focused on implementing vertically-integrated business models whereby Bitcoin miners own and operate their own facilities rather than renting out space from a third-party's data center. Vertical integration provides additional control over operational outcomes as well as better management of any input costs such as power and overhead fees. Flexibility, and the ability to manage expenses, becomes increasingly important as the amount of competition on the Bitcoin network expands and the subsidy in Bitcoin provided by the network contracts decreases.

Network difficulty, which is a measure of how hard it is for miners to solve a block on the Bitcoin blockchain (and, thus, earn a mining reward), is determined by the network's total hash rate (*i.e.*, the total computational power devoted to solving a block), which is adjusted every 2,016 blocks (with a new block being added approximately every ten minutes). Therefore, as more miners join the network and the network's global hash rate increases, its difficulty will increase. Conversely, if miners leave the network and its hash rate decreases, its difficulty will decrease. We have observed that when the market price for Bitcoin experiences a sustained increase (as it did across 2023), new miners are introduced onto the Bitcoin network, increasing its network hash rate, and network difficulty has increased as a result. Thus, despite increasing our hash rate by approximately 158.7% from September 30, 2023, to September 30, 2024, the halving in April 2024 and increased network difficulty following increased network hash rate across the periods resulted in an approximately 33.7% decrease in the number of Bitcoin we mined for the nine months ended September 30, 2024, as compared to the same period in 2023.

Accordingly, as market prices for Bitcoin increase and more miners and hash rate are drawn onto the Bitcoin network, network difficulty will continue to increase, meaning existing miners like us will need to increase their hash rate to maintain and improve their chances of earning a Bitcoin mining reward. To do this, we continually seek out new Bitcoin mining capacity, including through our acquisition and development of new Bitcoin mining facilities (such as the Corsicana Facility and our acquisition of Block Mining) and the electricity supply and distribution facilities to service them, as well as other strategic growth opportunities. Further, we have adopted new and improved technology to increase both our mining power and efficiency, including our industrial-scale adoption of immersion cooling and our strategic acquisitions of large quantities of the newest, most powerful and most efficient miners available.

The Company has led the industry by focusing on a vertically-integrated business model since 2021. We continue to focus on building long-term stockholder value by taking strategic actions to further vertically-integrate our business at the current Rockdale Facility, developing the Corsicana Facility, and having acquired the Kentucky Facility. Management believes a focus on vertical integration will positively affect each of our business segments by providing increased capacity for our Bitcoin Mining operations, more opportunities for implementing our proprietary power strategy, and by capitalizing on supply chain efficiencies garnered through our Engineering segment. We continue to focus on deploying our efficient Bitcoin mining fleet, at scale, while realizing the benefits of being an owner and operator of our Bitcoin Mining facilities.

We anticipate the Bitcoin network will continue to see increased competition and that 2024 will be a period of consolidation in the Bitcoin mining industry. Further, given our relative position, liquidity, and absence of any significant long-term debt, we believe we are well positioned to benefit from such consolidation. We are continuously evaluating opportunities which we may decide to undertake as part of our strategic growth initiatives; however, we can offer no assurances that any strategic opportunities which we decide to undertake will be achieved on the schedule or within the budget we anticipate, if at all, and our business and financial results may change significantly as a result of such strategic growth.

## **Bitcoin Mining**

We own and operate one of the largest Bitcoin Mining operations in North America. During the nine months ended September 30, 2024, we continued to deploy miners at our Rockdale Facility, continued development activities and commencement of deployment of miners at the Corsicana Facility, with the objective of increasing our operational efficiency and performance in the future, and acquired the Kentucky Facility.

As of September 30, 2024, our Bitcoin Mining business segment had a total deployed hash rate capacity of approximately 28.2 EH/s, as compared to 12.4 EH/s as of December 31, 2023, and 10.9 EH/s as of September 30, 2023, resulting in increases of 127.4% and 158.7%, respectively. We anticipate achieving a total self-mining hash rate capacity of approximately 34.9 EH/s by the end of 2024.

During the nine months ended September 30, 2024, we mined 3,312 Bitcoin, which represented a decrease of 1,684 Bitcoin from the 4,996 Bitcoin we mined during the nine months ended September 30, 2023. The decrease was primarily due to the increase in the Bitcoin network difficulty, which has more than doubled since January 2023, and the halving that occurred in April 2024, partially offset by higher Bitcoin prices and our increase in deployed hash rate.

As Bitcoin is a decentralized cryptocurrency, it is not required that Bitcoin be held by a custodian, and we may elect to self-custody. However, we believe our private keys relating to our Bitcoin are better safeguarded by the secure environment provided by custodians. Self-custodying poses an increased risk to our private keys and we may not have the same level of protection as custody providers who are well versed in industry best practices to protect digital assets from potential theft, loss, or destruction.

Pursuant to the Digital Asset Custodial Agreement, dated as of November 1, 2023, between us and NYDIG Trust Company LLC ("NYDIG") (as may be amended, modified or supplemented from time to time, the "NYDIG Custodial Agreement"), NYDIG, a well-known U.S.-based third-party digital asset-focused custodian, holds our Bitcoin in cold storage wallets in a digital asset account in our name. In exchange for its custodial services, NYDIG charges an annual fee equal to a percentage of our custodied Bitcoin based on the daily average value in U.S. dollars of the Bitcoin we custody with NYDIG. Our Bitcoin held in such digital asset accounts does not constitute "deposits" within the meaning of U.S. federal or state banking law and the digital asset accounts are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections. The cold storage wallets in which our Bitcoin is held are all located in the United States. The NYDIG Custodial Agreement contains certain mutual indemnification provisions, including that NYDIG will indemnify us against direct claims for loss of custodied assets that arise directly from NYDIG's or NYDIG's nominees' grossly negligent action, grossly negligent failure to act, bad faith or willful misconduct.

For more information on the NYDIG Custodial Agreement, see the full text of the NYDIG Custodial Agreement included hereto as Exhibit 10.2, which qualifies the foregoing descriptions of the NYDIG Custodial Agreement in its entirety.

We are also a party to a Digital Asset Execution Agreement with NYDIG Execution LLC ("NYDIG Execution"), pursuant to which NYDIG Execution executes or arranges transactions of our Bitcoin ("Orders") as our agent. NYDIG Execution earns a commission on each trade determined by the net trade proceeds in U.S. dollars. NYDIG Execution does not charge us additional fees for principal trades. We deliver our Orders to NYDIG Execution via a designated security procedure, and each Order is affirmatively accepted by NYDIG Execution. While our Bitcoin may temporarily be processed through a NYDIG Execution customer account, NYDIG has covenanted that our assets will not be commingled with the assets of NYDIG Execution. NYDIG Execution is required to deposit any cash from the sale of our Bitcoin into our bank account at a U.S. depository institution, less any applicable commissions. NYDIG Execution does not guarantee the value of our Bitcoin and is not responsible for any delay or failure to complete any Order caused by a digital asset network. If NYDIG Execution fails to (1) execute a properly executable Order and (2) give us notice of such failure, NYDIG Execution will only be liable for our actual damages.

Our custodian and brokerage services relationships are non-exclusive, and we may freely change our Bitcoin custodian and brokerage relationships at any time. We continually monitor our Bitcoin assets held by third-party custodians, and we have unlimited audit rights with respect to such custodial accounts. The Company performs monthly reconciliations of our Bitcoin assets held by our custodian(s) and the records of our mining pool, and our independent auditors verify the location and quantity of our Bitcoin assets annually, as part of the year-end audit process of our financial statements and internal controls over financial reporting. The Company's insurance providers do not have inspection rights associated with our Bitcoin assets held in cold storage.

The following table presents our key Bitcoin Mining metrics:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Hash rate, average operating (EH/s) <sup>(1)</sup>				
Rockdale Facility	9.2	5.0	8.5	6.5
Corsicana Facility	6.5	—	4.1	—
Kentucky Facility	1.0	—	1.0	—
Total hash rate, average operating	16.7	5.0	11.6	6.5
Hash rate, average deployed (EH/s) <sup>(1)</sup>				
Rockdale Facility	14.8	10.6	13.3	10.4
Corsicana Facility	11.9	—	6.3	—
Kentucky Facility	1.3	—	1.2	—
Total hash rate, average deployed	28.2	10.6	17.9	10.4
Developed power capacity (MW) <sup>(2)</sup>				
Rockdale Facility	700	700	700	700
Corsicana Facility	300	—	300	—
Kentucky Facility	60	—	60	—
Total power capacity	1,060	700	1,060	700
All-in power cost (cents/kilowatt-hour) <sup>(3)</sup>				
Rockdale Facility	2.8	(1.6)	3.1	1.7
Corsicana Facility	3.8	—	4.9	—
Kentucky Facility	3.8	—	3.8	—
Total all-in power cost	3.1	(1.6)	3.2	1.7

- (1) Hash rate, average deployed, represents the average total potential hash rate of all our deployed miners throughout the period, whereas hash rate, average operating, represents the average total hash rate our deployed miners provided throughout the period. The difference between deployed hash rate and operating hash rate is attributable to down time of all or some of miners for power curtailments, or repairs and maintenance of Bitcoin miners or supporting infrastructure. The difference between deployed and operating hash rate is a key measure in determining the efficiency of our Bitcoin Mining operations.

As of September 30, 2024, our Bitcoin Mining segment had a total hash rate, deployed of approximately 28.2 EH/s, as compared to 10.9 EH/s as of September 30, 2023.

- (2) Developed power is the total amount of electricity our facilities can utilize for Bitcoin Mining.
- (3) All-in power cost is the price we paid throughout the period for our power, net of power curtailments received. Power is overwhelmingly the largest marginal input cost in mining Bitcoin and a significant contributor to profitability. Miners with a low cost of power will also be able to profitably mine in a wider range of Bitcoin price.

The following table presents our cost to mine one Bitcoin ( amounts in thousands, except value of one Bitcoin amounts ):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of power for self-mining operations	\$ 41,864	\$ 22,460	\$ 96,326	\$ 65,513
Other direct cost of revenue for self-mining operations <sup>(1)(2)</sup> , excluding Bitcoin miner depreciation	9,608	1,989	26,970	4,482
Cost of revenue for self-mining operations, excluding Bitcoin miner depreciation	51,472	24,449	123,296	69,995
Less: power curtailment credits <sup>(3)</sup>	(12,417)	(49,601)	(31,445)	(66,146)
Cost of revenue for self-mining operations, net of power curtailment credits, excluding Bitcoin miner depreciation	39,055	(25,152)	91,851	3,849
Bitcoin miner depreciation <sup>(4)</sup>	44,303	55,549	93,120	164,457
Cost of revenue for self-mining operations, net of power curtailment credits, including Bitcoin miner depreciation	<u>\$ 83,358</u>	<u>\$ 30,397</u>	<u>\$ 184,971</u>	<u>\$ 168,306</u>
Quantity of Bitcoin mined	1,104	1,106	3,312	4,996
Production value of one Bitcoin mined <sup>(5)</sup>	\$ 61,133	\$ 28,228	\$ 58,771	\$ 25,818
Cost to mine one Bitcoin, excluding Bitcoin miner depreciation	\$ 35,376	\$ (22,741)	\$ 27,733	\$ 770
Cost to mine one Bitcoin, excluding Bitcoin miner depreciation, as a % of production value of one Bitcoin mined	57.9 %	(80.6)%	47.2 %	3.0 %
Cost to mine one Bitcoin, including Bitcoin miner depreciation	\$ 75,506	\$ 27,484	\$ 55,849	\$ 33,688
Cost to mine one Bitcoin, including Bitcoin miner depreciation, as a % of production value of one Bitcoin mined	123.5 %	97.4 %	95.0 %	130.5 %

(1) Other direct cost of revenue includes compensation, insurance, repairs, and ground lease rent and related property tax.

(2) Costs to finance the purchase of miners were zero in all periods presented as the miners were paid for with cash from the Company's cash balance. The seller did not provide any financing nor did the Company borrow from a third-party to purchase the miners.

(3) Power curtailment credits are credited against our power invoices as a result of temporarily pausing our operations to participate in ERCOT's Demand Response Service Programs. Our fixed-price power purchase contracts enable us to strategically curtail our mining operations and participate in these programs, which significantly lower our cost to mine Bitcoin. These credits are recognized in *Power curtailment credits* on our Condensed Consolidated Statements of Operations, outside of cost of revenue, but significantly reduce our overall cost to mine Bitcoin.

(4) The following table presents the future depreciation expense of all of our Bitcoin miners:

Remainder of 2024	\$ 55,905
2025	210,016
2026	135,270
2027	73,311
Total	<u>\$ 474,502</u>

(5) Computed as revenue recognized from Bitcoin mined divided by the quantity of Bitcoin mined during the same period.

During 2023, we entered into two purchase orders under the Master Agreement to acquire new immersion miners from MicroBT with a total hash rate of 25.6 EH/s, for a total purchase price of approximately \$453.4 million, subject to downward price adjustment as provided by the Master Agreement. These new miners are primarily for use at our new Corsicana Facility, which commenced operations in April 2024. Delivery of these miners began in 2023, with all miners expected to be received by the end of 2024. The Master Agreement also provides us with four annual options to purchase additional miners, on the same or better terms as the second purchase order executed under the Master Agreement, for a total hash rate of approximately 75.0 EH/s, assuming exercise of all four annual purchase options.



During the nine months ended September 30, 2024, we executed an additional purchase order with MicroBT under the Master Agreement to acquire new air-cooled miners with a total hash rate of 5.9 EH/s, for a total purchase price of approximately \$96.7 million. This purchase order is in addition to the four purchase options remaining under the Master Agreement. Delivery of these miners occurred in the third quarter of 2024, with deployment commencing upon delivery.

For the three and nine months ended September 30, 2024, Bitcoin Mining revenue was approximately \$67.5 million and \$194.7 million, respectively.

#### ***Data Center Hosting***

In 2023, we made the decision to stop pursuing new hosting contracts and end our legacy contracts, to focus on our self-mining efforts. During the nine months ended September 30, 2024, all agreements with Data Center Hosting customers were terminated, and we have no plans to offer data center hosting services to new customers. For the three and nine months ended September 30, 2024, we no longer report Data Center Hosting as a separate reportable segment.

#### ***Engineering***

Our Engineering business segment designs and manufactures power distribution equipment and custom engineered electrical products that provide us with the ability to vertically-integrate many of the critical electrical components and engineering services necessary for our Corsicana Facility development and Rockdale Facility expansions and to reduce our execution and counter-party risk in ongoing and future expansion projects. Engineering and other specialized talent employed in our Engineering business segment also allows us to continue to explore new methods to optimize and develop a best-in-class Bitcoin Mining operation and has been instrumental in the development of our industrial-scale immersion-cooled Bitcoin mining hardware.

Our Engineering business segment also provides electricity distribution product design, manufacturing, and installation services primarily focused on large-scale commercial and governmental customers and serves a broad scope of clients across a wide range of markets including data center, power generation, utility, water, industrial, and alternative energy. Products are custom built to client and industry specifications.

Engineering revenue is derived from the sale of custom products built to customers' specifications under fixed-price contracts with one identified performance obligation. Engineering revenue is recognized over time as performance creates or enhances an asset with no alternative use, and for which we have an enforceable right to receive compensation as defined under the contract.

For the three and nine months ended September 30, 2024, Engineering revenue was approximately \$12.6 million and \$26.9 million, respectively.

#### ***Power Strategy***

Long-term power contracts form the basis of our power strategy. We utilize our 345 MW PPA in three ways:

##### ***Manual Curtailment***

We power down operations and return power back to the utility when market prices for electricity provide the potential for us to receive more power curtailment credits than the Bitcoin Mining revenues we would have generated had we not curtailed our mining operations. We receive power credits for the difference in the market power price and our fixed power price, which provides us the ability to maximize our overall profitability between Bitcoin Mining and supporting the grid by not drawing power from the grid when electricity is most scarce.

### ERCOT Ancillary Services

We competitively bid to sell ERCOT the option to control our electrical load during certain hours. ERCOT compensates us in the form of Demand Response Credits, which are received whether or not ERCOT calls on us to power down.

### ERCOT's 4CP Program

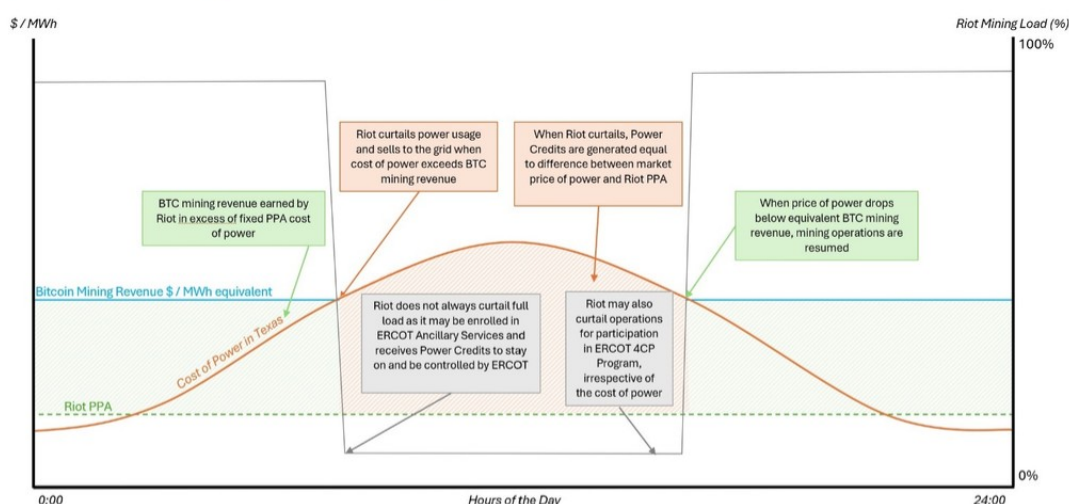
We voluntarily power down operations during times of peak demand in summer months. Participation provides us substantial savings on transmission costs in the subsequent year's power bills, reducing our overall power costs.

The following table presents our power curtailment credits:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Manual curtailment power credits	\$ 11,926	\$ 41,127	\$ 24,923	\$ 51,340
Demand response power credits	491	8,474	6,522	14,806
Total power curtailment credits	\$ 12,417	\$ 49,601	\$ 31,445	\$ 66,146

The following graph presents the primary decision points that guide our decision to curtail power usage or power down our mining operations, and when we might resume mining operations:

### Representative High Price Power Day in Rockdale



### ERCOT Grid Curtailment

The Public Utility Commission of Texas ("PUCT"), ERCOT, and Oncor Electric Delivery Company ("Oncor") collectively oversee the regulatory, administrative, and delivery aspects of our power supply in Texas. In recent years, regulatory scrutiny on Bitcoin mining facilities and their energy consumption has intensified as the practice has become more widespread.

As the grid operator, ERCOT is responsible for monitoring and testing market participants, including our Bitcoin mining data centers in Rockdale and Corsicana, to evaluate their impact on grid reliability. During this process, ERCOT may issue curtailment notices to reduce the power usage at our Texas operations. We are periodically tested and monitored, and have experienced curtailment of power based on instructions we receive from Oncor and ERCOT. Due to the uncertainties regarding the duration or extent of power curtailments and testing procedures, we are currently unable to reasonably estimate any potential impacts to our business. If we

cannot secure adequate access to electrical power, we may be forced to reduce or shut down our operations, which would have a material adverse effect on our business, prospects, financial condition, and operating results.

### Global Logistics

Global supply logistics have caused delays across all channels of distribution. We have also experienced delays in our Engineering segment's manufacturing and delivery schedule, and in our infrastructure development schedules, resulting from constraints on the globalized supply chains for miners, electricity distribution equipment and construction materials. Through the date of this Quarterly Report, we have been able to effectively and efficiently mitigate delivery delays to avoid materially impacting our miner deployment schedule; however, we cannot guarantee that we will be able to continue to mitigate any such delivery delays in the future.

Additionally, the development of the Corsicana Facility requires large quantities of construction materials, specialized electricity distribution equipment, and other component parts that are in high demand and can be difficult to source. To help mitigate the impacts of global supply chain constraints and increasing demand for these goods, including any inflationary pricing concerns that may result, we procured all the required components and materials for development of the first 400 MW phase of the Corsicana Facility, and we have procured and already hold many of the components and materials required for development of the next 600 MW phase of our development of the Corsicana Facility, as well as replacement components and parts for our existing systems, to help shorten the impact of potential damage to installed equipment.

We continue to monitor developments in the global supply chain and assess their potential impact on our expansion plans.

### Summary of Riot's Bitcoin Mining Results

The following tables present additional information about our own Bitcoin Mining activities, including Bitcoin production and sales of the Bitcoin mined:

	Quantity	Amounts
<b>Balance as of January 1, 2024</b>	<b>7,362</b>	<b>\$ 311,178</b>
Revenue recognized from Bitcoin mined	3,312	194,651
Change in Bitcoin receivable	6	(93)
Proceeds from sale of Bitcoin	(212)	(9,518)
Exchange of Bitcoin for employee compensation	(41)	(2,099)
Change in fair value of Bitcoin	—	166,231
<b>Balance as of September 30, 2024</b>	<b>10,427</b>	<b>\$ 660,350</b>

	Quantity	Amounts
<b>Balance as of January 1, 2023</b>	<b>6,974</b>	<b>\$ 115,415</b>
Revenue recognized from Bitcoin mined	4,996	128,987
Proceeds from sale of Bitcoin	(4,615)	(118,833)
Exchange of Bitcoin for employee compensation	(28)	(696)
Change in fair value of Bitcoin	—	72,733
<b>Balance as of September 30, 2023</b>	<b>7,327</b>	<b>\$ 197,606</b>

### Results of Operations

#### Comparative Results for the three months ended September 30, 2024, and 2023:

##### Revenue

Total revenue for the three months ended September 30, 2024 and 2023, was \$84.8 million and \$51.9 million, respectively. Total revenue consists of our Bitcoin Mining revenue, Engineering revenue, and Other revenue. Other revenue consists almost entirely of residual activity related to our ceased Data Center Hosting segment.

For the three months ended September 30, 2024 and 2023, Bitcoin Mining revenue was \$67.5 million and \$31.2 million, respectively. The increase of \$36.3 million was primarily due to higher Bitcoin prices in the 2024 period, which averaged \$61,133 per coin, as compared to \$28,228 per coin for the 2023 period. Despite the substantial increase in the Bitcoin network difficulty and the April 2024 halving, Bitcoin production was consistent for each of the periods presented.

For the three months ended September 30, 2024 and 2023, Engineering revenue was \$12.6 million and \$15.5 million, respectively. The decrease of \$2.9 million was primarily attributable to supply chain constraints resulting in decreased receipts of materials, delaying the completion of certain custom products, and, therefore, the recognition of revenue. Our custom electrical products such as switchgear and power distribution centers are used as important components in data center development and in power generation and distribution facilities, and there has been increased demand for these products due to the continued increase in data center construction by developers, as well as the continually increasing worldwide demand for power.

#### Costs and expenses

For the three months ended September 30, 2024 and 2023, Cost of revenue for Bitcoin Mining consisted of the following:

	Three Months Ended September 30,	
	2024	2023
Power	\$ 41,864	\$ 22,460
Compensation	3,786	—
Insurance on miners	1,871	803
Ground rent and related water and property tax	1,565	—
Other <sup>(1)</sup>	2,386	1,186
Total Bitcoin Mining cost of revenue	<u>\$ 51,472</u>	<u>\$ 24,449</u>

(1) All amounts included within *Other* are individually insignificant.

The increase of approximately \$27.0 million of Cost of revenue for Bitcoin Mining was primarily due to the increase in Bitcoin mining capacity at the Rockdale Facility and commencement of Bitcoin mining activities at the Corsicana Facility, both of which require additional headcount and direct costs necessary to maintain and support our expanded Bitcoin mining operations, as well as the absorption of other costs previously included in our former Data Center Hosting segment. Cost of revenue for Bitcoin Mining excludes depreciation and amortization, which are stated separately on our Condensed Consolidated Statements of Operations.

Cost of revenue for Engineering for the three months ended September 30, 2024 and 2023, was \$13.5 million and \$13.2 million, respectively, an increase of approximately \$0.3 million. The costs consisted primarily of direct materials and labor, as well as indirect manufacturing costs, all of which increased slightly as supply chain constraints began to ease during the three months ended September 30, 2024.

Selling, general and administrative expenses for the three months ended September 30, 2024 and 2023, were \$66.9 million and \$29.1 million, respectively, an increase of approximately \$37.8 million. Selling, general and administrative expenses consist of stock-based compensation, legal and professional fees, and other personnel and related costs. The increase was primarily due to increases in stock compensation expenses of \$17.0 million, which was primarily due to new grants under our long-term incentive program that was implemented in July 2023, compensation expenses of \$7.6 million as a result of hiring additional employees to support our ongoing growth, increased legal and professional fees of \$6.8 million primarily related to ongoing litigation and public company compliance, and \$5.3 million for additional insurance and other costs primarily attributable to ongoing growth.

Depreciation and amortization for the three months ended September 30, 2024 and 2023, was \$60.0 million and \$64.6 million, respectively, a decrease of approximately \$4.6 million. The decrease was primarily due to the change in the estimated lives of our Bitcoin miners from 2 years to 3 years, partially offset by increased depreciation from the Corsicana Facility coming online in April 2024 and additional miners being deployed.

The change in fair value of Bitcoin for the three months ended September 30, 2024 and 2023, were gains of \$8.6 million and losses of \$25.3 million, respectively, and were recognized to adjust the fair value of our Bitcoin held at the end of each period.

The change in fair value of our derivative asset for the three months ended September 30, 2024 and 2023, were losses of \$24.3 million and gains of \$3.9 million, respectively, and was recorded to adjust the fair value of our PPA, which was classified as a derivative asset and measured at fair value. The changes in fair value were due to changes in future power prices over the applicable period. The loss incurred during the three months ended September 30, 2024, was primarily attributable to the average of the forward prices utilized in the discounted cash flow estimation models decreasing from \$51.13 per mWh as of June 30, 2024 to \$48.80 per mWh as of September 30, 2024. The gain recognized during the three months ended September 30, 2023, was primarily attributable

to the average of the forward prices increasing from \$44.12 per mWh as of June 30, 2023 to \$45.55 per mWh as of September 30, 2023.

Power curtailment credits for the three months ended September 30, 2024 and 2023, were \$12.4 million and \$49.6 million, respectively, and represent sales of unused power under our PPA and participation in ancillary services under ERCOT Demand Response Services Programs. The amount of these credits varies from period to period depending on various factors impacting the supply of power to, and the demand for power on, the ERCOT grid, such as weather and global fuel costs.

#### *Other income (expense)*

For the three months ended September 30, 2024 and 2023, total other income (expense) was (\$32.8) million and \$2.3 million, respectively. The change was primarily attributable to unrealized losses on marketable securities of \$38.1 million, partially offset by higher interest income earned as a result of higher cash balances and increased interest rates.

#### **Comparative Results for the nine months ended September 30, 2024 and 2023:**

##### *Revenue*

Total revenue for the nine months ended September 30, 2024 and 2023, was \$234.1 million and \$201.9 million, respectively. Total revenue consists of our Bitcoin Mining revenue, Engineering revenue, and Other revenue.

For the nine months ended September 30, 2024 and 2023, Bitcoin Mining revenue was \$194.7 million, and \$129.0 million, respectively. The increase of \$65.7 million was primarily due to higher Bitcoin prices in the 2024 period, which averaged \$58,771 per coin, as compared to \$25,818 per coin for the 2023 period, which was partially offset by a decrease of 1,684 Bitcoin mined in the 2024 period as compared to the 2023 period, primarily due to the substantial increase in the Bitcoin network difficulty and April 2024 halving.

For the nine months ended September 30, 2024 and 2023, Engineering revenue was \$26.9 million and \$51.0 million, respectively. The decrease of \$24.1 million was primarily attributable to supply chain constraints resulting in decreased receipts of materials, delaying the completion of certain custom products, and, therefore, the recognition of revenue. Our custom electrical products such as switchgear and power distribution centers are used as important components in data center development and in power generation and distribution facilities, and there has been increased demand for these products due to the continued increase in data center construction by developers, as well as the continually increasing worldwide demand for power.

##### *Costs and expenses*

For the nine months ended September 30, 2024 and 2023, Cost of revenue for Bitcoin Mining consisted of the following:

	Nine Months Ended September 30,	
	2024	2023
Power	\$ 96,326	\$ 65,513
Compensation	9,251	—
Insurance on miners	5,246	2,911
Ground rent and related water and property tax	4,171	—
Other <sup>(1)</sup>	8,302	1,571
Total Bitcoin Mining cost of revenue	<u>\$ 123,296</u>	<u>\$ 69,995</u>

(1) All amounts included within *Other* are individually not material.

The increase of approximately \$53.3 million was primarily due to the increase in Bitcoin mining capacity at the Rockdale Facility, and commencement of Bitcoin mining activities at the Corsicana Facility, both of which require more headcount and direct costs necessary to maintain and support our expanded Bitcoin mining operations, as well as the absorption of other costs previously included in our Data Center Hosting segment. Cost of revenue for Bitcoin Mining excludes depreciation and amortization, which are stated separately on our Condensed Consolidated Statements of Operations.

Cost of revenue for Engineering for the nine months ended September 30, 2024 and 2023, was \$27.8 million and \$46.9 million, respectively, a decrease of approximately \$19.1 million. The costs consisted primarily of direct materials and labor, as well as indirect manufacturing costs. Consistent with the causes of decreased Engineering revenue noted above, the decrease was primarily due to decreased receipts of materials resulting from increased competition for direct materials due to supply chain constraints.

Selling, general and administrative expenses for the nine months ended September 30, 2024 and 2023, were \$185.8 million and \$61.6 million, respectively, an increase of approximately \$124.2 million. Selling, general and administrative expenses consist of stock-based compensation, legal and professional fees, and other personnel and related costs. The increase was primarily due to increases in stock compensation expenses of \$80.3 million, which was primarily due to new grants under our long-term incentive program, compensation expenses of \$15.8 million as a result of hiring additional employees to support our ongoing growth, increased legal and professional fees of \$12.7 million primarily related to ongoing litigation and public company compliance, and \$15.4 million for additional insurance and other costs primarily attributable to ongoing growth.

Depreciation and amortization for the nine months ended September 30, 2024 and 2023, was \$129.7 million and \$190.1 million, respectively, a decrease of approximately \$60.4 million. The decrease was primarily due to the change in the estimated lives of our Bitcoin miners from 2 years to 3 years, partially offset by increased depreciation from the Corsicana Facility coming online in April 2024 and additional miners being deployed.

The change in fair value of Bitcoin for the nine months ended September 30, 2024 and 2023, were gains of \$166.2 million and \$72.7 million, respectively, and were recognized to adjust the fair value of our Bitcoin held at the end of each period.

The change in fair value of our derivative asset for the nine months ended September 30, 2024 and 2023, were gains of \$23.4 million and \$11.3 million, respectively, and was recorded to adjust the fair value of our PPA, which was classified as a derivative asset and measured at fair value. The changes in fair value were due to changes in future power prices over the applicable period. The gain incurred during the nine months ended September 30, 2024, was primarily attributable to the average of the forward prices utilized in the discounted cash flow estimation models increasing from \$45.15 per mWh as of December 31, 2023 to \$48.80 per mWh as of September 30, 2024. The gain recognized during the three months ended September 30, 2023, was primarily attributable to the average of the forward prices increasing from \$43.59 per mWh as of December 31, 2022 to \$45.55 per mWh as of September 30, 2023.

Power curtailment credits for the nine months ended September 30, 2024 and 2023, were \$31.4 million and \$66.1 million, respectively, and represent sales of unused power under our PPA and participation in ancillary services under ERCOT Demand Response Services Programs. The amount of these credits varies from period to period depending on various factors impacting the supply of power to, and the demand for power on, the ERCOT grid, such as weather and global fuel costs.

Casualty-related charges (recoveries), net, were (\$2.5) million and \$1.5 million for the nine months ended September 30, 2024 and 2023, respectively. In December 2022, the Rockdale Facility was damaged during severe winter storms in Texas, resulting in casualty-related charges being recognized in 2023. The income recognized during the nine months ended September 30, 2024, was the result of cash recoveries from insurance claims related to the December 2022 winter storms.

#### *Other income (expense)*

For the nine months ended September 30, 2024 and 2023, total other income (expense) was \$7.6 million and \$3.4 million, respectively. The increase was primarily attributable to higher interest income earned as a result of higher cash balances and increased interest rates, partially offset by unrealized losses on marketable securities of \$13.6 million.

#### **Non-GAAP Measures**

In addition to financial measures presented under generally accepted accounting principles in the United States ("GAAP"), we consistently evaluate our use of and calculation of non-GAAP performance measures such as "Adjusted EBITDA." EBITDA is computed as net income before interest, taxes, depreciation, and amortization. Adjusted EBITDA is a performance measure defined as EBITDA adjusted to eliminate the effects of certain non-cash and/or non-recurring items that do not reflect our ongoing strategic business operations, which management believes results in a performance measurement that represents a key indicator of our core business operations of Bitcoin mining. The adjustments include fair value adjustments such as derivative power contract adjustments, equity securities value changes, and non-cash stock-based compensation expense, in addition to financing and legacy business income and expense items.

We believe Adjusted EBITDA can be an important performance measure because it allows management, investors, and our board of directors to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making such adjustments. Additionally, Adjusted EBITDA is used as a performance metric for share-based compensation.

Adjusted EBITDA is provided in addition to, and should not be considered to be a substitute for, or superior to, net income, the most comparable measure under GAAP to Adjusted EBITDA. Further, Adjusted EBITDA should not be considered as an alternative to revenue growth, net income, diluted net income per share or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. Adjusted EBITDA has limitations as an analytical tool, and you should not consider this performance measure either in isolation or as a substitute for analyzing our results as reported under GAAP.

The following table reconciles Adjusted EBITDA to *Net income (loss)*, the most comparable GAAP performance measure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (154,362)	\$ (80,040)	\$ (27,034)	\$ (88,914)
Interest (income) expense	(5,175)	(2,318)	(21,132)	(3,331)
Income tax expense (benefit)	32	(157)	65	(5,014)
Depreciation and amortization	60,000	64,569	129,669	190,071
EBITDA	(99,505)	(17,946)	81,568	92,812
Adjustments:				
Stock-based compensation expense	30,567	13,519	94,702	14,652
Acquisition-related costs	3,079	—	3,079	—
Change in fair value of derivative asset	24,318	(3,943)	(23,398)	(11,274)
Unrealized loss (gain) on equity method investment - marketable securities	38,082	—	13,620	—
Loss (gain) on sale/exchange of equipment	—	5,306	68	5,336
Casualty-related charges (recoveries), net	—	—	(2,487)	1,526
Other (income) expense	(90)	(31)	(131)	(96)
License fees	(24)	(24)	(48)	(48)
Adjusted EBITDA	<u>\$ (3,573)</u>	<u>\$ (3,119)</u>	<u>\$ 166,973</u>	<u>\$ 102,908</u>

## LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, we had net working capital of approximately \$590.6 million, which included cash and cash equivalents of \$355.7 million and marketable securities of \$190.1 million. We reported a net loss of \$27.0 million during the nine months ended September 30, 2024, which included \$143.6 million in non-cash net gains, primarily consisting of revenue recognized from Bitcoin mined of \$194.7 million, the change in fair value of Bitcoin of \$166.2 million, and the change in fair value of the derivative asset of \$23.4 million, partially offset by depreciation and amortization of \$129.7 million, stock-based compensation of \$94.7 million, and the unrealized loss on marketable securities of \$13.6 million.

During the nine months ended September 30, 2024, we sold 212 Bitcoin for proceeds of approximately \$9.5 million. Subsequent to those sales, we made the strategic decision to temporarily halt the sale of all our Bitcoin production and instead, increase our Bitcoin holdings.

### Contractual Commitments (Miners and Related Equipment)

Through September 30, 2024, we have paid approximately \$448.5 million in total deposits and payments to MicroBT for the purchase of miners. The remaining commitment of approximately \$112.5 million is due in installments through approximately December 2024 based on the estimated miner delivery schedule.

Through September 30, 2024, we paid \$72.4 million in total deposits and payments for the purchase of immersion cooling systems. The remaining commitment of approximately \$7.7 million is due upon commissioning of the systems, which is expected to occur in the fourth quarter of 2024.



### ***Development of the Corsicana Facility***

In 2022, we announced our planned development of the Corsicana Facility, our second large-scale Bitcoin mining facility located on a 265-acre site in Navarro County, Texas. The Corsicana Facility is expected, upon completion, to have 1.0 GW of developed capacity for Bitcoin mining, with an additional 200 MW of electrical capacity available for development, at our discretion, which is securely supplied with power by a substation being developed for us on the premises that will be interconnected with the nearby Navarro Switch. The strategic decision to locate the Corsicana Facility next to the Navarro Switch was made to limit electricity lost in transmission and maximize the efficiency of our substation's power distribution facilities. The initial phase of the development of the Corsicana Facility involved the construction of a 400 MW substation and an equal amount of immersion-cooled Bitcoin mining infrastructure spread across multiple buildings, as well as construction of various utilities, offices, warehouses, and infrastructure to support the facility's operations. Our Bitcoin mining operations commenced in April 2024, following commissioning of the substation. As of September 30, 2024, Corsicana deployed 300 MW of Bitcoin mining infrastructure comprised of three 100 MW buildings, Buildings A1, A2 and B1, which were completed, and the fourth 100 MW building, Building B2, was under construction. Development of Building B2 continues on schedule and is expected to be completed during the fourth quarter of 2024.

We estimate that the total cost of the first 400 MW phase of the development will be approximately \$381.4 million. Through September 30, 2024, we had incurred costs of approximately \$377.6 million related to the development of the Corsicana Facility, including \$10.1 million for land. We expect to incur the remaining \$3.8 million during the remainder of 2024.

### ***Revenue from Operations***

#### ***Bitcoin Mining***

We expect to generate ongoing revenue from Bitcoin rewards from our Bitcoin Mining operations and our ability to liquidate Bitcoin rewards at future values will be regularly evaluated to generate cash for operations.

Generating Bitcoin rewards which exceed our production and overhead costs will determine our ability to report profit margins related to such Bitcoin Mining operations, although accounting for our reported profitability is significantly complex. Furthermore, regardless of our ability to generate proceeds from the sale of our Bitcoin produced from our Bitcoin Mining business, we may elect to continue our strategy of holding the Bitcoin rewards we earn from our Bitcoin Mining operations, and we may need to raise additional capital in the form of equity or debt to fund our operations and pursue our business strategy.

The ability to raise funds through the sale of equity, debt financings, or the sale of Bitcoin to maintain our operations is subject to many risks and uncertainties and, even if we were successful, future equity issuances or convertible debt offerings could result in dilution to our existing stockholders, and any future debt or debt securities may contain covenants that limit our operations or ability to enter into certain transactions. Our ability to realize revenue through Bitcoin production and successfully convert Bitcoin into cash or fund overhead with Bitcoin is subject to a number of risks, including regulatory, financial and business risks, many of which are beyond our control. Additionally, we have observed significant historical volatility in the market price of Bitcoin and, as such, future prices cannot be predicted.

#### ***Engineering***

Substantially all Engineering revenue is derived from the sale of custom products built to customers' specifications under fixed-price contracts. Revenue is recognized over time as performance creates or enhances an asset with no alternative use, and for which we have an enforceable right to receive compensation as defined under the contract. The length of time required to complete a custom product varies but is typically between four and 12 weeks.

Customers are typically required to make periodic progress payments based on contractually agreed-upon milestones.

If we are unable to generate sufficient revenue from our Bitcoin Mining and Engineering operations when needed or secure additional sources of funding, it may be necessary to significantly reduce our current rate of spending or explore other strategic alternatives.

### ***Operating Activities***

For the nine months ended September 30, 2024 and 2023, net cash used in operating activities was \$156.7 million and \$12.0 million, respectively. The increase in cash used was primarily attributable to \$109.3 million reduction in proceeds from the sale of Bitcoin due to our ceasing of sales of Bitcoin early in 2024, increased power costs of \$30.7 million, and a \$43.9 million increase in selling,



general, and administrative costs, excluding stock-based compensation, both of which were primarily driven by our increased mining capacity and headcount, combined with other general operating costs such as insurance and information technology projects to support our growth.

### ***Investing Activities***

For the nine months ended September 30, 2024 and 2023, net cash used in investing activities was \$726.2 million and \$232.4 million, respectively, which was primarily attributable to purchases and deposits paid for miners and purchases of property and equipment for our ongoing expansions, as we continue towards our anticipated 34.9 EH/s of total self-mining hash rate capacity by the end of 2024. We completed our expansion of the Rockdale Facility during the year ended December 31, 2023, and continue to develop the Corsicana Facility, which commenced self-mining operations during the second quarter of 2024. We anticipate incurring additional costs related to the first phase of the Corsicana Facility of approximately \$3.8 million during the remainder of 2024. During the nine months ended September 30, 2024, we paid \$448.5 million in deposits and payments for the purchase of miners, and anticipate additional payments of \$112.5 million to be made in 2024. During 2024, we also purchased 90.1 million shares of Bitfarms common stock for \$203.8 million and acquired Block Mining for \$7.2 million in cash (net of cash acquired).

### ***Financing Activities***

For the nine months ended September 30, 2024 and 2023, net cash provided by financing activities was \$714.1 million and \$304.1 million, respectively, consisting primarily of proceeds from our ATM Offerings of \$746.4 million and \$324.6 million, respectively. We have approximately \$6.3 million in long-term debt, primarily consisting of debt acquired as part of the Block Mining acquisition, and have primarily financed our strategic growth through proceeds from our ATM Offerings and issuances of our common stock. It is reasonably likely that we will continue to finance our ongoing growth with proceeds from current and future ATM Offerings.

### ***Critical Accounting Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to our financial statements.

### ***Business combinations***

Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for property and equipment and contingent consideration, where applicable. Although we believe our assumptions and estimates have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. Estimates used in determining the value of property and equipment included the estimated replacement costs, which included replacement cost new, remaining life, and effective age. Estimates used in determining the value of the contingent consideration included the timing and probability of achieving milestones and a discount rate.

### ***PPA Valuation***

Our PPA is accounted for as a derivative, the valuation of which is based on significant unobservable inputs utilized in the valuation, which include discounted cash flow estimation models containing quoted commodity exchange spot and forward prices and are adjusted for basis spreads for load zone-to-hub differentials through the term of the PPA. Significant judgement and estimation is required when creating the discounted cash flow estimation models. Should our discounted cash flow estimation models change significantly, potentially material changes to the fair value of the derivative asset may result, which could have a material impact on our financial statements.

See Note 9. *Power Supply Agreements* in the Notes for a discussion of the unobservable inputs and their impact on the valuation.

### ***Long-Lived Assets***

Long-lived assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Judgment is necessary in estimating the Company's various assets' useful lives. This includes evaluating the Company's own usage experience with its currently owned assets, the quality of materials used in construction-related projects, and for its miners, the rate

of technological advancement and market-related factors such as the price of Bitcoin and the Bitcoin network hash rate, which impact the value of the miners. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, which is determined based on a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. Significant judgment is used when estimating future cash flows, particularly the price of Bitcoin and the Bitcoin network hash rate. If such assets are considered impaired, an impairment is recognized based on the amount by which the carrying amount exceeds the estimated fair value of the assets.

Should our estimates of useful lives, undiscounted future cash flows, or asset fair values change, additional and potentially material impairments may be required, which could have a material impact on our reported financial results.

#### *Stock-Based Compensation*

Stock-based compensation expense related to share-based payment awards is recognized at the grant date of the award and is estimated based on the fair market value of the Company's common stock at the time of the grant. Compensation cost for performance-based, share-based payment awards is recognized over the performance period when achievement of the milestones and targets becomes probable. The Company uses significant judgment in determining the likelihood of meeting milestones and market conditions. Inputs into valuation models such as Monte Carlo simulations include both the Company's and the Russell 3000's historical and expected annual volatilities, and depending on the inputs selected, the Company could calculate significantly different estimated grant date fair values, materially impacting the valuation of our stock-based awards and the stock-based compensation expense we recognize in future periods.

#### **Recent Accounting Pronouncements**

See Note 2. *Significant Accounting Policies and Recent Accounting Pronouncements*, to our Condensed Consolidated Financial Statements for a description of applicable recent accounting pronouncements and any material impact on our financial statements.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. The following discussion about our market risk exposure involves forward-looking statements. Actual results could differ materially from those projected in our forward-looking statements. For more information regarding the forward-looking statements used in this section and elsewhere in this Quarterly Report, see the Cautionary Note Regarding Forward-Looking Statements at the forefront of this Quarterly Report.

#### *Risk Regarding the Price of Bitcoin*

Our business and development strategies are focused on maintaining and expanding our Bitcoin Mining operations to maximize the amount of new Bitcoin rewards we earn. As of September 30, 2024, we held 10,427 Bitcoin that was recognized at its fair value of \$660.4 million. All our Bitcoin held were produced from our Bitcoin Mining operations.

We cannot accurately predict the future market price of Bitcoin, the future value of which will affect revenue from our operations, and any future declines in the fair value of the Bitcoin we mine and hold for our account would be reported in our financial statements and results of operations as a charge against net income, which could have a material adverse effect on the market price for our securities.

As of, and for the nine months ended September 30, 2024, a 10% increase in both the value of Bitcoin produced and the period end fair value of Bitcoin would have increased the fair value of our Bitcoin held and our net income by approximately \$49.4 million, and a 10% decrease in both the value of Bitcoin produced and the period end fair value of Bitcoin would have decreased the fair value of our Bitcoin held and our net income by approximately \$49.4 million.

#### *Risk Regarding the Price of Power*

As of, and for the nine months ended September 30, 2024, a 10% increase in the future power prices used to derive the fair value of our PPA derivative asset would have increased the fair value of our derivative asset and our net income by approximately \$42.4

million, and a 10% decrease would have decreased the fair value of our derivative asset and our net income by approximately \$42.4 million.

#### **Item 4. Controls and Procedures**

##### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2024 to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosures. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Based on this evaluation, our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

##### ***Changes in Internal Control over Financial Reporting***

During the quarter ended September 30, 2024, we acquired 100% of the equity interests of Block Mining. The Company has not yet completed an assessment of the design and/or operating effectiveness of Block Mining's internal control over financial reporting. As part of our ongoing integration activities, we are incorporating our controls and procedures into this recently acquired business.

Other than those changes made in connection with the acquisition of Block Mining, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are currently in the process of integrating the Block Mining operations, control processes, and information systems into our systems and control environment and expect to include them in scope of design and operation of our internal control over financial reporting for the year ending December 31, 2025. We believe that we have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this integration.

## **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

Disclosure under this Item is incorporated by reference to the disclosure provided in Note 17. *Commitments and Contingencies* in the Notes.

#### **Item 1A. Risk Factors**

Investors should carefully review and consider the information regarding certain factors that could materially affect our business, results of operations, financial condition, cash flows and equity as set forth herein and in Part I, Item 1A. Risk Factors in our 2023 Annual Report. We may disclose changes to our risk factors or disclose additional risk factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently believe not to be material also may adversely impact our business, financial condition, results of operations, cash flow and equity.

The following risk factors are in addition to those presented in our 2023 Annual Report:

*Our revenue generation is subject to risks applicable to our mining pool, including risks outside of our control.*

We participate in a "Full-Pay-Per-Share" mining pool, which calculates Bitcoin payouts primarily based on the hash rate provided by us to the mining pool as a percentage of total network hash rate, along with other inputs. We currently derive a significant portion of our revenue from our mining pool participation, which accounted for 83.1% and 63.9% of our revenue for the nine months ended

September 30, 2024 and 2023, respectively. We own all of our miners and accompanying infrastructure, and the only connection between our assets and our mining pool is that the total hash rate capacity of our miners is currently allocated to our mining pool, which we are free to change at any time, in our discretion. Further, the mining pool in which we participate, like most mining pools, is decentralized and has protections in place to prevent malicious actors or technical errors from affecting the pool's ability to operate; however, these protections are not foolproof, and we may lose access to the mining pool, perhaps permanently. Because of the monitoring systems we have in place, we would become aware within minutes if our mining pool were to suffer downtime or cease to exist altogether, and we would expect to be able to resume mining without a mining pool within minutes, or redirect our hash rate to another mining pool, within an hour of the downtime event. However, self-mining has, historically, been less successful in earning Bitcoin rewards than participating in a mining pool, and our Bitcoin Mining revenue would become more volatile and may decline—perhaps materially—as a result of the loss or unavailability of our mining pool. If such unanticipated circumstances associated with our mining pool arise, and we are unable to quickly switch to another pool, self-mine without a pool or otherwise diversify our sources of Bitcoin mining revenue, our business, results of operations, and financial condition may suffer as a result.

*We rely on intellectual property rights, including third-party intellectual property rights, which exposes us to potential liability.*

Our business relies on open-source technology and third-party intellectual property in certain respects. As a result, we may become the subject of third-party intellectual property right infringement claims relating to our use of such third-party intellectual property. For example, as further identified under the heading “Legal Proceedings” in Part II, Item 1 of this Quarterly Report, Green Revolution Cooling, Inc. (“GRC”) has alleged that the immersion cooling systems we use, which were purchased from Midas Immersion Cooling, LLC, infringe on certain of GRC’s patent claims. While we reasonably rely on the representations and warranties of third-party vendors, such as Midas Immersion Cooling, LLC, it is not possible for us to avoid all potential claims of infringement of third-party intellectual property rights. If such claims are successful, we may be required to pay royalties or be ordered to cease using any technologies found to be infringing on such third-party rights altogether. Additionally, any such legal action would cause the diversion of time, energy, and resources away from our operations and toward defending against such actions, and such risks may dissuade us from pursuing further technological innovation in support of our strategic objectives.

*We are subject to counterparty risks, including in particular risks and uncertainties relating to our custodians.*

We rely on the well-known U.S. based third-party digital asset-focused custodian, NYDIG, to safeguard our Bitcoin using cold storage. NYDIG receives and holds our custodied assets, which includes both our digital assets and any cash we may choose to custody with NYDIG. Pursuant to the NYDIG Custodial Agreement, NYDIG has covenanted that it holds our digital assets in a segregated account that will at all times be identifiable in NYDIG’s database as being stored for our benefit; that NYDIG has no right, interest or title in our digital assets; and that our digital assets do not constitute an asset on the balance sheet of NYDIG. To the extent NYDIG holds any cash on our behalf, NYDIG may hold our cash in one or more omnibus “for benefit of customers” accounts at one or more U.S. insured depository institutions. However, currently, the Company has no cash custodied, and has no immediate or future plans to custody, any cash with NYDIG. Under the terms of the NYDIG Custodial Agreement, NYDIG has covenanted that our digital assets will not be commingled with other digital assets held by NYDIG, except temporarily (typically for no longer than 12 hours, but in no case longer than 72 hours) as an operational matter, if required, to effect a transfer into or out of our digital asset account. In the NYDIG Custodial Agreement, NYDIG further represents and warrants that beneficial and legal ownership of all our digital assets is, and will remain, freely transferable without the payment of money or value and that NYDIG has no ownership interest in our account.

While we believe that the NYDIG Custodial Agreement provides our business with reasonable protections for our business’s operations and the safe storage of our digital assets, we make no assurances that storing our digital assets with NYDIG is free from risk. To the best of our knowledge, NYDIG safely stores our digital assets in segregated accounts as represented in the NYDIG Custodial Agreement; however, if NYDIG were to be in breach of the agreement, our digital assets could be compromised. Similarly, if NYDIG were to cease operations, declare insolvency or file for bankruptcy, there is a reasonable risk that recovery of our assets, though kept in segregated accounts, would be delayed or unrecoverable. Applicable insolvency law is not fully developed with respect to the holding of digital assets in custodial accounts. If our custodied Bitcoin were considered to be the property of our custodian’s estate in the event that such custodian were to enter bankruptcy, receivership or similar insolvency proceedings, there is a risk that we could be treated as a general unsecured creditor of such custodian, inhibiting our ability to access our Bitcoin. Even if we are able to prevent our Bitcoin from being considered the property of a custodian’s bankruptcy estate as part of an insolvency proceeding, it is possible that we would still be delayed or may otherwise experience difficulty in accessing our Bitcoin held by the affected custodian during the pendency of the insolvency proceedings. A delay in our ability to access our Bitcoin could result in the loss of the value related to some or all of our Bitcoin and could have a material adverse effect on our financial condition and the market price of our common stock. We also do not have a readily available backup custodian at this time, so if NYDIG were to cease operations, declare insolvency or file for bankruptcy we would need to self-custody our digital assets using cold storage until we

could contract with another adequate custodian for the safe storage of our assets which may have a disruptive effect on our business. In the meantime, our mined Bitcoin would continue to aggregate in our proprietary wallet until we found a suitable cold storage custodian.

*Our success depends on external factors affecting the Bitcoin industry.*

The Bitcoin industry has historically been subject to various risks relating to Bitcoin, as an asset, which have affected, at times adversely, the market price of Bitcoin. The ownership of Bitcoin has, historically, been concentrated in a relatively small number of persons or entities that, collectively, hold a significant number of Bitcoin (referred to as “whales” in the Bitcoin industry). While the ownership of Bitcoin has diversified significantly in recent years, whales continue to exist whose market activity (e.g., sales of large numbers of Bitcoin) could have an adverse effect on the demand for, and market price of, Bitcoin, which could have an adverse effect on our business and results of operation. Further, while larger, increasingly regulated exchanges with greater transparency and oversight have begun to proliferate, the Bitcoin economy remains nascent and largely opaque. The venues for Bitcoin transactions may experience greater operational problems and be exposed to a greater risk of facilitating unethical, fraudulent or illicit transactions (such as “wash trading”), than traditional financial markets and securities exchanges. Digital asset trading platforms may also be susceptible to “front-running” activity, which is the process by which someone uses technology or market advantage to obtain prior knowledge of upcoming transactions allowing bad actors to take advantage of forthcoming price movement and make economic gains at the cost of those who introduced the transactions. Front-running is a frequent activity on centralized and decentralized digital asset trading platforms. Further, venues for Bitcoin transactions do not typically make complete information regarding their ownership structure, management teams, corporate practices, and regulatory compliance available to the public, who are, therefore, unable to verify the impartiality of such venues in respect of the Bitcoin transactions they facilitate. As a result of such lack of regulation and transparency, as well as the risk posed by Bitcoin whales, wash trading and front-running, the public may lose confidence in Bitcoin transactions and the price integrity of the digital asset, which could adversely affect the market price of Bitcoin, perhaps materially, which would have an adverse impact on our business and results of operations.

*There is a finite supply of Bitcoin and the number of new Bitcoin rewarded per block algorithmically decreases over time, which poses a risk to our business.*

We earn revenue from Bitcoin Mining principally by earning Bitcoin rewards for solving blocks on the Bitcoin blockchain; however, the supply of new Bitcoin introduced to the market via Bitcoin mining is finite, permanently capped at 21,000,000 coins, with the last new Bitcoin expected to be mined in the year 2140 (approximately 116 years from now) according to experts. As of September 30, 2024, there were 19,762,573 Bitcoin in circulation. Accordingly, once the final new Bitcoin is introduced into the market, we will no longer earn revenue from Bitcoin Mining by earning Bitcoin rewards for solving a block. Instead, our Bitcoin Mining revenue will be dependent on the fees we earn from the transactions recorded on the blocks we solve. Historically, such transaction fees have been low; however, we have observed that, as the number of new Bitcoin introduced into the market is reduced in each halving, and as Bitcoin ownership and transactions in Bitcoin continue to proliferate, the fees charged for recorded transactions on the Bitcoin blockchain have increased. We cannot, however, predict whether such transaction fees will increase sufficiently to replace the value of earning new Bitcoin once the last Bitcoin is mined in the year 2140, and, therefore, we cannot guarantee that we will be able to earn sufficient revenue from Bitcoin Mining for our Bitcoin Mining business to continue as a going concern. Should any of these events come to pass, our business and results of operation may suffer, and the price of our securities may be affected, perhaps materially.

*Our limited rights of legal recourse and our lack of insurance protection over our Bitcoin expose us and our stockholders to the risk of loss of our Bitcoin for which there may be no adequate remedy.*

While we rely on a well-known U.S. based third party digital asset-focused custodian to safeguard our Bitcoin, our Bitcoin is not insured by us, including not being subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protection. Accordingly, if our Bitcoin is lost, stolen or destroyed under circumstances rendering a party liable to us, the responsible party may not have the financial resources sufficient to satisfy our claim. For example, as to a particular event of loss, the only source of recovery for us might be limited, to the extent identifiable, to responsible third parties, such as a thief, terrorist or others, any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim. Therefore, a loss may be suffered with respect to our Bitcoin for which no recourse is available, which could have a material adverse effect on our results of operations and financial condition and, consequently, an investment in our securities.

*Our access to power is dependent on our electrical distribution provider, grid operator and regulator, which collectively manage whether our operations are performing in accordance with market rules, requirements and regulations, and any adverse determination or action by any such entity may have a material adverse effect on our financial condition, results of operations and cash flows.*

PUCT, ERCOT, and Oncor collectively oversee the regulatory, administrative, and delivery aspects of our power supply in Texas. In recent years, regulatory scrutiny on Bitcoin mining facilities and their energy consumption has intensified as the practice has become more widespread. In April 2022, ERCOT established a task force to review the participation of large flexible loads, including Bitcoin mining data centers, in the ERCOT market. This task force is tasked with developing policy recommendations for ERCOT concerning network planning, market operations, and the interconnection processes for large flexible loads.

As the grid operator, ERCOT is responsible for monitoring and testing market participants, including our Bitcoin mining data centers in Rockdale and Corsicana, to assess their impact on grid reliability. During this monitoring, ERCOT may determine that our data centers' substantial power usage negatively affects grid reliability. If so, ERCOT could issue a curtailment order, requiring us to reduce or cease our power use immediately. Consequently, our power supply in Texas could be partially or fully curtailed. If we cannot secure adequate electrical power, we may be forced to reduce or shut down our operations, which would have a material adverse effect on our business, prospects, financial condition, and operating results and, consequently, an investment in our securities.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2024, certain of our employees surrendered shares of common stock awarded to them to satisfy statutory minimum federal and state tax obligations associated with the vesting of restricted stock awards issued under our 2019 Equity Incentive Plan. The following table summarizes these repurchases:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2024 through July 31, 2024	69,161	\$ 9.96	N/A	N/A
August 1, 2024 through August 31, 2024	-	-	N/A	N/A
September 1, 2024 through September 30, 2024	2,724	7.42	N/A	N/A
Total	<u>71,885</u>	<u>\$ 9.86</u>		

- (a) The average price paid per share is based on the closing price of our common stock as of the date of the determination of the statutory minimum for federal and state tax obligations.

## Item 5. Other Information

During the three months ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified, or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 arrangement" as defined in Item 408(c) of Regulation S-K, except as follows:

On September 10, 2024, Jason Les, Chief Executive Officer and director of the Company, entered into a 10b5-1 Plan providing for the potential sale of up to 1,050,000 shares of our common stock through the scheduled expiration date of the 10b5-1 Plan on October 31, 2025.

**Item 6. Index of Exhibits**

The following are incorporated by reference herein to the exhibit previously filed with the SEC at the location indicated below or are filed herewith as indicated below:

<b>Exhibit</b>	<b>Description</b>	<b>Location</b>
2.1	<a href="#">Plan of Merger, dated effective as of December 30, 2022, by and between Riot Blockchain, Inc. and Riot Platforms, Inc.</a>	<a href="#">Exhibit 2.1 of the Current Report on Form 8-K filed January 3, 2023.</a>
3.1	<a href="#">Articles of Incorporation filed September 19, 2017.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed September 25, 2017.</a>
3.2	<a href="#">Amendment to the Articles of Incorporation of Riot Blockchain, Inc. dated November 21, 2022.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed November 23, 2022.</a>
3.3	<a href="#">Certificate of Amendment to the Articles of Incorporation of Riot Platforms, Inc. dated June 13, 2024.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed June 18, 2024.</a>
3.4	<a href="#">Amended and Restated Bylaws effective June 27, 2023.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed June 30, 2023.</a>
3.5	<a href="#">Articles of Merger between Biopix, Inc. and Riot Blockchain, Inc.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed October 4, 2017.</a>
3.6	<a href="#">Articles of Merger between Riot Blockchain, Inc. and Riot Platforms, Inc.</a>	<a href="#">Exhibit 3.1 of the Current Report on Form 8-K filed January 3, 2023.</a>
10.1†	<a href="#">Controlled Equity Offering<sup>SM</sup> Sales Agreement, dated as of August 9, 2024, by and among Riot Platforms, Inc. and the Sales Agents.</a>	<a href="#">Exhibit 1.2 of the Form S-3ASR August 9, 2024.</a>
10.2†	<a href="#">NYDIG Digital Asset Custodial Agreement, dated as of November 1, 2023, between NYDIG Trust Company LLC and Riot Platforms, Inc.</a>	Filed herewith.
10.3	<a href="#">Settlement Agreement by and between Riot Platforms, Inc. and Bitfarms Ltd., dated September 23, 2024.</a>	<a href="#">Exhibit 1 of the Schedule 13D/A filed September 23, 2024.</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) - Certification of Chief Executive Officer (principal executive officer).</a>	Filed herewith.
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) - Certification of Chief Financial Officer (principal financial officer).</a>	Filed herewith.
32.1	<a href="#">Section 1350 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer).</a>	Filed herewith.
32.2	<a href="#">Section 1350 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer).</a>	Filed herewith.

101	Inline XBRL (Extensible Business Reporting Language). The following from this Quarterly Report, formatted in iXBRL (inline XBRL): (i) Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023; (ii) Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2024 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2024 and 2023; (iv) Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2024 and 2023; (v) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023; and (vi) Notes to Condensed Consolidated Financial Statements.	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	Filed herewith.

† Certain schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish supplement copies of any of the omitted schedules upon request by the SEC.



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Riot Platforms, Inc.

Date: November 4, 2024

/s/ Jason Les

Jason Les  
Chief Executive Officer  
(principal executive officer and duly authorized officer)

/s/ Colin Yee

Colin Yee  
Chief Financial Officer  
(principal financial officer and duly authorized officer)

CERTAIN INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL



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## Digital Asset Custodial Term Sheet

<b>Effective Date</b>	The date on which Client and Custodian first entered into this Agreement (as defined below) or a predecessor agreement
<b>Last Revised</b>	November 1, 2023
<b>Custodian</b>	NYDIG Trust Company LLC, a duly chartered New York limited liability trust company
<b>Client</b>	Riot Platforms, Inc. (f/k/a Riot Blockchain, Inc.)
<b>Eligible Assets</b>	Bitcoin and any other assets Custodian may support in the future according to its Digital Asset Framework Policy.
<b>Digital Assets</b>	Digital assets in the Account will be held in cold storage by Custodian.
<b>Cash</b>	U.S. dollars in the Account will be deposited with one or more U.S. insured depository institutions.
<b>[***] Fee</b>	[***].
<b>[***] Fee &amp; [***] Fee</b>	A [***] Fee may be assessed in certain instances, as described further in the Agreement, so that the Client pays the [***] Fee, which is \$[***] based on [***] date.
<b>Fee Calculation</b>	The [***] Fee is calculated based on the [***] (measured [***]) of [***], will be [***] will be determined using NYDIG's valuation policy.
<b>Invoicing</b>	Custodian will invoice Client [***], in [***] for [***] Fees and expenses.
<b>Payment</b>	Payment in respect of the Fee Amount is owed on or before the [***] following the Invoice Date (such date, the <b>Due Date</b> ). Subject to restrictions described in more detail in the Agreement, Custodian may [***].
<b>Statements</b>	[***].
<b>Deposits<sup>1</sup></b>	Deposits may be made [***] unless otherwise agreed with Custodian [***]. You must [***] with Custodian. Custodian will provide a deposit address for each deposit. <b>Do not rely on [***] for deposits.</b>
<b>Withdrawals</b>	Withdrawals of Custodied Digital Assets can be made [***] unless otherwise agreed with Custodian [***].  As described in more detail in the SLA in <u>Appendix A</u> : <ul style="list-style-type: none"> <li><i>Digital Asset Withdrawals:</i> If a withdrawal request for Custodied Digital Assets is received before [***], such assets will generally be delivered [***].</li> <li><i>Cash Withdrawals:</i> If Client requests a withdrawal of Custodied Cash, such withdrawal will be [***].</li> </ul>

Custodian and Client previously entered into a Digital Asset Custodial Agreement as of the Effective Date, as modified from time to time (the "**Previous Agreement**"). After execution by both Parties, the Previous Agreement is modified and superseded in its entirety by this Digital Asset Custodial Term Sheet ("**Term Sheet**") and the attached DIGITAL ASSET CUSTODIAL TERMS AND CONDITIONS ("**Terms and Conditions**"), which together form a DIGITAL ASSET CUSTODIAL AGREEMENT between Custodian and Client (the "**Agreement**"), with the modification effective as of the Last Revised date. This Term Sheet provides only a summary of certain terms and more details are in the Terms and Conditions; *however*, to the extent of any conflict between the Term Sheet and the

<sup>1</sup> For purposes of this Agreement, the term "deposit" does not refer to a deposit within the meaning of the U.S. federal and state banking laws. **Custodied Digital Assets are not insured by the FDIC or SIPC.**

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Terms and Conditions, the Term Sheet controls. Capitalized terms not defined in this Term Sheet have the meaning ascribed to them in the Terms and Conditions.

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# DIGITAL ASSET CUSTODIAL TERMS AND CONDITIONS

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These DIGITAL ASSET CUSTODIAL TERMS AND CONDITIONS ("**Terms and Conditions**"), together with the attached DIGITAL ASSET CUSTODIAL TERM SHEET ("**Term Sheet**"), form a DIGITAL ASSET CUSTODIAL AGREEMENT between Custodian and Client that supersedes the Previous Agreement as of the Last Revised date (the "**Agreement**"). The Term Sheet provides only a summary of certain terms and more details are in these Terms and Conditions; *however*, to the extent of any conflict between the Term Sheet and the Terms and Conditions, the Term Sheet controls.

This Agreement sets forth the terms and conditions pursuant to which Custodian is to act as a custodian for digital assets and cash for Client.

In consideration of the mutual promises contained herein, Client and Custodian hereby agree as follows:

## **1. Definitions**

As used herein, the following terms shall have the following meanings:

"**Account**" means the Cash Account and the Digital Asset Account.

"**Agreement**" has the meaning set forth in the preamble hereto.

"**AML and Sanctions Regulations**" means U.S. federal and state anti-money laundering and sanctions laws applicable to Custodian, including (i) the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 and the implementing regulations adopted by FinCEN codified in 31 C.F.R. Chapter X, the AML Act of 2020, and federal anti-money laundering statutes (18 U.S.C §§ 1956, 1957); (ii) New York State Department of Financial Services regulations in Parts 115, 116 and 504; and (iii) the economic and trade sanctions programs administered and enforced by OFAC.

"**Applicable Law**" means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to that Person, as amended unless expressly specified otherwise, including AML and Sanctions Regulations.

"**Approved Account**" means an external bank account approved by Custodian for sending (or receiving) cash transfers to (or from) the Client's Cash Account, whether beneficially owned by Client or a third party.

"**Approved Address**" means an external digital asset deposit or withdrawal address approved by Custodian for one-time or recurring transactions, whether beneficially owned by Client or a third party.

"[\*\*\*]" has the meaning set forth in the Term Sheet.

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**“Authorized Person”** means:

- (i) Client (if Client is a natural person), an employee or officer of Client (if applicable), a third-party service provider (including an affiliate of Custodian) or any other individual who has been designated by Client in writing as authorized by Client to give Instructions to Custodian for or on behalf of Client; or
- (ii) in the event of death, incapacity or disability (if Client is a natural person or a legal entity wholly owned by a natural person), a duly appointed trustee, legal representative, guardian or similar with the authority to act on behalf of such natural person’s estate under Applicable Law.

**“Business Day”** means any day that the New York Stock Exchange is open for trading.

**“Cash Account”** means one or more omnibus or segregated accounts held for benefit of customers and titled as such at one or more U.S. insured depository institutions.

**“Cash Withdrawal Timeframes”** means the times set forth in the SLA that Custodian has to take a corresponding action after Client has made a request to withdraw cash from its Cash Account.

**“Change of Control”** means:

- (i) the merger or consolidation of Custodian with or into another Person or the merger of another Person with or into Custodian, or the sale of all or substantially all the assets of Custodian to another Person, unless holders of a majority of the aggregate voting power of the outstanding membership interests of Custodian, immediately prior to that transaction, hold membership interests of the surviving or transferee Person that represent, immediately after the transaction, at least a majority of the aggregate voting power of the outstanding membership interests of the surviving or transferee Person; or
- (ii) any “person” or “group” (as those terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the “beneficial owner” (as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the total voting power of the outstanding membership interests of Custodian.

**“Client”** has the meaning set forth in the Term Sheet.

**“Client Contact Info”** means contact information that Custodian has on file for Client.

**“Client Designated Security Procedures”** means the Security Procedures for[\*\*\*] and acknowledged and accepted by [\*\*\*].

**“Client Tax”** means any Tax with respect to any Custodied Assets or any transaction related thereto.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Cold Storage [\*\*\*]”** means the [\*\*\*] set forth in the SLA that [\*\*\*] has to take a corresponding action after [\*\*\*] from [\*\*\*].

**“Confidential Information”** means, (a) information disclosed in connection with this Agreement, either directly or indirectly, before, on, or after the Effective Date, whether in graphic, written, electronic or oral form, identified at the time of disclosure as confidential, or which by its context would reasonably be deemed to be confidential including, without limitation, current and potential investment and trading strategies, portfolio positions, valuations, performance data, investor reports, financial statements, marketing materials, organizational, offering and other corporate documents, risk management models, proprietary trading models, computer programs and software (both source and object code), data files, file layouts, databases and algorithms, analyses, projections, forecasts, financial statements, trade secrets (which term includes, for the avoidance of doubt, any non-public information related to the NYDIG custody system or otherwise regarding the Services), technical know-how, commitments and arrangements with service providers and other third parties, and (b) any information that contains, reflects or is based upon the foregoing Confidential Information, in each case, of the disclosing Party or of its affiliates or clients (which term includes, for the avoidance of doubt, any fund, trust, company or other entity advised or administered by the disclosing Party or any of its affiliates) and as provided by the disclosing Party or its affiliates to the receiving Party or its affiliates. For the avoidance of doubt, Confidential Information includes the terms and conditions of this Agreement.

**“Custodied Assets”** means Custodied Digital Assets and Custodied Cash.

**“Custodied Cash”** means cash properly sent to Custodian in accordance with Section 4(g) and held by Custodian in custody for the benefit of Client in the Cash Account pursuant to this Agreement.

**“Custodied Digital Assets”** means:

- (i) Eligible Assets properly sent to Custodian in accordance with Section 4(g) and held by Custodian in custody for the benefit of Client in the Digital Asset Account pursuant to this Agreement; and
- (ii) Forked or Airdropped Assets, but [\*\*\*] to be included in Client's Digital Asset Account [\*\*\*], it being understood that Forked or Airdropped Assets [\*\*\*] being included in the Digital Asset Account are not [\*\*\*].

**“Custodian”** has the meaning set forth in the Term Sheet.

**“Custodian Designated Security Procedures”** means the [\*\*\*].

**“Digital Asset Account”** means an account for digital assets in the name of Client.

**“Digital Asset Framework Policy”** means [\*\*\*].

**“Digital Asset Network”** means a decentralized peer-to-peer network used to transfer a particular type of digital asset.

**“[\*\*\*]”** has the meaning set forth in Section 12(b).

**“Due Date”** has the meaning set forth in the Term Sheet.

**“Eastern Time”** means local time in New York, New York.

**“Effective Date”** has the meaning set forth in the Term Sheet.

**“Eligible Assets”** means digital assets with respect to which Custodian provides Services, as specified in writing by Custodian, pursuant to its Digital Asset Framework Policy.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

**“Execution Agreement”** means the Digital Asset Execution Agreement by and between NYDIG Execution and Client, as amended from time to time.

**“FDIC”** means the Federal Deposit Insurance Corporation.

**“Fee”** means the [\*\*\*], and if applicable, the [\*\*\*] Fee.

**“Fee Amount”** Means, with respect to a billing period, the amount of Fees and expenses [\*\*\*] such period together with any [\*\*\*] Fee Amounts from prior billing periods.

**“Fiat Currency”** means any government-issued currency that is designated as legal tender in its country of issuance through government decree, regulation, or law.

**“FinCEN”** means the U.S. Treasury Department’s Financial Crimes Enforcement Network.

**“Forked or Airdropped Assets”** means any digital assets received and held by Custodian on behalf of and for the benefit of Client through air drops, forks or other similar mechanisms.

**“Governmental Authority”** means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, department, court, agency or official, including any political subdivision thereof.

**“Instruction”** means a directive initiated by Client, acting through an Authorized Person, which directive conforms to the requirements set forth in Section 8.

**“Invoice Date”** means, with respect to an invoice, the date set forth on such invoice.

**“Last Revised”** is a date set forth in the Term Sheet.

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**“Lien”** means, with respect to any property or asset, any mortgage, deed of trust, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of that property or asset. For the purposes of this Agreement, a Person will be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to that property or asset.

**“Location”** means, with respect to any Custodied Digital Assets, the physical location of the private keys required to transfer those Custodied Digital Assets as stored on one or more servers, hard drives, or other media physically present in that location (including in the case of any digital asset secured by more than one private key (a “multi-sig protected digital asset”), the physical location of any private key for all the multi-sig protected digital asset as stored on one or more servers, hard drives or other media physically present in that location).

**“Material Adverse Effect”** means a material adverse effect on:

- (i) the financial condition, business, assets, results of operations or prospects of, as context requires, Custodian or Client;
- (ii) Custodian's safekeeping of the Custodied Assets;  
or
- (iii) Custodian's ability to provide the Services.

**“[\*\*\*]”** has the meaning set forth in the Term Sheet.

**“NYDIG Execution”** means NYDIG Execution LLC, a Delaware limited liability company registered as a Money Services Business with FinCEN and licensed with a BitLicense by the New York State Department of Financial Services, or any successor thereto.

**“OFAC”** means the U.S. Treasury Department's Office of Foreign Assets Control.

**“Party”** means each party to this Agreement (together, the **Parties**“).

**“Person”** means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization.

**“Portal”** means [\*\*\*] from time to time.

**“PRI”** means any preauthorized repetitive payments or transfers initiated by Client, acting through an Authorized Person, and agreed to by Custodian, which conform to the requirements set forth in Section 8(o).

**“SIPC”** means the Securities Investor Protection Corporation.

**“Security Procedure”** means a security procedure set forth in[\*\*\*] with respect to the[\*\*\*], to be followed:

- (i) by [\*\*\*], upon the [\*\*\*];  
or
- (ii) with [\*\*\*], upon the [\*\*\*], provided that the security procedure in question is intended to [\*\*\*].

A Security Procedure may [\*\*\*]. For the avoidance of doubt, a Security Procedure includes [\*\*\*].

“**Services**” means the custodial services to be provided by Custodian to Client under this Agreement, including the services provided through use of the Account.

“**SLA**” means the Service Level Agreement in Appendix A, which Custodian may update with 30 days’ notice.

“**[\*\*\*] Fee**” has the meaning set forth in Section 12(b).

“**Taxes**” means all taxes, levies, imposts, duties, charges, assessments or fees of any nature (including such amounts that are collected by deduction or withholding) and including interest, penalties and additions thereto that are imposed by any taxing authority.

“**Terms and Conditions**” has the meaning set forth in the preamble hereto.

“**Term Sheet**” has the meaning set forth in the preamble hereto.

“**Termination Date**” means the effective date of the termination of this Agreement.

“**UCC 4A**” means Article 4A of the Uniform Commercial Code as currently in effect in the State of New York.

“**Virtual Currency**” has the meaning set forth in Section 17.

## **2. Custodial Relationship**

- (a) Client hereby appoints Custodian as its custodian, and Custodian hereby accepts that appointment. All Custodied Assets of Client delivered to Custodian or its agents will be held by Custodian in trust for the benefit of Client, as provided in this Agreement. The duties of Custodian with respect to the Custodied Assets will only be as set forth expressly in this Agreement, which duties are generally comprised of receiving and holding Custodied Assets for safekeeping for the benefit of Client, delivering Custodied Assets to Client in accordance with Instructions, and performing various administrative duties in accordance with Instructions and as reasonably required to effect Instructions. For the avoidance of doubt, Custodian may not transfer the Custodied Assets except as directed by Client in accordance with Instructions, as reasonably required to effect Instructions or as otherwise set forth in this Agreement.
- (b) Custodian hereby acknowledges and agrees that it is a custodian of the Custodied Assets stored in the Account, such Custodied Assets are held by Custodian in trust for the

benefit of Client, and that Custodian has no right, interest, or title in those Custodied Assets. Custodian hereby confirms that the Custodied Assets do not constitute an asset on the balance sheet of Custodian and that the Custodied Assets will at all times be identifiable in Custodian's database as being stored in the Account for the benefit of Client.

- (c) Custodian will establish and maintain a Digital Asset Account.
- (d) With respect to Services for digital assets, Custodian will provide Services to Client only for digital assets deemed to be Eligible Assets by Custodian according to its Digital Asset Framework Policy, as set forth in the Term Sheet. Custodian will notify Client of any changes to the list of Eligible Assets.
- (e) Custodian will use its commercially reasonable judgment to determine which post-fork digital asset is the same as the pre-fork digital asset.
- (f) Client acknowledges that it may not immediately or ever have the ability to withdraw a Forked or Airdropped Asset. Unless and until a Forked or Airdropped Asset is deemed an Eligible Asset and reflected on Client's customer account statement as a Custodied Digital Asset, Custodian has no obligation to safeguard or provide any other Services for such asset.
- (g) Custodian will hold Client's cash in the Cash Account. Custodian intends for Client to benefit from FDIC deposit insurance on a pass-through basis on such cash.
- (h) Custodian may rely on an affiliate that is U.S.-located and appropriately licensed and regulated as a digital asset custodian as a service provider, including as a sub-custodian, in providing the Services without approval from Client.

### **3. Duties and Obligations of Custodian**

The duties and obligations of Custodian include the following:

- (a) *Safekeeping of Custodied Assets.*
  - (i) Custodian will use reasonable care to keep in safe custody for the benefit and on behalf of Client all Custodied Assets.
  - (ii) All Custodied Digital Assets credited to the Digital Asset Account will:
    - (A) be held in the Digital Asset Account at all times, and the Digital Asset Account will be controlled by Custodian at all times;
    - (B) be labeled or otherwise appropriately identified as being held for the benefit of Client;

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- (C) not without the prior written consent of Client be deposited or held with any third-party depository, custodian, clearance system or digital asset wallet; and
  - (D) not be commingled with other digital assets held by Custodian, whether held for Custodian's own account or the account of other Persons other than Client, [\*\*\*].
- (iii) All Custodied Cash credited to the Cash Account will:
  - (A) be held in the Cash Account at all times;
  - (B) be labeled or otherwise appropriately identified as being held for the benefit of Client;
  - (C) not be commingled with cash of any Person, including cash of Custodian, except that [\*\*\*]; and
  - (D) not constitute liabilities of Custodian.
- (b) *Record Keeping.* Custodian will keep appropriate records regarding the Services. All records maintained pursuant to this Section 3(b) will be retained by Custodian for such period as required by Applicable Law, but in no event for less than seven years, after which retention of the records will be at Custodian's discretion.
- (c) *Annual Certificate and Report.*
  - (i) Upon Client's request, which request may occur no more than once per calendar year, Custodian will deliver to Client a certificate signed by a duly authorized officer, which certificate will:
    - (A) certify that Custodian has complied, and is currently in compliance, with the provisions of this Agreement during the preceding calendar year; and
    - (B) certify that the representations and warranties of Custodian contained in this Agreement are true and correct on and as of the date of the certificate and have been true and correct throughout the preceding year.
- (d) *Inspection and Auditing.*
  - (i) To the extent Custodian may legally do so, it will permit Client's auditors or third-party accountants, upon reasonable notice, to inspect, take extracts from and audit the records maintained pursuant to Section 3(b) containing information relevant to the safekeeping of the Custodied Assets as provided in this Agreement and take necessary steps to verify that satisfactory internal control systems and procedures are in place, all at such times as Client may [\*\*\*]. If Custodian [\*\*\*] that an auditing procedure proposed by Client or its auditors or third-party

accountants may [\*\*\*] of any Custodied Assets, Custodian may deny access to those records to auditors or third-party accountants; *however*, Custodian and Client will [\*\*\*].

- (ii) If any material deficiencies or objections are identified as part of the annual audit of Custodian that are relevant to the safekeeping of the Custodied Assets as provided in this Agreement, a report will be provided to Client stating the nature of those deficiencies or objections and describing the steps taken or to be taken to remedy the same. Any audit report furnished pursuant to this Section 3(d)(ii) will be deemed confidential information of Custodian.

(e) *Attachment.*

- (i) Custodian will, and will cause any agent acting on its behalf to, use reasonable care to:
    - (A) refuse to consent to any attachment of Custodied Assets or to any similar order or to any claim that would encumber the Custodied Assets in any manner;
    - (B) resist any writ of attachment, similar order or claim that would encumber or affect the free transferability of any Custodied Assets in any relevant market; and
    - (C) deny any request by a third party to transfer any Custodied Assets without the prior consent of Client.
  - (ii) Custodian will give Client immediate notice of the occurrence of any request, consent, writ, order or claim referred to in Section 3(e)(i) (unless such notice is prohibited by Applicable Law). Client will pay [\*\*\*] incurred by Custodian in connection with any action taken by it in accordance with this Section 3(e).
- (f) All Locations of Custodied Digital Assets will be in the United States.
- (g) Custodian agrees not to consummate a transaction that would constitute a Change of Control without providing at least 30 days' written notice to Client.
- (h) Custodian will give Client prompt notice if there has been a Material Adverse Effect. That notice will reasonably describe the change in business conduct, event, occurrence, development, or state of circumstances or facts.

**4. Account Service**

- (a) Client and Authorized Persons will be able to provide Instructions with respect to the Account[\*\*\*] in order to deposit or initiate withdrawal of digital assets or cash, subject

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to the Cold Storage Withdrawal Timeframes or the Cash Withdrawal Timeframes, as relevant, except as otherwise provided in this Section 4.

- (b) Custodian will send Client account statements on the frequency specified in the Term Sheet[\*\*\*]. Custodian may send Client account statements, tax forms, and other documentation to Client [\*\*\*].
- (c) Client must [\*\*\*]. Client agrees to provide Custodian with any additional information that may be requested in connection with the withdrawal addresses (e.g., the identity of any custodian that controls such address). Custodian will timely review the proposed [\*\*\*]. Any rejection will be accompanied by an explanation of the basis for the rejection unless Custodian is legally prohibited from providing such an explanation or it would be imprudent under the circumstances to do so. Custodian's review [\*\*\*]. Custodian will not deliver Custodied Digital Assets to any addresses that are sanctioned by OFAC, would cause Custodian to violate AML and Sanctions Regulations [\*\*\*]. Custodian reserves the right to limit Client to withdrawals solely to [\*\*\*].
- (d) Custodian will provide Client with procedures that detail how to provide Instructions to Custodian to deposit cash in the Cash Account and digital assets to the Digital Asset Account. Custodian may from time to time update the requirements [\*\*\*], as appropriate. Client acknowledges that Custodian may not credit to the Digital Asset Account digital assets that are sent to Custodian in a manner different from that described in the procedures provided by Custodian. Client acknowledges that cash and digital assets that are sent inconsistently with Custodian's procedures (for example, to the wrong addresses) may be irretrievable.
- (e) Except as set forth in Section 7(b), Custodian will not suspend Client's ability to provide Instructions with respect to the Account, and any such suspension will constitute a breach of this Agreement. However, Custodian may restrict the ability to provide Instructions with respect to or use of the Account by any [\*\*\*] if, in Custodian's [\*\*\*], the restriction is [\*\*\*] to comply with Custodian's anti-money laundering and sanctions programs and policies, AML and Sanctions Regulations or any other requirements under Applicable Law or if Custodian [\*\*\*] that [\*\*\*] cybersecurity has been or will be compromised (for example, because someone is impersonating an Authorized Person).
- (f) All Instructions to withdraw, deposit or otherwise move digital assets or cash to or from an Account must be provided by an [\*\*\*].
- (g) Custodian will credit to the Account all Eligible Assets and cash properly sent to Custodian by Authorized Persons to be held in the Account for the benefit of Client pursuant to this Agreement within the timeframes set forth in the SLA. Custodian will notify Client and the relevant Authorized Person(s) of its receipt of Custodied Assets and of the related credit to the Account, including the amounts allocated to the Digital Asset Account and the Cash Account, as relevant. Notwithstanding the foregoing, processing of a credit of Eligible Assets or cash may be delayed or rejected if, [\*\*\*],

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that delay or rejection is[\*\*\*] to comply with Custodian's anti-money laundering and sanctions programs and policies, AML and Sanctions Regulations or any other requirements of Applicable Law, or if Client did not send Custodian an Instruction before effecting a transfer on a Digital Asset Network.

- (h) Custodian will debit from the Account all Custodied Assets withdrawn by[\*\*\*] from the Account within the timeframes set forth in the SLA. Custodian will notify [\*\*\*] of any withdrawal and of the related debit from the Account.
- (i) Custodian will promptly provide Client with[\*\*\*] of withdrawals from or deposits to the Account. Notwithstanding the foregoing, for any withdrawals from or deposits to the Account made in connection with settling transactions executed by Client with NYDIG Execution, the [\*\*\*].

**5. Access to Services**

- (a) To the extent known to Client or Custodian, Client will promptly notify Custodian and Custodian shall promptly notify Client of any unauthorized access, use or disclosure of Client's Account credentials, unauthorized access or use of the Account, which notification will reasonably describe the issue at hand including the date and type of problem.
- (b) Custodian may verify the [\*\*\*] every [\*\*\*], or more often as [\*\*\*], to ensure that the [\*\*\*] with Client (if applicable) or otherwise authorized to act on Client's behalf.

**6. Representations, Warranties and Covenants**

- (a) Custodian represents, warrants and covenants that:
  - (i) Custodian is (A) duly organized, validly existing and in good standing under the laws of New York; (B) has all corporate powers required to carry on its business as now conducted; and (C) is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary;
  - (ii) Custodian has full power to execute and deliver this Agreement and to perform all the duties and obligations to be performed by it under this Agreement;
  - (iii) the execution, delivery and performance by Custodian of this Agreement and the provision of the Services are within Custodian's corporate powers and have been duly authorized by all necessary corporate action on the part of Custodian;
  - (iv) this Agreement constitutes a valid and binding agreement of Custodian enforceable against Custodian in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally and general principles of equity)

and does not contravene, or constitute a default under, any provision of Applicable Law or of documents under which Custodian is organized or of any agreement, judgment, injunction, order, decree or other similar instrument binding upon Custodian;

- (v) none of the Custodied Assets will be used by Custodian in connection with any loan, hypothecation, Lien or claim of (or by) Custodian or otherwise transferred or pledged to any third party unless otherwise agreed in writing by Custodian and Client;
  - (vi) Custodian has and will maintain any material necessary consents, permits, licenses, approvals, authorizations or exemptions of any government or other regulatory authority or agency in the United States or any other country required to fully and timely provide the Services to Client;
  - (vii) beneficial and legal ownership of all Custodied Assets is, and will remain, freely transferable without the payment of money or value and that Custodian has no ownership interest in the Custodied Assets;
  - (viii) Custodian waives any right of Lien, pledge, retention or set-off or similar right it may have under any provision of law, regulation or contract with respect to the Custodied Assets; and
  - (ix) Custodian will carry out its obligations under this Agreement in compliance with law, regulations and orders, as well as the guidelines, regulations and orders of the applicable local tax, or other competent authorities.
- (b) Client represents, warrants and covenants that:
- (i) if Client is a legal entity, Client (A) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (B) has all corporate powers required to carry on its business as now conducted; and (C) is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary;
  - (ii) Client has the full power and authority to execute and deliver this Agreement and to perform all the duties and obligations to be performed by it under this Agreement;
  - (iii) if Client is a legal entity, the execution, delivery and performance by Client of this Agreement are within Client's corporate powers and have been duly authorized by all necessary corporate action on the part of Client;
  - (iv) this Agreement constitutes a valid and binding agreement of Client enforceable against Client in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws

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affecting creditors' rights generally and general principles of equity) and does not contravene, or constitute a default under, any provision of Applicable Law or of the documents under which Client is organized (if Client is a legal entity) or of any agreement, judgment, injunction, order, decree or other similar instrument binding upon Client;

- (v) Client is not itself, nor is it an entity that is, an entity owned or controlled by any Person that is, or conducting any activities itself or on behalf of any Person that is (A) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State, or any other Governmental Authority with jurisdiction over Custodian, Client or the Services; (B) identified on the Denied Persons, Entity, or Unverified Lists of the U.S. Department of Commerce's Bureau of Industry and Security; or (C) located, organized or resident in a country or territory that is, or whose government is, the subject of U.S. economic sanctions, including, without limitation, Crimea (or other regions of Ukraine subject to comprehensive OFAC sanctions), Cuba, Iran, North Korea, Syria or other regions subject to comprehensive OFAC sanctions;
- (vi) Client has all rights, title and interest in and to the Custodied Assets as necessary for Custodian to perform its obligations under this Agreement;
- (vii) at the time of delivery of each Instruction, the execution, delivery and performance by Client of the Instruction will have been within Client's corporate powers and will have been duly authorized by all necessary corporate action on the part of Client (if Client is a legal entity). Any Instruction issued under this Agreement constitutes a valid and binding agreement of Client enforceable against Client in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally and general principles of equity) and does not contravene, or constitute a default under, any provision of Applicable Law or of the documents under which Client is organized (if Client is a legal entity) or of any agreement, judgment, injunction, order, decree or other similar instrument binding upon Client;
- (viii) by providing an Instruction, Client hereby (A) authorizes Custodian to complete any documentation that may be required or appropriate to carry out the Instruction, and agrees to be contractually bound to the terms of that documentation "as is" without recourse against Custodian; (B) represents, warrants and covenants that it will provide Custodian with any information that is [\*\*\*] to enable Custodian's performance pursuant to the Instruction or under this Agreement; (C) represents, warrants and covenants that the processing, completion or otherwise effectuation of the Instruction will not cause the Custodian to violate AML and Sanctions Regulations; and (D) agrees that

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Custodian will be held harmless for the acts, omissions, or any unlawful activity of any agent of Client;

- (ix) Client will promptly respond to any information request Custodian makes in relation to Custodian's periodic know-your-customer review or AML and Sanctions Regulations;
- (x) Client will maintain appropriate security controls with respect to sensitive information related to the Account, including, for example, procedures for secure storage of passwords, use of two-factor authentication, secure e-mail, and secure storage of documents;
- (xi) Client will promptly execute and deliver, upon request, any proxies, powers of attorney or other instruments that may be [\*\*\*] for Custodian to provide the Services;
- (xii) Client will cooperate with any reasonable request Custodian makes in connection with responding to formal or informal inquiries made by exchanges or regulatory, self-regulatory or governmental authorities in connection with the Services;
- (xiii) to the extent that Client is not precluded from doing so by law, Client will promptly notify Custodian of any legal proceedings or formal or informal inquiries made by exchanges or regulatory, self-regulatory or governmental authorities pertaining to Client's business activities relating to digital assets;
- (xiv) in the event that (x) Client is, or is acting on behalf of or with assets of, a "benefit plan investor" within the meaning of Section 3(42) of ERISA or (y) the Custodied Assets include "plan assets" for purposes of ERISA or the Code, (A) none of Custodian or any of its affiliates [\*\*\*] with respect to the Custodied Assets, and none of them is[\*\*\*], (B) Client has determined [\*\*\*] with respect to the Services, and, in making such determination, has[\*\*\*] in determining the [\*\*\*] involved with respect to the Services, (C) Client has determined that the[\*\*\*] and (D) the assets held within the Account shall comply with Section 404(b) of ERISA and accompanying regulations; and
- (xv) Client is independent of Custodian and did not rely on any statement of Custodian or any of its affiliates to invest in the Custodied Asset and Client has exercised independent judgment in its determination to invest in the Custodied Assets;
- (xvi) Client will carry out its obligations under this Agreement in compliance with law, regulations and orders, as well as the guidelines, regulations and orders of the applicable local tax, or other competent authorities; and
- (xvii) Client has reviewed and understand the disclosures on its State Licenses and Consumer Disclosures website located at [\*\*\*] or such other website as NYDIG Trust may direct Client to from time to time.

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- (c) *Notification of Adverse Change.* Each Party agrees to notify the other Party, if, at any time after the date of this Agreement, any of the representations, warranties or covenants made by such Party under this Section 6 fail to be materially true and correct as if made at and as of that time. The notifying Party will describe in reasonable detail the representation, warranty or covenant affected, the circumstances giving rise to that failure and the steps it has taken or proposes to take to rectify the failure.

## **7. Prohibited Activities**

- (a) Client agrees that Client will not use the Services for any illegal purpose or any other type of illegal activity of any sort or take any action that negatively affects the performance of the Services. Client may not engage in any of the following activities, either directly or through a third party:
- (i) attempt to gain unauthorized access to the Services or another user's account;
  - (ii) make any attempt to bypass or circumvent any security features;
  - (iii) reproduce, duplicate, copy, sell or resell the Services or access to the Services for any purpose except as authorized in this Agreement;
  - (iv) engage in any activity that is abusive or interferes with or disrupts the Services. Use of the Services in connection with any transaction involving illegal products or services is prohibited; or
  - (v) engage in any activity that would cause Custodian to violate AML and Sanctions Regulations.
- (b) Custodian may suspend Client's (or any Authorized Person's) ability to provide Instructions with respect to the Account in the event of any breach of Section 7(a).
- (c) Client will remain fully responsible for any acts or omissions of its Authorized Persons and will ensure that Authorized Persons comply with the terms of this Agreement.

## **8. Instructions**

- (a) Unless otherwise explicitly provided for in this Agreement, Custodian will perform its duties under this Agreement pursuant to Instructions.
- (b) Client must deliver Instructions in accordance with a Custodian Designated Security Procedure, unless Client elects to transmit an Instruction in accordance with a Client Designated Security Procedure.
- (c) Client may use a Client Designated Security Procedure to transmit Instructions only if Custodian has agreed to and acknowledged that procedure. If Client determines to use [\*\*\*], it must provide Custodian sufficient notice and information to allow testing or

other confirmation that Instructions received via the Client Designated Security Procedure can be processed [\*\*\*]. Custodian may require Client to execute additional documentation prior to the use of such transmission method. Custodian's acknowledgment of a [\*\*\*] will authorize it to accept such means of delivery but will not represent a [\*\*\*]. In electing to transmit an Instruction via a Client Designated Security Procedure, Client:

- (i) agrees to be bound by the transaction(s) or payment order(s) specified on said Instruction, whether or not authorized, and accepted by Custodian in compliance with such Client Designated Security Procedure; and
  - (ii) accepts the risk associated with such Client Designated Security Procedure and confirms it is commercially reasonable for the transmission and authentication of the Instruction.
- (d) Instructions provided [\*\*\*] will be binding upon Custodian only if and when Custodian takes action with respect thereto. Custodian reserves the right to restrict Client's use of telephonic Instruction and/or to require Client to [\*\*\*].
- (e) Client must provide an Instruction to Custodian to deposit Eligible Assets to the Digital Asset Account [\*\*\*] on the relevant Digital Asset Network into the Digital Asset Account. Client acknowledges that if Client attempts to transfer [\*\*\*], Client may experience delays in the crediting of those Eligible Assets to the Digital Asset Account, or the Eligible Assets may be forever lost or inaccessible. Custodian will not be liable for any damages related to delays that result from the lack of a proper Instruction.
- (f) Custodian may treat [\*\*\*]. Custodian will be entitled to [\*\*\*].
- (g) The [\*\*\*] providing an Instruction will be responsible for assuring the adequacy and accuracy of that Instruction. If Custodian determines that an Instruction is either unclear or incomplete, Custodian may give [\*\*\*] notice of that determination to Client. Such notice may be [\*\*\*]. Client must thereupon amend or otherwise reform the Instruction. In such event, Custodian will have no obligation to take any action in response to the Instruction initially delivered until the redelivery of an amended or reformed Instruction.
- (h) The purpose of any Client Designated Security Procedure or Custodian Designated Security Procedure is to confirm the authenticity of any Instruction and is not designed to detect errors or omissions in such Instructions. Therefore, Custodian is not responsible for detecting any Client error or omission contained in any Instruction received by Custodian.
- (i) With respect to Instructions to transfer cash, Custodian will not be liable for interest on the amount of any Instruction that was not authorized or was erroneously executed unless Client so notifies Custodian within [\*\*\*]. Any such compensation payable in the form of interest will be payable in accordance with [\*\*\*]. If an Instruction in the name

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of Client and accepted by Custodian was not authorized by Client, the liability of the parties will be governed by the [\*\*\*].

- (j) Custodian, after providing [\*\*\*], may decide to no longer accept a particular Client Designated Security Procedure or Custodian Designated Security Procedure, or to do so only on revised terms, in the event that it determines that such agreed or established method of transmission represents a security risk or is attendant to any general change in Custodian's policy regarding Instructions.
- (k) Client will comply with any applicable Security Procedures with respect to the delivery or authentication of Instructions and will ensure that any codes, passwords or similar devices are reasonably safeguarded.
- (l) Custodian will use reasonable care to comply with any applicable Security Procedures with respect to the receipt or verification of Instructions and to ensure that any codes, passwords or similar devices are reasonably safeguarded.
- (m) Client may cancel an Instruction but Custodian will have no liability for Custodian's failure to act on a cancellation Instruction unless Custodian has [\*\*\*]. Any cancellation Instruction must be sent and confirmed by a Custodian Designated Security Procedure or a Client Designated Security Procedure.
- (n) Custodian cannot and does not guarantee the value of Eligible Assets. Custodian does not control the relevant Digital Asset Networks and therefore is not responsible for the services provided by those Digital Asset Networks – in particular, verifying and confirming transactions that are submitted to the Digital Asset Networks. Furthermore, notwithstanding Section 8(m), Custodian cannot cancel or reverse a transaction that has been submitted to a Digital Asset Network. Once a transaction request has been submitted to a Digital Asset Network, Client will subsequently not be able to cancel or otherwise modify Client's transaction request. Client acknowledges and agrees that, to the extent Custodian did not cause or contribute to a loss Client suffers in connection with any Eligible Asset transaction initiated, Custodian will have no liability for that loss. Custodian has no control over the relevant Digital Asset Networks and therefore does not ensure that any transaction request Custodian submits to a Digital Asset Network will be completed. Client acknowledges and agrees that the transaction requests Client instructs Custodian to submit on a Digital Asset Network may not be completed, or may be substantially delayed, by that Digital Asset Network and Custodian is not responsible for any delay or any failure of completion caused by that Digital Asset Network. When Client provides Instructions to Custodian, Client authorizes Custodian to submit Client's transaction to the relevant Digital Asset Network in accordance with the Instructions Client provides.
- (o) Client may establish with Custodian a process to [\*\*\*]. Client will execute all documentation required by Custodian, including a separate [\*\*\*].

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- (p) In the event Custodian fails to execute a properly executable Instruction and fails to give Client notice of Custodian's non-execution, Custodian will be liable [\*\*\*]. Notwithstanding anything in this Agreement to the contrary, Custodian will in no event be liable for any [\*\*\*].
- (q) If Client does not have an Execution Agreement, Client authorizes NYDIG Execution to act as agent on its behalf solely for the limited purposes set forth in this Agreement.

## **9. Audio-recording**

Client on behalf of itself and its customers (if any) authorizes Custodian to record any and all telephonic or other oral instructions given to Custodian by or on behalf of Client, including from any Authorized Person. This authorization will remain in effect until and unless revoked by Client in writing.

## **10. Responsibility of Custodian**

- (a) In performing its duties and obligations hereunder, Custodian will use reasonable care. Subject to the specific provisions of this Section 10, Custodian will be liable for any direct damage incurred by Client in consequence of Custodian's gross negligence, bad faith or willful misconduct. In no event will Custodian be liable hereunder for any special, indirect, punitive or consequential damages arising out of, pursuant to or in connection with this Agreement even if Custodian has been advised of the possibility of such damages. It is agreed that Custodian will have no duty to assess the risks inherent in Client's investments or to provide investment advice with respect to those investments and that Client as principal will bear any risks attendant to particular investments such as failure of counterparty, issuer, promoter or developer.
- (b) Custodian will not be responsible under this Agreement for any failure to perform its duties, and will not be liable hereunder for any loss or damage in association with such failure to perform, for or in consequence of any circumstance or event which is beyond the reasonable control of Custodian or any agent of Custodian and which adversely affects the performance by Custodian of its obligations hereunder or by any other agent of Custodian, including any event caused by, arising out of or involving (i) an act of God, (ii) accident, fire, water or wind damage or explosion, (iii) any computer, system or other equipment failure or malfunction caused by any computer virus or the malfunction or failure of any communications medium, (iv) any interruption of the power supply or other utility service, (v) any strike or other work stoppage, whether partial or total, (vi) any disruption of, or suspension of trading in, the digital asset markets, or (vii) any other cause similarly beyond the reasonable control of Custodian.
- (c) Custodian will not be liable for any loss, claim, damage or other liability arising from the following causes (except such as may arise from its or its nominee's, agent's, employee's, contractor's, or representative's own grossly negligent action, grossly negligent failure to act, bad faith, or willful misconduct):

- (i) The failure of any third party beyond the control or choice of Custodian, including the failure of a Digital Asset Network or a commercially reasonable information provider relied upon by Custodian;
- (ii) Client's or any Authorized Person's failure to protect the confidentiality or security of the Account information associated with Custodied Assets;
- (iii) An unauthorized party's impersonation of an Authorized Person to provide an Instruction or otherwise access the Account;
- (iv) Any action taken or omitted by Custodian in accordance with an Instruction, even when that action conflicts with, or is contrary to any provision of, Client's declaration of trust, certificate of incorporation or by-laws or other constitutive document, Applicable Law, or actions by the trustees, directors or shareholders of Client;
- (v) Specific inaccuracies in information that Custodian received from a commercially reasonable source such as a commercial database, provided that Custodian has relied upon that information in good faith;
- (vi) Any action taken or omitted by Custodian based on a good faith belief that the action is reasonably necessary to comply with requirements under Applicable Law, including AML and Sanctions Regulations; or
- (vii) Any action taken or omitted by Custodian pursuant to the advice of legal counsel and accountants (who may also be advisors to Client), in each case nationally recognized and with expertise in the relevant area, in relation to matters of law, regulation or market practice, provided that Custodian has relied upon that advice in good faith.

#### **11. Indemnification**

- (a) Client hereby indemnifies Custodian and its agents, nominees, employees, officers and directors, and agrees to hold each of them harmless from and against all claims and liabilities, including [\*\*\*], incurred or assessed against any of them in connection with the performance of this Agreement and any Instruction except such as may arise from Custodian's or its nominees' own [\*\*\*].
- (b) Custodian hereby indemnifies Client, and agrees to hold Client harmless from and against direct claims for loss of Custodied Assets incurred or assessed against Client that arise directly from Custodian's or its nominees' own grossly negligent action, grossly negligent failure to act, bad faith, or willful misconduct.

#### **12. Fees and Expenses**

- (a) Client will pay Custodian an[\*\*\*] for the Services as set forth in the Term Sheet.

- (b) Client will also pay Custodian a[\*\*\*] for the Services in such amount as[\*\*\*]. For the avoidance of doubt, if the [\*\*\*] shall be due for such billing period. Custodian may[\*\*\*]. For example, Custodian may, but is not required to, make a [\*\*\*] for the amount of[\*\*\*] paid by Client to affiliates of the Custodian in such billing period. With respect to any spreads paid that cause a [\*\*\*], Custodian and its affiliates shall [\*\*\*], unless and only to the extent otherwise required by the applicable agreement. Custodian does not expect to [\*\*\*]. Custodian expects that[\*\*\*]. Custodian may rely on[\*\*\*]. Notwithstanding anything to the contrary in this paragraph, Custodian may further [\*\*\*].
- (c) Custodian may increase Fees upon[\*\*\*] notice to Client.
- (d) Custodian will invoice Client[\*\*\*], and such invoice shall reflect the Fee Amount.
- (e) [\*\*\*].
- (f) To satisfy payment, Client hereby authorizes Custodian to [\*\*\*].

### **13. Termination**

- (a) This Agreement will commence on the Effective Date and will continue for one year, unless otherwise terminated as provided in this Section 13. After one year, this Agreement will automatically renew for successive one-year periods, unless either Party notifies the other of termination, in writing, in accordance with this Section 13.
- (b) This Agreement may be terminated by either Party upon thirty days' written notice to the other Party, which notice shall set forth the Termination Date.
- (c) Either Party may terminate this Agreement at any time by written notice to the other Party, effective immediately, or on such later date as may be specified in the notice, if:
  - (i) any representation, warranty, certification or statement made by the other Party under this Agreement, or pursuant to any certificate or document delivered pursuant to this Agreement, was incorrect in any material respect when made or becomes incorrect in any material respect;
  - (ii) the other Party fails in any material respect to perform any of its obligations under this Agreement, including (A) if Client is in breach of Section 6(b)(ix) or (B) if Custodian fails to perform in accordance with the Service Levels specified in Appendix A and, upon notification of such breach, the failure is not cured within [\*\*\*].
  - (iii) the other Party requests a postponement of maturity or a moratorium with respect to any indebtedness or is adjudged bankrupt or insolvent, or there is commenced against the other Party a case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the other Party files an application



for an arrangement with its creditors, seeks or consents to the appointment of a receiver, administrator or other similar official for all or any substantial part of its property, admits in writing its inability to pay its debts as they mature, or takes any corporate action in furtherance of any of the foregoing, or fails to meet applicable legal minimum capital requirements;

- (iv) any Applicable Law or any change therein or in the interpretation or administration thereof has or may have a Material Adverse Effect on:
  - (A) Client or the rights of Client with respect to the Services;
  - (B) the quality or efficiency of the Services provided under this Agreement;  
or
  - (C) Custodian's ability to provide the Services to Client as required under this Agreement;  
or
- (v) a substantial change in the ownership or control, or a material adverse change in the financial condition, of Client or Custodian, as applicable, or in the ability of Client or Custodian, as applicable, to fulfill its responsibilities under this Agreement occurs.
- (d) A notice of termination by either Party shall be treated as a withdrawal request as of the Termination Date or another date that the Parties agree for all Custodied Assets. Custodian will deliver or cause to be delivered to Client all Custodied Assets held or controlled by Custodian as of the Termination Date.
- (e) Upon receiving written notice of termination of this Agreement (or[\*\*\*] after receiving written notice, in the case of a termination pursuant to Section 13(c)(iii)):
  - (i) Client shall ensure that Custodian has accurate withdrawal instructions for the Custodied Assets as soon as practicable thereafter, and in any event, prior to the Termination Date;
  - (ii) Client will, but only upon the performance by Custodian of its obligations under Section 3(d)(i), pay to Custodian the unpaid balance of any Fee Amount owed as of the Termination Date; and
  - (iii) Client and its Authorized Persons must immediately discontinue all access and use of the Services.
- (f) As of the Termination Date:
  - (i) if Client has not satisfied its obligation to provide digital asset withdrawal instructions pursuant to Section 13(e)(i), Client hereby authorizes Custodian to act as Client's agent to instruct, NYDIG Execution to liquidate Custodied Digital Assets on the first Business Day following the Termination Date or any Business Day thereafter; and

- (ii) Client has no right and forfeits any claim to any actual or potential Forked or Airdropped Assets before or after the Termination Date if such digital assets were not Custodied Digital Assets on the Termination Date.
- (g) Termination of this Agreement will not affect any right or liability arising out of events occurring, or services delivered, prior to the effectiveness thereof.

#### **14. Confidentiality**

- (a) In connection with this Agreement, each Party may receive or otherwise have access to Confidential Information of the other Party. Except as otherwise expressly provided herein, the receiving Party agrees to retain the Confidential Information in strict confidence from the date of receipt of the Confidential Information and shall not disclose the Confidential Information to any third party, except as previously approved in writing by the disclosing Party or as provided herein, and will use and reproduce the Confidential Information for no purpose other than as necessary in connection with this Agreement. The receiving Party may permit access to Confidential Information by its employees, agents, advisors and other authorized representatives who have a need to know such Confidential Information for the purposes of this Agreement; provided that the receiving Party ensures any such individuals have agreed (either as a condition of employment or service or in order to obtain the Confidential Information) to be bound by confidentiality obligations substantially similar to those of this Section 14, informs any such individuals in possession of Confidential Information of the confidential nature of such Confidential Information, and remains responsible for the compliance by such individuals with the terms of this Section 14.
- (b) The receiving Party's obligations under this Agreement with respect to any portion of the Confidential Information shall not apply or shall terminate when: (a) the Confidential Information was in the public domain at the time it was communicated to the receiving Party; (b) the Confidential Information becomes publicly known through no wrongful act on the part of the receiving Party; (c) the Confidential Information was in the receiving Party's possession free of any obligation of confidence at the time of disclosure by the disclosing Party; or (d) the Confidential Information was independently developed by the receiving Party without reference to the Confidential Information subject to this Agreement and without breach of this Agreement.
- (c) The receiving Party may make a disclosure of Confidential Information as required by any legal proceeding or governmental entity, or in response to a request by a competent regulatory authority; provided that, to the extent permitted by law, the receiving Party provides prompt written notice of such request prior to disclosure so that the disclosing Party may have an opportunity to seek a protective order or other legal actions to protect its interest in the Confidential Information. Notwithstanding the foregoing, the receiving Party is not required to give notice to the disclosing Party in connection with a disclosure that has been requested by a regulator of competent jurisdiction (over the receiving Party

or its affiliates) exercising its normal course supervisory or examination authority and where no specific reference is made by such regulator to the disclosing Party.

- (d) At any time following the termination or expiration of this Agreement for any reason, the disclosing Party may request from the receiving Party, and the receiving Party shall promptly provide upon receipt of such request, a written confirmation that all documents and other tangible materials (including notes, writings and other material developed therefrom by the receiving Party) containing Confidential Information and all copies thereof have been returned or destroyed, except that the receiving Party may retain copies of the Confidential Information in accordance with its standard document retention policies, and the receiving Party may retain electronic copies of the Confidential Information that exist on its computer system and backups thereof in the ordinary course. Any retained Confidential Information shall remain subject to the obligations of confidentiality and non-use herein.
- (e) Each Party's obligations under this Section 14 shall survive the termination or expiration of this Agreement.
- (f) Notwithstanding anything to the contrary in this Agreement, neither Party will use the name or logo of the other Party or its affiliates as a reference for marketing or promotional purposes, or in public or private conversations with existing or potential customers.

#### **15. Intellectual Property**

As between the Parties, Custodian will retain all right, title, and interest (including all copyright, trademark, patent, trade secrets, and all other intellectual property rights) in its Confidential Information.

#### **16. Taxation**

Client is liable for any and all Client Taxes. Client will indemnify Custodian for any Client Tax, and any expenses related thereto, other than any Client Tax arising out of Custodian's gross negligence, bad faith, or willful misconduct. Client acknowledges that Custodian may, or may instruct the applicable withholding agent to, withhold and remit to the appropriate Governmental Authority the amount of any Client Tax that Custodian is advised by counsel to withhold. Client also acknowledges that Custodian may, or may instruct another party to, report actions taken with respect to the Custodied Assets to the Internal Revenue Service or other Governmental Authority if advised to do so by counsel. Upon execution of this Agreement, Client will deliver to Custodian a properly completed and executed Internal Revenue Service Form W-8 or W-9 appropriate to Client's circumstances.

#### **17. Disclosure of Risks**

Custodian hereby notifies Client, and Client hereby acknowledges, that:

- a. digital units that are used as a medium of exchange or a form of digitally stored value (**Virtual Currency**) are not legal tender, and are not backed by the government;
- b. although this Agreement uses the term “deposit,” digital assets in the Digital Asset Account are not “deposits” within the meaning of U.S. federal or state banking law, and cash in the Cash Account are not deposits of Custodian. Balances of digital assets in the Digital Asset Account are not subject to FDIC or SIPC protections;
- c. legislative and regulatory changes or actions at the state, federal, or international level may adversely affect the use, transfer, exchange, and value of Virtual Currency;
- d. if any Custodied Digital Assets are deemed to be securities under state or Federal securities laws or if providing custody services or the ability to withdraw with respect to any Custodied Digital Asset would otherwise violate applicable state or federal laws, Custodian will make reasonable efforts to return such Custodied Digital Assets to Client but such Custodied Digital Assets may become temporarily or permanently inaccessible to Client;
- e. the software and cryptography that governs the protocols of Digital Asset Networks have short histories and could at any time be found ineffective or faulty, which could result in the complete loss of value or theft of the Custodied Digital Assets;
- f. no physical, operational and cryptographic system for the secure storage of private keys is perfectly secure, and loss or theft due to operational or other failure is always possible;
- g. transactions in Virtual Currency may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;
- h. some Virtual Currency transactions shall be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that an Authorized Person provides an Instruction;
- i. the value of Virtual Currency may be derived from the continued willingness of market participants to exchange Fiat Currency for Virtual Currency, which may result in the potential for permanent and total loss of value of a particular Virtual Currency should the market for that Virtual Currency disappear;
- j. there is no assurance that a Person who accepts a Virtual Currency as payment today will continue to do so in the future;
- k. the volatility and unpredictability of the price of Virtual Currency relative to Fiat Currency may result in significant loss over a short period of time;
- l. the nature of Virtual Currency may lead to an increased risk of fraud or cyber-attack;
- m. the nature of Virtual Currency means that any technological difficulties experienced by Custodian may prevent the access or use of Client’s Virtual Currency;

- n. any bond or trust account maintained by Custodian for the benefit of its customers may not be sufficient to cover all losses incurred by customers; and
- o. for purposes of calculating Fees and for account statements, the fair market value of each Custodied Asset will be determined by Custodian according to its valuation policy, which may differ from the way that Client values its digital asset holdings.

**18. Limitations of Liability**

- (a) Neither Party will be liable to the other Party (whether under contract, tort (including negligence) or otherwise) for any indirect, incidental, special or consequential losses suffered or incurred by the other Party (whether or not any such losses were foreseeable or within the contemplation of the Parties).
- (b) Neither Party's total aggregate liability arising out of or relating to this Agreement will exceed the greater of (i) the fair market value of the amount of Custodied Assets at the time in which the events giving rise to the liability occurred and (ii) the fair market value of the amount of Custodied Assets at the time that Custodian notifies Client in writing or Client otherwise has actual knowledge of the events giving rise to the liability. The fair market value of each digital asset will be determined by Custodian according to its valuation policy, which may differ from the way that Client values its digital asset holdings.

**19. Miscellaneous**

- (a) *Counterparts*. This Agreement may be signed in any number of counterparts, each of which must be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will become effective when each Party has received a counterpart hereof signed by all of the other Parties. Until and unless each Party has received a counterpart hereof signed by the other Party, this Agreement will have no effect and no Party will have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person other than the Parties and their respective successors and assigns.
- (b) *Electronic Documents*. Client consents to the delivery of confirmations, any other required or optional communication or agreement under any Applicable Law by e-mail, Web site or other electronic means, including through the Portal, subject to compliance with Applicable Law. Any such documents that are delivered to Client electronically are deemed to be "in writing." If Client's signature or acknowledgment is required or requested with respect to any such document and Client (if a natural person) or an authorized representative of Client "clicks" in the appropriate space, Client will be deemed to have signed or acknowledged the document to the same extent and with the same effect as if Client had signed the document manually. Client acknowledges its

understanding that Client has the right to withdraw its consent to the electronic delivery and signature of documents at any time by providing prior written notice.

- (c) *Notices.* All notices, requests and other communications to any Party hereunder must be in writing (including e-mail transmission, so long as a confirmation of receipt of any e-mail transmission is requested and received) and must be given,

if to Client, using Client Contact Info as given on the Term Sheet;

if to Custodian, to:

NYDIG Trust Company LLC  
One Vanderbilt Avenue, 65th Floor  
New York, NY 10017  
Attention: [\*\*\*]  
E-mail: [\*\*\*]

or such other address as a Party may hereafter specify for the purpose by notice to the other Party. Each of the foregoing addresses will be effective unless and until notice of a new address is given by the applicable Party to the other Party in writing. Notice will not be deemed to be given unless it has been received.

- (d) *Relationship of the Parties.* Nothing in this Agreement will be deemed or is intended to be deemed, nor will it cause, Client and Custodian to be treated as partners, joint ventures, or otherwise as joint associates for profit.
- (e) *Governing Law.* This Agreement is governed by and is to be construed in accordance with the law of the State of New York, without giving effect to the conflicts of law rules of that state.
- (f) *Jurisdiction.* The Parties agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby will be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, so long as one of those courts has subject matter jurisdiction over the suit, action or proceeding, and that any cause of action arising out of this Agreement will be deemed to have arisen from a transaction of business in the State of New York, and each of the Parties hereby irrevocably consents to the jurisdiction of those courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Process in any such suit, action or proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting

the foregoing, each Party agrees that service of process on that Party as provided in Section 19(c) will be deemed effective service of process on that Party.

- (g) *Claims; Third-Party Beneficiaries.* It is the intention of the Parties that no party other than the Parties will have or assert any rights, claims or remedies against any Party in respect of any action, omission, failure or neglect in the performance of any responsibilities referred to in this Agreement. For the avoidance of doubt, the Parties acknowledge and agree that the foregoing sentence does not affect the right of any party to recover from Custodian pursuant to Section 10 the losses, claims, damages, liabilities or expenses specified in Section 10. Custodian will advise Client as soon as reasonably practicable in the event any such claim is asserted by a third party against Custodian.
- (h) *Modifications, Amendments and Waivers.*
- (i) Custodian may modify or amend the terms and conditions of this Agreement at any time after providing 30 days' advance notice to Client. The Parties may agree, memorialized in writing signed by both Parties, to modify or amend this Agreement at any time.
  - (ii) Any provision of this Agreement may be waived if the waiver is in writing and is signed by the Party against whom the waiver is to be effective. Notwithstanding the foregoing, Custodian may unilaterally waive any provision of this Agreement that it determines in good faith does not adversely affect Client.
  - (iii) Custodian may change its internal policies and procedures, including its valuation policy, without notice to, or consent by, Client. However, to the extent of any conflict between this Agreement and updated policies and procedures, this Agreement shall control.
  - (iv) No failure or delay by any Party in exercising any right, power or privilege hereunder operates as a waiver thereof nor may any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.
- (i) *Headings; Internal References; Rule of Construction.* When a reference is made in this Agreement to Sections or Appendices, such reference shall be to a Section or Appendix to this Agreement unless otherwise indicated. The table of contents, if any, and headings contained in this Agreement are for convenience and reference purposes only and shall not be deemed to alter or affect in any way the meaning or interpretation of any provisions of this Agreement. To the fullest extent permitted by Applicable Law, whenever in this Agreement a Person is permitted or required to make a decision (i) in its "sole discretion," "discretion" or under a grant of similar authority or latitude, the Person shall be entitled to consider such interests and factors as it desires, including its

own interests or the interests of any other Person, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the any other Person; or (ii) in its "good faith" or under another express standard, in the case of either clause (i) or (ii) the Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or any other agreement contemplated hereby, under any other law, rule or regulation, or at equity. Further, whenever in this Agreement a Person is permitted or required to rely or to make a decision, determination, judgment or a similar action in "good faith," such provision shall be satisfied by such Person's subjective belief as to the matter specified.

- (j) *Successors and Assigns.* The provisions of this Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and assigns but the Parties agree that no Party may assign its rights and obligations under this Agreement without the prior written consent of the other Parties, which consent may not be unreasonably withheld or delayed, except that Custodian may assign its rights and obligations under this Agreement to any affiliate of Custodian that is chartered or licensed to provide the Services or to any entity which succeeds to all or substantially all of the assets and business of Custodian without the prior written consent of Client.
- (k) *Entire Agreement.* This Agreement embodies the entire agreement and understanding between the Parties and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter of this Agreement, except that any non-disclosure agreement or agreements previously entered into between the Parties continue to be in force.
- (l) *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement will remain in full force and effect and will in no way be affected, impaired or invalidated so long as the economic or legal substance of the Services contemplated hereby is not affected in any manner materially adverse to either Party. Upon such a determination, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the Services contemplated hereby be consummated as originally contemplated to the fullest extent possible.
- (m) *No Advice.* Client acknowledges that Custodian is not providing, and it is not relying on Custodian to provide, any legal, tax, or investment advice in providing the Services.



Each of the undersigned has caused this Agreement to be executed by an authorized person, which in the case of a legal entity is its duly authorized officer.

**Riot Platforms, Inc. (f/k/a Riot Blockchain, Inc.)**

**NYDIG Trust Company LLC**

By: [\*\*\*] \_\_\_\_\_

By: [\*\*\*] \_\_\_\_\_

Name: [\*\*\*] \_\_\_\_\_

Name: [\*\*\*] \_\_\_\_\_

Title: [\*\*\*] \_\_\_\_\_

Title: [\*\*\*] \_\_\_\_\_

Date: [\*\*\*] \_\_\_\_\_

Date: [\*\*\*] \_\_\_\_\_

**CONFIDENTIAL**  
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## Appendix A

### Service Level Agreement

Custodian is open every Business Day [\*\*\*]. The tables below indicate, for [\*\*\*] that Client may make in relation to its account, [\*\*\*] Custodian has to [\*\*\*]. All SLAs are subject to Custodian [\*\*\*].

Custodian accepts its [\*\*\*]. All other requests may be made until [\*\*\*]. **ANY REQUEST MADE AFTER [\*\*\*] WILL BE TREATED AS THOUGH [\*\*\*].**

#### General SLAs

Client Request	Custodian Action	SLA Time
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

#### Problem Severity Levels

[***]	[***]
[***]	[***]
[***]	[***]

#### Cold Storage SLAs

Client Request/Action	Custodian Action	SLA Time
[***]	[***]	[***]
[***] [***]	[***]	[***]
	[***]	[***]
[***]	[***]	[***]

Cash SLAs

Client Request/Action	Custodian Action	SLA Time
***	***	***
***	***	***
***	***	***

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jason Les, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Riot Platforms, Inc. for the quarter ended September 30, 2024;
- 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 registrant as of, and for, the periods presented in this report.
- 4) The registrant's other certifying officers 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 registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly 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 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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 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 registrant's internal control over financial reporting.

November 4, 2024

/s/ Jason Les

Jason Les  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Colin Yee, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Riot Platforms, Inc. for the quarter ended September 30, 2024;
- 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 registrant as of, and for, the periods presented in this report.
- 4) The registrant's other certifying officers 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 registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly 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 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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 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 registrant's internal control over financial reporting.

November 4, 2024

/s/ Colin Yee  
Colin Yee  
Chief Financial Officer  
(Principal Financial Officer)

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**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 Quarterly Report of Riot Platforms, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer (principal executive officer) of the Company, Jason Les, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2024

/s/ Jason Les

\_\_\_\_\_  
Jason Les  
Chief Executive Officer  
(Principal Executive Officer)

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**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 Quarterly Report of Riot Platforms, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer (principal financial officer) of the Company, Colin Yee, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2024

/s/ Colin Yee

Colin Yee  
Chief Financial Officer  
(Principal Financial Officer)

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