

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

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission file number: 001-40931

Stronghold Digital Mining, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

595 Madison Avenue, 28th Floor
New York, New York
(Address of principal executive offices)

86-2759890

(I.R.S. Employer
Identification No.)

10022

(Zip Code)

(845) 579-5992

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock	SDIG	The Nasdaq Stock Market LLC

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of August 9, 2024, the registrant had outstanding 14,483,110 shares of Class A common stock, par value \$0.0001 per share, 5,990 shares of Series C convertible preferred stock, par value \$0.0001 per share, 0 shares of Series D convertible preferred stock, par value \$0.0001 per share, and 2,405,760 shares of Class V common stock, par value \$0.0001 per share. On May 15, 2023, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

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Part I - Financial Information

Item 1. Financial Statements

STRONGHOLD DIGITAL MINING, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2024	December 31, 2023
ASSETS:		
Cash and cash equivalents	\$ 4,876,152	\$ 4,214,613
Digital currencies	253,710	3,175,595
Accounts receivable	570,197	507,029
Inventory	4,470,089	4,196,812
Prepaid insurance	2,736,501	3,787,048
Due from related parties	97,288	97,288
Other current assets	2,109,205	1,675,084
Total current assets	15,113,142	17,653,469
Equipment deposits	—	8,000,643
Property, plant and equipment, net	134,083,470	144,642,771
Operating lease right-of-use assets	1,107,044	1,472,747
Land	1,748,440	1,748,440
Road bond	299,738	299,738
Security deposits	348,888	348,888
Other noncurrent assets	199,480	170,488
TOTAL ASSETS	\$ 152,900,202	\$ 174,337,184
LIABILITIES:		
Accounts payable	\$ 13,074,814	\$ 11,857,052
Accrued liabilities	11,558,654	10,787,895
Financed insurance premiums	1,425,592	2,927,508
Current portion of long-term debt, net of discounts and issuance fees	16,347,388	7,936,147
Current portion of operating lease liabilities	668,604	788,706
Due to related parties	1,106,704	718,838
Total current liabilities	44,181,756	35,016,146
Asset retirement obligation	1,103,215	1,075,728
Warrant liabilities	13,914,884	25,210,429
Long-term debt, net of discounts and issuance fees	38,470,192	48,203,762
Long-term operating lease liabilities	499,886	776,079
Other noncurrent liabilities	2,569,356	241,420
Total liabilities	100,739,289	110,523,564
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
REDEEMABLE COMMON STOCK:		
Common Stock – Class V; \$0.0001 par value; 34,560,000 shares authorized; 2,405,760 shares issued and outstanding as of June 30, 2024, and December 31, 2023.	10,416,454	20,416,116
Total redeemable common stock	10,416,454	20,416,116
STOCKHOLDERS' EQUITY:		
Common Stock – Class A; \$0.0001 par value; 685,440,000 shares authorized; 12,980,864 and 11,115,561 shares issued and outstanding as of June 30, 2024, and December 31, 2023, respectively.	1,298	1,112
Series C convertible preferred stock; \$0.0001 par value; 23,102 shares authorized; 5,990 shares issued and outstanding as of June 30, 2024, and December 31, 2023.	1	1
Series D convertible preferred stock; \$0.0001 par value; 15,582 shares authorized; 0 and 7,610 shares issued and outstanding as of June 30, 2024, and December 31, 2023, respectively.	—	1
Accumulated deficits	(336,973,510)	(331,647,755)
Additional paid-in capital	378,716,670	375,044,145
Total stockholders' equity	41,744,459	43,397,504
Total redeemable common stock and stockholders' equity	52,160,913	63,813,620
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY	\$ 152,900,202	\$ 174,337,184

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

STRONGHOLD DIGITAL MINING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
OPERATING REVENUES:				
Cryptocurrency mining	\$ 14,988,526	\$ 13,782,798	\$ 36,279,584	\$ 25,080,096
Cryptocurrency hosting	3,824,299	3,079,701	9,281,828	5,405,697
Energy	221,370	740,793	921,437	3,471,779
Capacity	—	582,557	—	1,442,067
Other	69,944	47,892	143,475	100,317
Total operating revenues	19,104,139	18,233,741	46,626,324	35,499,956
OPERATING EXPENSES:				
Fuel	5,798,304	6,291,501	13,209,132	13,705,515
Operations and maintenance	9,081,647	8,804,097	17,323,372	17,245,020
General and administrative	11,746,585	10,077,738	18,344,931	18,546,493
Depreciation and amortization	9,290,563	8,634,967	18,805,217	16,357,808
Loss on disposal of fixed assets	1,731,105	17,281	1,731,105	108,367
Realized loss (gain) on sale of digital currencies	243,688	(266,665)	(380,419)	(593,433)
Unrealized gain on digital currencies	(145,994)	—	(147,221)	—
Realized gain on sale of miner assets	—	—	(36,012)	—
Impairments on digital currencies	—	254,353	—	325,830
Total operating expenses	37,745,898	33,813,272	68,850,105	65,695,600
NET OPERATING LOSS	(18,641,759)	(15,579,531)	(22,223,781)	(30,195,644)
OTHER INCOME (EXPENSE):				
Interest expense	(2,248,063)	(2,603,478)	(4,511,472)	(4,987,391)
Loss on debt extinguishment	—	—	—	(28,960,947)
Changes in fair value of warrant liabilities	(382,175)	6,475,880	11,295,545	5,761,291
Other	5,000	15,000	15,000	30,000
Total other (expense) income	(2,625,238)	3,887,402	6,799,073	(28,157,047)
NET LOSS	\$ (21,266,997)	\$ (11,692,129)	\$ (15,424,708)	\$ (58,352,691)
NET LOSS attributable to noncontrolling interest	(3,325,180)	(3,355,873)	(2,406,893)	(21,475,004)
NET LOSS attributable to Stronghold Digital Mining, Inc.	\$ (17,941,817)	\$ (8,336,256)	\$ (13,017,815)	\$ (36,877,687)
NET LOSS attributable to Class A common shareholders:				
Basic	\$ (1.25)	\$ (1.35)	\$ (0.92)	\$ (6.99)
Diluted	\$ (1.25)	\$ (1.35)	\$ (0.92)	\$ (6.99)
Weighted average number of Class A common shares outstanding:				
Basic	14,369,800	6,163,450	14,179,810	5,274,471
Diluted	14,369,800	6,163,450	14,179,810	5,274,471

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

STRONGHOLD DIGITAL MINING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended June 30, 2024

	Convertible Preferred		Noncontrolling Redeemable Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series A Shares	Amount	Shares	Amount			
Balance – April 1, 2024	5,990	\$ 1	—	\$ —	12,900,076	\$ 1,290	\$ (314,994,985)	\$ 376,964,891	\$ 61,971,197
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	(17,941,817)	—	(17,941,817)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(3,325,180)	—	(3,325,180)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	(711,528)	—	(711,528)
Stock-based compensation	—	—	—	—	—	—	—	1,667,787	1,667,787
Vesting of restricted stock units	—	—	—	—	61,236	6	—	(6)	—
Issuance of common stock to settle payables	—	—	—	—	19,552	2	—	85,298	85,300
Conversion of Series D preferred stock	—	—	—	—	—	—	—	(1,300)	(1,300)
Balance – June 30, 2024	5,990	\$ 1	—	\$ —	12,980,864	\$ 1,298	\$ (336,973,510)	\$ 378,716,670	\$ 41,744,459

Three Months Ended June 30, 2023

	Convertible Preferred		Convertible Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series D Shares	Amount	Shares	Amount			
Balance – April 1, 2023	21,572	\$ 2	—	\$ —	4,104,617	\$ 411	\$ (290,848,496)	\$ 373,044,458	\$ 82,196,375
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	(8,336,256)	—	(8,336,256)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(3,355,873)	—	(3,355,873)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	4,341,563	—	4,341,563
Stock-based compensation	—	—	—	—	250,000	25	—	4,366,699	4,366,724
Vesting of restricted stock units	—	—	—	—	202,932	20	—	(20)	—
Exercised warrants	—	—	—	—	633,318	63	—	(20)	43
Redemption of Class V shares	—	—	—	—	200,000	20	—	1,209,980	1,210,000
Issuance of common stock to settle payables	—	—	—	—	97,330	10	—	973,184	973,194
Issuance of common stock - April 2023 Private Placement	—	—	—	—	566,661	57	—	941,595	941,652
Issuance of common stock - ATM Agreement	—	—	—	—	760	—	—	2,825	2,825
Balance – June 30, 2023	21,572	\$ 2	—	\$ —	6,055,618	\$ 606	\$ (298,199,062)	\$ 380,538,701	\$ 82,340,247

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

STRONGHOLD DIGITAL MINING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

Six Months Ended June 30, 2024

	Convertible Preferred		Convertible Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series D Shares	Amount	Shares	Amount			
Balance – January 1, 2024	5,990	\$ 1	7,610	\$ 1	11,115,561	\$ 1,112	\$ (331,647,755)	\$ 375,044,145	\$ 43,397,504
Impact of ASU 2023-08 adoption (Note 1)	—	—	—	—	—	—	99,292	—	99,292
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	(13,017,815)	—	(13,017,815)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(2,406,893)	—	(2,406,893)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	9,999,661	—	9,999,661
Stock-based compensation	—	—	—	—	—	—	—	3,606,907	3,606,907
Vesting of restricted stock units	—	—	—	—	431,634	43	—	(43)	—
Issuance of common stock to settle payables	—	—	—	—	19,552	2	—	85,298	85,300
Conversion of Series D preferred stock	—	—	(7,610)	(1)	1,414,117	141	—	(19,637)	(19,497)
Balance – June 30, 2024	5,990	\$ 1	—	\$ —	12,980,864	\$ 1,298	\$ (336,973,510)	\$ 378,716,670	\$ 41,744,459

Six Months Ended June 30, 2023

	Convertible Preferred		Convertible Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series D Shares	Amount	Shares	Amount			
Balance – January 1, 2023	—	\$ —	—	\$ —	3,171,022	\$ 317	\$ (240,443,302)	\$ 323,468,129	\$ 83,025,144
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	(36,877,687)	—	(36,877,687)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(21,475,004)	—	(21,475,004)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	596,931	—	596,931
Stock-based compensation	—	—	—	—	250,000	25	—	6,816,023	6,816,048
Vesting of restricted stock units	—	—	—	—	253,762	26	—	(26)	—
Warrants issued and outstanding	—	—	—	—	—	—	—	1,739,882	1,739,882
Exercised warrants	—	—	—	—	1,133,583	113	—	203	316
Redemption of Class V shares	—	—	—	—	200,000	\$ 20	—	1,209,980	1,210,000
Issuance of common stock to settle payables	—	—	—	—	97,330	\$ 10	—	973,184	973,194
Issuance of common stock - April 2023 Private Placement	—	—	—	—	566,661	\$ 57	—	941,595	941,652
Issuance of common stock - ATM Agreement	—	—	—	—	760	\$ —	—	2,825	2,825
Issuance of Series C convertible preferred stock	23,102	2	—	—	—	—	—	45,386,944	45,386,946
Conversion of Series C preferred stock	(1,530)	—	—	—	382,500	38	—	(38)	—
Balance – June 30, 2023	21,572	\$ 2	—	\$ —	6,055,618	\$ 606	\$ (298,199,062)	\$ 380,538,701	\$ 82,340,247

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

STRONGHOLD DIGITAL MINING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	June 30, 2024	June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (15,424,708)	\$ (58,352,691)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	18,805,217	16,357,808
Accretion of asset retirement obligation	27,484	26,102
Loss on disposal of fixed assets	1,731,105	108,367
Realized gain on sale of miner assets	(36,012)	—
Change in value of accounts receivable	399,192	1,142,750
Amortization of debt issuance costs	102,946	109,620
Stock-based compensation	3,606,907	6,816,048
Loss on debt extinguishment	—	28,960,947
Changes in fair value of warrant liabilities	(11,295,545)	(5,761,291)
Non-cash adjustments for loss contingencies	5,218,167	—
Other	408,303	(532,880)
(Increase) decrease in digital currencies:		
Mining revenue	(42,427,846)	(28,709,950)
Net proceeds from sale of digital currencies	45,596,244	27,064,294
Unrealized gain on digital currencies	(147,221)	—
Impairments on digital currencies	—	325,830
(Increase) decrease in assets:		
Accounts receivable	(462,359)	7,140,368
Prepaid insurance	2,727,056	3,093,404
Due from related parties	—	(64,276)
Inventory	(273,277)	303,468
Other assets	(1,231,144)	306,998
Increase (decrease) in liabilities:		
Accounts payable	1,032,860	(145,649)
Due to related parties	387,866	219,778
Accrued liabilities	(2,413,906)	27,326
Other liabilities, including contract liabilities	(291,811)	(78,849)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	6,039,518	(1,642,478)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(573,002)	(10,581,332)
Proceeds from sale of property, plant and equipment, including CIP	180,000	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(393,002)	(10,581,332)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	(1,806,551)	(2,446,953)
Repayments of financed insurance premiums	(3,178,426)	(3,202,071)
Proceeds from debt, net of issuance costs paid in cash	—	(147,385)
Proceeds from private placements, net of issuance costs paid in cash	—	9,824,567
Proceeds from ATM, net of issuance costs paid in cash	—	2,825
Proceeds from exercise of warrants	—	316
NET CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES	(4,984,977)	4,031,299
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	661,539	(8,192,511)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	4,214,613	13,296,703
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 4,876,152	\$ 5,104,192

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

STRONGHOLD DIGITAL MINING, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NATURE OF OPERATIONS

Stronghold Digital Mining, Inc. ("Stronghold Inc." or the "Company") is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

Stronghold Inc. operates in two business segments – the *Energy Operations* segment and the *Cryptocurrency Operations* segment. This segment presentation is consistent with how the Company's chief operating decision maker evaluates financial performance and makes resource allocation and strategic decisions about the business.

Energy Operations

The Company operates two qualifying small power production facilities under the provisions of the Public Utilities Regulatory Policies Act of 1978 and sells its electricity into the PJM Interconnection Merchant Market ("PJM") under a Professional Services Agreement ("PSA") with Customized Energy Solutions ("CES"), effective July 27, 2022. Under the PSA, CES agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily marketing, energy scheduling, telemetry, capacity management, reporting, and other related services for the Plants. The initial term of the agreement is two years, and then will extend automatically on an annual basis unless terminated by either party with 60 days written (or electronic) notice prior to the current term end. The Company's primary fuel source is waste coal which is provided by various third parties. Waste coal tax credits are earned by the Company by generating electricity utilizing coal refuse.

Cryptocurrency Operations

The Company is also a vertically-integrated digital currency mining business. The Company buys and maintains a fleet of Bitcoin miners as well as the required infrastructure and provides power to third-party digital currency miners under hosting agreements. The digital currency mining operations are in their early stages, and digital currencies and energy pricing mining economics are volatile and subject to uncertainty. The Company's current strategy will continue to expose it to the numerous risks and volatility associated with the digital mining and power generation sectors, including fluctuating Bitcoin-to-U.S.-Dollar prices, the costs and availability of miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations, and regulatory changes.

NOTE 1 – BASIS OF PRESENTATION

The unaudited condensed consolidated balance sheet as of June 30, 2024, the unaudited condensed consolidated statements of operations and stockholders' equity for the three and six months ended June 30, 2024, and 2023, and the unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2024, and 2023, have been prepared by the Company. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results of operations for the three and six months ended June 30, 2024, are not necessarily indicative of the operating results expected for the full year.

The condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in the annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), have been condensed or omitted. Certain reclassifications of amounts previously reported have been made to the accompanying condensed consolidated financial statements in order to conform to current presentation.

Additionally, since there are no differences between net income (loss) and comprehensive income (loss), all references to comprehensive income (loss) have been excluded from the condensed consolidated financial statements.

On May 15, 2023, following approval by the Board of Directors (the "Board") and stockholders of the Company, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. The par values of the Company's Class A and Class V common stock were not adjusted as a result of the Reverse Stock Split. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

Recently Implemented Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses*, which adds a new impairment model, known as the current expected credit loss ("CECL") model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for its estimate of expected credit losses at the initial recognition of an in-scope financial instrument and applies it to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments. The CECL model does not have a minimum threshold for recognition of impairment losses, and entities will need to measure expected credit losses on assets that have a low risk of loss. Since the Company is a smaller reporting company, as defined by the U.S. Securities and Exchange Commission (the "SEC"), the new guidance became effective on January 1, 2023. The Company adopted ASU 2016-13 effective January 1, 2023, but the adoption of ASU 2016-13 did not have an impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other - Crypto Assets (Subtopic 350-60)*, which requires all entities holding crypto assets that meet certain requirements to subsequently measure those in-scope crypto assets at fair value, with the remeasurement recorded in net income. Among other things, the new guidance also requires separate presentation of (i) the gain or loss associated with remeasurement of crypto assets on the income statement and (ii) crypto assets from other intangible assets on the balance sheet. Before this new guidance, crypto assets were generally accounted for as indefinite-lived intangible assets, which follow a cost-less-impairment accounting model that only reflects decreases, but not increases, in the fair value of crypto assets holdings until sold. Although early adoption is permitted, the new guidance becomes effective on January 1, 2025, and should be applied using a modified retrospective transition method with a cumulative-effect adjustment recorded to the opening balance of retained earnings as of the beginning of the year of adoption. The Company adopted ASU 2023-08 as of January 1, 2024, and the cumulative adjustment increased the opening balance of retained earnings by \$99,292. See *Note 2 – Digital Currencies* for more information.

Recently Issued Accounting Pronouncements

During the first half of 2024, there have been no recently issued accounting pronouncements applicable to the Company. However, the Company continues to evaluate the impact of the following accounting pronouncements issued during the prior year.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, which requires public entities to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, public entities with a single reportable segment will be required to provide the new disclosures and all the disclosures required under ASC 280, *Segment Reporting*. Although early adoption is permitted, this new guidance becomes effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. The Company is currently evaluating the impact of adopting this new guidance on its interim and annual consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance the transparency and decision-usefulness of income tax disclosures, particularly in the rate reconciliation table and disclosures about income taxes paid. Although early adoption is permitted, this new guidance becomes effective for annual periods beginning after December 15, 2024, on a prospective basis. The Company is currently evaluating the impact of adopting this new guidance on its interim and annual consolidated financial statements and related disclosures.

NOTE 2 – DIGITAL CURRENCIES

As of June 30, 2024, the Company held an aggregate amount of \$253,710 in digital currencies comprised of unrestricted Bitcoin. Changes in digital currencies consisted of the following for the three and six months ended June 30, 2024, and 2023:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Digital currencies at beginning of period	\$ 2,704	\$ 672,852	\$ 3,175,595	\$ 109,827
Additions of digital currencies ⁽¹⁾	17,313,625	15,788,875	42,427,846	28,709,950
Realized (loss) gain on sale of digital currencies	(243,688)	266,665	380,419	593,433
Unrealized gain on digital currencies	145,994	—	147,221	—
Impairment losses	—	(254,353)	—	(325,830)
Proceeds from sale of digital currencies	(16,964,925)	(15,044,386)	(45,976,663)	(27,657,727)
Impact of ASU 2023-08 as of January 1, 2024 ⁽²⁾	—	—	99,292	—
Digital currencies at end of period	\$ 253,710	\$ 1,429,653	\$ 253,710	\$ 1,429,653

⁽¹⁾ Additions of digital currencies were related to mining activities.

⁽²⁾ See Note 1 – Basis of Presentation for more details regarding the Company's adoption of ASU 2023-08 as of January 1, 2024.

As previously disclosed, the Company adopted ASU 2023-08 effective January 1, 2024, using a modified retrospective transition method, with a cumulative-effect adjustment of \$99,292 recorded to the opening balance of retained earnings. Following the adoption of ASU 2023-08, realized gains (net of realized losses) on the sale of digital currencies were \$(243,688) and \$380,419 and unrealized gains (net of unrealized losses) on digital currencies were \$145,994 and \$147,221 for the three and six months ended June 30, 2024.

Furthermore, with the adoption of ASU 2023-08, the Company no longer accounts for digital currencies as indefinite-life intangible assets, and therefore, no impairment losses have been recognized in the current year period. The Company used a first-in, first-out methodology to determine its cost basis for computing realized gains and losses on the sale of digital currencies. The Company's Bitcoin mining activities are conducted in the ordinary course of business, and the digital currency assets awarded to the Company by mining pool operators are converted nearly immediately into cash. As such, the Company has classified such cash flows derived from its Bitcoin mining within operating activities in the consolidated condensed statements of cash flows.

As of June 30, 2024, the Company's crypto asset holdings consisted of approximately 4.1 Bitcoin with a fair value and carrying value of \$253,710. None of these digital currency assets are subject to contractual sale restrictions as of June 30, 2024. The cumulative realized gains and losses from dispositions that occurred during the six months ended June 30, 2024, totaled \$861,333 and \$480,914, respectively. As of December 31, 2023, the Company's crypto asset holdings consisted of approximately 76.7 Bitcoin with a carrying value was \$3,175,595 and fair value of \$3,274,887.

NOTE 3 – INVENTORY

Inventory consisted of the following components as of June 30, 2024, and December 31, 2023:

	June 30, 2024	December 31, 2023
Waste coal	\$ 4,317,417	\$ 4,066,201
Fuel oil	109,816	72,969
Limestone	42,856	57,642
Inventory	\$ 4,470,089	\$ 4,196,812

NOTE 4 – EQUIPMENT DEPOSITS

Equipment deposits represent contractual agreements with vendors to deliver and install miners at future dates. The following details the vendor, miner model, miner count, and expected delivery month(s).

The total equipment deposits of \$8,000,643 as of December 31, 2023, represent cash paid for the following 5,000 miner assets: (i) 1,100 MicroBT WhatsMiner M50 miners; (ii) 2,800 Bitmain Antminer S19k Pro miners; and (iii) 1,100 Canaan Avalon A1346 miners. These miner assets were all delivered to the Company during the first quarter of 2024, resulting in an equipment deposits balance of \$0 as of June 30, 2024.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of June 30, 2024, and December 31, 2023:

	Useful Lives (Years)	June 30, 2024	December 31, 2023
Electric plant	10 - 60	\$ 67,131,485	\$ 67,063,626
Strongboxes and power transformers	8 - 30	54,588,284	54,588,284
Karbolith	30	493,626	—
Machinery and equipment	5 - 20	16,791,365	16,222,214
Rolling stock	5 - 7	272,267	261,000
Cryptocurrency machines and powering supplies	2 - 3	92,090,411	88,445,931
Computer hardware and software	2 - 5	100,536	100,536
Vehicles and trailers	2 - 7	658,500	658,500
Leasehold improvements	2 - 3	2,992,845	2,992,845
Construction in progress	Not Depreciable	11,225,488	11,562,170
Asset retirement cost	10 - 30	580,452	580,452
		246,925,259	242,475,558
Accumulated depreciation and amortization		(112,841,789)	(97,832,787)
Property, plant and equipment, net		\$ 134,083,470	\$ 144,642,771

Construction in progress consists of various projects to build out the cryptocurrency machine power infrastructure and is not depreciable until the asset is considered in service and successfully powers and runs the attached cryptocurrency machines. Completion of these projects will have various rollouts of energized transformed containers and are designed to calibrate power from the plant to the container that houses multiple cryptocurrency machines. Currently, the balance of \$11,225,488 as of June 30, 2024, represents amounts paid for ongoing or future projects.

Depreciation and amortization expense charged to operations was \$9,290,563 and \$8,634,967 for the three months ended June 30, 2024, and 2023, respectively, including depreciation of assets under finance leases of \$116,187 and \$112,141 for the same respective periods.

Depreciation and amortization expense charged to operations was \$18,805,217 and \$16,357,808 for the six months ended June 30, 2024, and 2023, respectively, including depreciation of assets under finance leases of \$219,923 and \$245,523 for the same respective periods.

The gross value of assets under finance leases and the related accumulated amortization approximated \$3,046,302 and \$1,640,659 as of June 30, 2024, respectively, and \$2,797,265 and \$1,420,736 as of December 31, 2023, respectively.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of June 30, 2024, and December 31, 2023:

	June 30, 2024	December 31, 2023
Accrued legal and professional fees	\$ 377,647	\$ 733,115
Accrued interest	2,992	22,101
Accrued sales and use tax	6,088,271	5,660,028
Accrued plant utilities and fuel	1,145,167	3,505,203
Accrued loss contingencies	3,038,487	—
Other	906,090	867,448
Accrued liabilities	\$ 11,558,654	\$ 10,787,895

NOTE 7 – DEBT

Total debt consisted of the following as of June 30, 2024, and December 31, 2023:

	June 30, 2024	December 31, 2023
\$499,520 loan, with interest at 2.74%, due February 2024.	\$ —	\$ 26,522
\$517,465 loan, with interest at 4.79%, due November 2024.	109,488	158,027
\$119,000 loan, with interest at 7.40%, due December 2026.	69,346	119,000
\$585,476 loan, with interest at 4.99%, due November 2025.	258,648	345,665
\$431,825 loan, with interest at 7.60%, due April 2024.	—	31,525
\$58,149,411 Credit Agreement, with interest at 10.00% plus SOFR, due October 2025.	50,946,041	51,060,896
\$92,381 loan, with interest at 1.49%, due April 2026.	44,953	56,470
\$64,136 loan, with interest at 11.85%, due May 2024.	—	13,795
\$196,909 loan, with interest at 6.49%, due October 2025.	108,579	134,845
\$249,037 loan, with interest at 4.49%, due April 2029	240,245	—
\$60,679 loan, with interest at 7.60%, due March 2025.	40,280	48,672
\$3,500,000 Promissory Note, with interest at 7.50%, due October 2025.	3,000,000	3,000,000
\$1,184,935 Promissory Note, due June 2024.	—	592,468
\$552,024 Promissory Note, due July 2024.	—	552,024
Total outstanding borrowings	\$ 54,817,580	\$ 56,139,909
Current portion of long-term debt, net of discounts and issuance fees	16,347,388	7,936,147
Long-term debt, net of discounts and issuance fees	\$ 38,470,192	\$ 48,203,762

WhiteHawk Refinancing Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the “Credit Agreement”) with WhiteHawk Finance LLC (“WhiteHawk”) to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the “WhiteHawk Financing Agreement”). Upon closing, the Credit Agreement consisted of \$35.1 million in term loans and \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the “WhiteHawk Refinancing Agreement”) was entered into by Stronghold Digital Mining Holdings, LLC (“Stronghold LLC”), as Borrower (in such capacity, the “Borrower”), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP (“WhiteHawk Capital”), as collateral agent and administrative agent, and the other lenders thereto, entered into an amendment to the Credit Agreement (the “First Amendment”) in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. However, in December 2023, the Company made two amortization payments of the WhiteHawk Refinancing Agreement that were otherwise due on July 31, 2024, and August 31, 2024, and therefore, the next required monthly amortization payment is due on September 30, 2024.

Beginning June 30, 2023, following a five-month holiday, Stronghold LLC began to make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. Consistent with the First Amendment, the Company made loan prepayments of \$37,800 and \$217,800 during the three and six months ended June 30, 2024, respectively. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000. On February 15, 2024, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into a Third Amendment to the Credit Agreement (the “Third Amendment”) which, among other items, amended the Company’s minimum liquidity requirement to not be less than: (A) until June 30,

2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of June 30, 2024.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate ("SOFR") plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5% and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.50% and 14.81% for the six months ended June 30, 2024, and 2023, respectively.

Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of approximately \$28,960,947 during the first quarter of 2023.

Bruce & Merrilees Promissory Note

On March 28, 2023, the Company and Stronghold LLC entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released ten (10) 300kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims. Simultaneous with the B&M Settlement, the Company and each of its subsidiaries entered into a subordination agreement with B&M and WhiteHawk Capital pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk Capital pursuant to the Credit Agreement. This subordination agreement became effective on March 28, 2023, with the Second Amendment to the Credit Agreement.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default has occurred or is occurring under the WhiteHawk Credit Agreement and (ii) no PIK Option (as such term is defined in the WhiteHawk Refinancing Agreement) has been elected by the Company. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of June 30, 2024, the Company has paid \$500,000 of principal pursuant to the B&M Note.

Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of June 30, 2024, the Company fully repaid the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully

repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant. As of June 30, 2024, the Company fully repaid the promissory note due to Canaan.

NOTE 8 – RELATED PARTY TRANSACTIONS

Waste Coal Agreement

The Company is obligated under a Waste Coal Agreement (the “WCA”) to take minimum annual delivery of 200,000 tons of waste coal as long as there is a sufficient quantity of waste coal that meets the Average Quality Characteristics (as defined in the WCA). Under the terms of the WCA, the Company is not charged for the waste coal itself but is charged a \$6.07 per ton base handling fee as it is obligated to mine, process, load, and otherwise handle the waste coal for itself and also for other customers of Coal Valley Sales, LLC (“CVS”) from the Company's Russellton site specifically. The Company is also obligated to unload and properly dispose of ash at its Russellton site. The Company is charged a reduced handling fee of \$1.00 per ton for any tons in excess of the minimum take of 200,000 tons. The Company is the designated operator of the Russellton site, and therefore, is responsible for complying with all state and federal requirements and regulations.

The Company purchases coal from Coal Valley Properties, LLC, a single-member limited liability company which is entirely owned by one individual who has ownership in Q Power LLC (“Q Power”), and from CVS. CVS is a single-member limited liability company which is owned by a coal reclamation partnership of which an owner of Q Power has a direct and an indirect interest in the partnership of 16.26%.

The Company expensed \$244,035 and \$150,000 for the three months ended June 30, 2024, and 2023, respectively, and \$623,477 and \$300,000 for the six months ended June 30, 2024 and 2023, respectively, associated with coal purchases from CVS, which is included in fuel expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

Fuel Service and Beneficial Use Agreement

The Company has a Fuel Service and Beneficial Use Agreement (“FBUA”) with Northampton Fuel Supply Company, Inc. (“NFS”), a wholly owned subsidiary of Olympus Power. The Company buys fuel from and sends ash to NFS, for the mutual benefit of both facilities, under the terms and rates established in the FBUA. The FBUA expired on December 31, 2023. The Company expensed \$821,131 and \$923,874 for the three months ended June 30, 2024, and 2023, respectively, and \$1,442,640 and \$2,081,801 for the six months ended June 30, 2024 and 2023, respectively, which is included in fuel expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Northampton is no longer a related party entity.

Fuel Management Agreements

Panther Creek Fuel Services LLC

Effective August 1, 2012, the Company entered into the Fuel Management Agreement (the “Panther Creek Fuel Agreement”) with Panther Creek Fuel Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Panther Creek Fuel Agreement, Panther Creek Fuel Services LLC provides the Company with operations and maintenance services with respect to the Panther Creek Plant. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company expensed \$0 and \$449,228 for the three months ended June 30, 2024, and 2023, respectively, and \$0 and \$927,849 for the six months ended June 30, 2024, and 2023 which is included in operations and maintenance expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Panther Creek Fuel Services LLC is no longer a related party entity.

Scrubgrass Fuel Services, LLC

Effective February 1, 2022, the Company entered into the Fuel Management Agreement (the “Scrubgrass Fuel Agreement”) with Scrubgrass Fuel Services LLC, a wholly owned subsidiary of Olympus Services LLC, which, in turn, is

a wholly owned subsidiary of Olympus Power LLC. Under the Scrubgrass Fuel Agreement, Scrubgrass Fuel Services LLC provides the Company with operations and maintenance services with respect to the Panther Creek Plant. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company expensed \$0 and \$98,825 for the three months ended June 30, 2024, and 2023, respectively, and \$0 and \$374,944 for the six months ended June 30, 2024, and 2023, which is included in operations and maintenance expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Scrubgrass Fuel Services, LLC is no longer a related party entity.

O&M Agreements

Olympus Power LLC

On November 2, 2021, Stronghold LLC entered into an Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services provided certain operations and maintenance services to Stronghold LLC and employed certain personnel to operate the Plants. Stronghold LLC reimbursed Olympus Stronghold Services for those costs incurred by Olympus Stronghold Services and approved by Stronghold LLC in the course of providing services under the Omnibus Services Agreement, including payroll and benefits costs and insurance costs. The material costs incurred by Olympus Stronghold Services were to be approved by Stronghold LLC. From November 2, 2021, until October 1, 2023, Stronghold LLC also agreed to pay Olympus Stronghold Services a management fee at the rate of \$1,000,000 per year, payable monthly for services provided at each of the Plants, and an additional one-time mobilization fee of \$150,000 upon the effective date of the Omnibus Services Agreement, which was deferred. Effective October 1, 2022, Stronghold LLC began paying Olympus Stronghold Services a management fee for the Panther Creek Plant in the amount of \$500,000 per year, payable monthly for services provided at the Panther Creek Plant. This was a reduction of \$500,000 from the \$1,000,000 per year management fee that the Company was previously scheduled to pay Olympus Stronghold Services. The Company expensed \$30,000 and \$234,688 for the three months ended June 30, 2024, and 2023, respectively, and \$60,000 and \$470,064 for the six months ended June 30, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the "Termination and Release") whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

As disclosed above, effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Olympus Power LLC is no longer a related party entity.

Panther Creek Energy Services LLC

Effective August 2, 2021, the Company entered into the Operations and Maintenance Agreement (the "O&M Agreement") with Panther Creek Energy Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the O&M Agreement, Panther Creek Energy Services LLC provides the Company with operations and maintenance services with respect to the Panther Creek Plant. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary date of the effective date. The Company expensed \$0 and \$935,770 for the three months ended June 30, 2024, and 2023, respectively, and \$0 and \$1,846,164 for the six months ended June 30, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

In connection with the equity contribution agreement, effective July 9, 2021 (the "Equity Contribution Agreement"), the Company entered into the Amended and Restated Operations and Maintenance Agreement (the "Amended O&M Agreement") with Panther Creek Energy Services LLC. Under the Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Amended O&M Agreement was the closing date of the Equity Contribution Agreement. Effective November 1, 2023, Stronghold LLC no longer pays Olympus Stronghold Services a management fee for the Panther Creek Plant.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Panther Creek Energy Services LLC is no longer a related party entity.

Scrubgrass Energy Services, LLC

Effective February 1, 2022, the Company entered into the Operations and Maintenance Agreement (the “Scrubgrass O&M Agreement”) with Scrubgrass Energy Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Scrubgrass O&M Agreement, Scrubgrass Energy Services LLC provides the Company with operations and maintenance services with respect to the Scrubgrass Plant. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary date of the effective date. The Company expensed \$0 and \$545,178 for the three months ended June 30, 2024, and 2023, respectively, and \$0 and \$2,269,290 for the six months ended June 30, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of June 30, 2024, and December 31, 2023, below.

In connection with the Equity Contribution Agreement effective July 9, 2021, the Company entered into the Amended and Restated Operations and Maintenance Agreement (the “Scrubgrass Amended O&M Agreement”) with Scrubgrass Energy Services LLC. Under the Scrubgrass Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Scrubgrass Amended O&M Agreement is the closing date of the Equity Contribution Agreement. Effective October 1, 2022, Stronghold LLC no longer pays Olympus Stronghold Services a management fee for the Scrubgrass Plant.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Scrubgrass Energy Services, LLC is no longer a related party entity.

Management Services Agreement

On April 19, 2023, pursuant to an independent consulting agreement the Company entered into with William Spence in connection with his departure from the Board (the "Spence Consulting Agreement"), Mr. Spence's annualized management fee of \$600,000 decreased to the greater of \$200,000 or 10% of any economic benefits derived from the sale of beneficial use ash, carbon sequestration efforts or alternative fuel arrangements, in each case, arranged by Mr. Spence. The previous consulting and advisory agreement with Mr. Spence was terminated in connection with entry into the Spence Consulting Agreement.

In April 2023, as part of the compensation pursuant to the Spence Consulting Agreement, Mr. Spence also received a one-time grant of 250,000 fully vested shares of the Company's Class A common stock, which was recorded as stock-based compensation in the second quarter of 2023.

Warrants

On September 13, 2022, the Company entered into a Securities Purchase Agreement with Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 60,241 shares of Class A common stock and warrants to purchase 60,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share, subsequently amended to \$10.10 per share and then \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

Additionally, on April 20, 2023, Mr. Beard invested \$1.0 million in exchange for 100,000 shares of Class A common stock and 100,000 pre-funded warrants. Refer to *Note 15 – Equity Issuances* for additional details.

Amounts due to related parties as of June 30, 2024, and December 31, 2023, were as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Coal Valley Sales, LLC	\$ 973,371	\$ 433,195
Panther Creek Operating LLC	—	14,511
Northampton Generating Fuel Supply Company, Inc.	—	226,951
Olympus Power LLC and other subsidiaries	—	44,181
William Spence	133,333	—
Due to related parties	<u>\$ 1,106,704</u>	<u>\$ 718,838</u>

NOTE 9 – CONCENTRATIONS

Credit risk is the risk of loss the Company would incur if counterparties fail to perform their contractual obligations (including accounts receivable). The Company primarily conducts business with counterparties in the cryptocurrency mining and energy industry. This concentration of counterparties may impact the Company's overall exposure to credit risk, either positively or negatively, in that its counterparties may be similarly affected by changes in economic, regulatory or other conditions. The Company mitigates potential credit losses by dealing, where practical, with counterparties that are rated at investment grade by a major credit agency or have a history of reliable performance within the cryptocurrency mining and energy industry.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents customarily exceed federally insured limits. For accounts receivable, the Company's significant credit risk is primarily concentrated with CES. CES accounted for approximately 76% and 100% of the Company's *Energy Operations* segment revenues for the three months ended June 30, 2024, and 2023, respectively, and approximately 87% and 98% of the Company's *Energy Operations* segment revenues for the six months ended June 30, 2024, and 2023, respectively.

Additionally, approximately 20% and 18% of the Company's total revenues for the three months ended June 30, 2024, and 2023, respectively, and approximately 20% and 16% of the Company's total revenues for the six months ended June 30, 2024, and 2023, respectively, were derived from services provided to two customers.

For the three months ended June 30, 2024, and 2023, the Company purchased approximately 40% and 30% of waste coal, respectively, from two suppliers. For the six months ended June 30, 2024, and 2023, the Company purchased approximately 49% and 49% of waste coal, respectively, from the same related parties. See *Note 8 – Related Party Transactions* for further information.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Commitments:

As discussed in *Note 4 – Equipment Deposits*, the Company has entered into various equipment contracts to purchase miners. Most of these contracts required a percentage of deposits upfront and subsequent payments to cover the contracted purchase price of the equipment. Details of the outstanding purchase agreement with MinerVa are summarized below.

MinerVa Semiconductor Corp

On April 2, 2021, the Company entered into a purchase agreement (the "MinerVa Purchase Agreement") with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miners with a total terahash to be delivered equal to 1.5 million terahash. The price per miner was \$4,892.50 for an aggregate purchase price of \$73,387,500 to be paid in installments. The first installment equal to 60% of the purchase price, or \$44,032,500, was paid on April 2, 2021, and an additional payment of 20% of the purchase price, or \$14,677,500, was paid on June 2, 2021. As of June 30, 2024, there were no remaining deposits owed.

In December 2021, the Company extended the deadline for delivery of the MinerVa miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and had only delivered approximately 3,200 of the 15,000 miners. As a result, an impairment totaling \$12,228,742 was recorded in the first quarter of 2022. Furthermore, in the fourth quarter of 2022, the difference between the fair value of the MinerVa equipment deposits and the carrying value resulted in the Company recording an additional impairment charge of \$5,120,000.

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached, the Company could end discussions, declare an impasse, and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. As the 60-day period has expired, the Company is evaluating all available remedies under the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

As of June 30, 2024, MinerVa had delivered, refunded cash or swapped into deliveries of industry-leading miners of equivalent value to approximately 12,700 of the 15,000 miners. As disclosed below, the Company is pursuing legal action through the dispute resolution process, and as a result, the Company no longer expects equipment deliveries.

Contingencies:

Legal Proceedings

The Company experiences litigation in the normal course of business. Certain of these matters are discussed below. The Company accrues for estimated costs related to existing lawsuits, claims and legal proceedings when it is probable that it will incur these costs in the future and the costs are reasonably estimable.

McClymonds Supply & Transit Company, Inc. and DTA, L.P. vs. Scrubgrass Generating Company, L.P.

On January 31, 2020, McClymonds Supply and Transit Company, Inc. ("McClymonds") made a Demand for Arbitration, as required by the terms of the Transportation Agreement between McClymonds and Scrubgrass Generating Company, L.P. ("Scrubgrass") dated April 8, 2013 (the "Agreement"). In its demand, McClymonds alleged damages in the amount of \$5,042,350 for failure to pay McClymonds for services. On February 18, 2020, Scrubgrass submitted its answering statement denying the claim of McClymonds in its entirety. On March 31, 2020, Scrubgrass submitted its counterclaim against McClymonds in the amount of \$6,747,328 as the result of McClymonds' failure to deliver fuel as required under the terms of the Agreement. Hearings were held from January 31, 2022, to February 3, 2022. On May 9, 2022, an award in the amount of \$5.0 million plus interest of approximately \$0.8 million was issued in favor of McClymonds. The two managing members of Q Power have executed a binding document to pay the full amount of the award and have begun to pay the full amount of the award, such that there will be no effect on the financial condition of the Company. McClymonds shall have no recourse to the Company with respect to the award.

Allegheny Mineral Corporation v. Scrubgrass Generating Company, L.P., Butler County Court of Common Pleas, No. AD 19-11039

In November 2019, Allegheny Mineral Corporation ("Allegheny Mineral") filed suit against the Company seeking payment of approximately \$1,200,000 in outstanding invoices. In response, the Company filed counterclaims against Allegheny Mineral asserting breach of contract, breach of express and implied warranties, and fraud in the amount of \$1,300,000. After unsuccessful mediation in August 2020, the parties again attempted to mediate the case on October 26, 2022, which led to a mutual agreement to settlement terms of a \$300,000 cash payment, and a supply agreement for limestone. Subject to completion of the settlement terms, this matter has been stayed in Butler County Court, and the outstanding litigation has been terminated.

Federal Energy Regulatory Commission ("FERC") Matters

On November 19, 2021, Scrubgrass received a notice of breach from PJM Interconnection, LLC alleging that Scrubgrass breached Interconnection Service Agreement – No. 1795 (the "ISA") by failing to provide advance notice to PJM Interconnection, LLC and Mid-Atlantic Interstate Transmission, LLC pursuant to ISA, Appendix 2, section 3, of modifications made to the Scrubgrass Plant. On December 16, 2021, Scrubgrass responded to the notice of breach and respectfully disagreed that the ISA had been breached. On January 7, 2022, Scrubgrass participated in an information gathering meeting with representatives from PJM regarding the notice of breach and continued to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, the Company sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, the Company executed a necessary study agreement with respect to the Panther Creek Plant.

PJM's investigation and discussions with the Company regarding the notice of breach at the Scrubgrass Plant and the Panther Creek Plant are ongoing, including with respect to interim procedures, until the Company receives revised Interconnect Service Agreements for the Scrubgrass Plant and the Panther Creek Plant. Stronghold does not expect to make any material payments related to any resettlements of prior billing statements. The Company continues to expect to source electricity for its computational load banks from the Scrubgrass and Panther Creek Plants; however, Stronghold expects that, until the revised Interconnect Service Agreements are finalized and potentially thereafter, the Company will pay retail rates for electricity that is imported from the grid should it be unable to fully supply power to the computational load banks.

On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement ("OE") informed the Company that the OE was conducting a non-public preliminary investigation concerning Scrubgrass' compliance with various aspects of the PJM tariff. The OE requested that the Company provide certain information and documents concerning Scrubgrass' operations by June 10, 2022. On July 13, 2022, after being granted an extension to respond by the OE, the Company submitted a formal response to the OE's request. Since the Company submitted its formal response to the OE's request, the Company has had further discussions with the OE regarding the Company's formal response. The OE's investigation, and discussions between the OE and the Company, regarding potential instances of non-compliance is continuing. The

Company does not believe that the PJM notice of breach, the Panther Creek necessary study agreement, discussions regarding other potential issues related to the computational load bank, including power consumption and potential resettlements of billing statements for certain prior months, or the preliminary investigation by the OE will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with certainty the final outcome of these proceedings.

Shareholder Securities and Derivative Lawsuits

On April 14, 2022, the Company, and certain of our current and former directors, officers and underwriters were named in a putative class action complaint filed in the United States District Court for the Southern District of New York (*Winter v. Stronghold Digital Mining*, Case No. 1:22-cv-3088). On August 4, 2022, co-lead plaintiffs were appointed. On October 18, 2022, the plaintiffs filed an amended complaint, alleging that the Company made misleading statements and/or failed to disclose material facts in violation of Section 11 of the Securities Act, 15 U.S.C. §77k and Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), about the Company's business, operations, and prospects in the Company's registration statement on Form S-1 related to its initial public offering, and when subsequent disclosures were made regarding these operational issues when the Company announced its fourth quarter and full year 2021 financial results, the Company's stock price fell, causing significant losses and damages. As relief, the plaintiffs are seeking, among other things, compensatory damages. The amended complaint also alleged violations of Section 12 of the Securities Act based on alleged false or misleading statements in the Company's prospectus related to its initial public offering. On December 19, 2022, the Company filed a motion to dismiss, which the court largely denied on August 10, 2023. On September 8, 2023, the Court entered a Case Management Order, which set a number of case deadlines, including the completion of all discovery by April 21, 2025. On January 19, 2024, the Court granted the motion of one co-lead plaintiff to withdraw from the case, leaving one plaintiff remaining. Plaintiff filed a motion for class certification on February 19, 2024 and defendants' response to that motion is due on June 10, 2024. The defendants continue to believe the allegations in the complaint are without merit and intend to defend these suits vigorously.

On September 5, 2023, and September 15, 2023, respectively, purported shareholders of the Company filed two derivative actions in the United States District Court for the Southern District of New York (*Wilson v. Beard*, Case No. 1:23-cv-7840, and *Navarro v. Beard*, Case No. 1:23-cv-08714) against certain of our current and former directors and officers, and the Company as a nominal defendant. The shareholders generally allege that the individual defendants breached their fiduciary duties by making or failing to prevent the misrepresentations alleged in the putative Winter securities class action, and assert claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, corporate waste, and for contribution under Section 11 of the Securities Act and Section 21D of the Securities Exchange Act of 1934. The two cases were consolidated on October 24, 2023 under the case name *In Re Stronghold Digital Mining, Inc., Stockholder Derivative Litigation* (the "Consolidated Derivative Action"). On November 21, 2023 the Court entered an order staying the Consolidated Derivative Action pending a ruling on the motion for class certification in the putative Winter securities class action. The defendants believe the allegations in the Consolidated Derivative Action are without merit and intend to defend the suits vigorously.

On November 14, 2023, and February 4, 2024, respectfully, purported shareholders of the Company filed two additional derivative actions in the United States District Court for the Southern District of New York (*Parker v. Beard*, Case No. 23 Civ. 10028 and *Bruno v. Beard*, Case No. 24 Civ. 798) against certain of our current and former directors and officers, and the Company as a nominal defendant. These lawsuits assert substantially the same claims and allegations as the Wilson and Navarro complaints. Plaintiff in the Bruno action had previously served a books and records demand, as well as an investigation/litigation demand, on the Company making similar allegations. On April 24, 2024, the Parker and Bruno cases were consolidated with the Consolidated Derivative Action by agreement of the parties. As a result, the Parker and Bruno cases are also stayed pending further proceedings in the putative Winter securities class action.

Representatives for the Company and plaintiffs executed a Memorandum of Understanding reflecting the terms of their agreement in principle on July 18, 2024, including, among other things, a contemplated cash payment, a portion of which will be covered by insurance, and are currently drafting full settlement documentation. The settlement will be subject to court approval.

Mark Grams v. Treis Blockchain, LLC, Chain Enterprises, LLC, Cevon Technologies, LLC, Stronghold Digital Mining, LLC, David Pence, Michael Bolick, Senter Smith, Brian Lambretti and John Chain

On May 4, 2023, Stronghold Digital Mining, LLC, a subsidiary of the Company ("Stronghold"), was named as one of several defendants in a complaint filed in the United States District Court for the Middle District of Alabama Eastern Division (the "Grams Complaint"). The Grams Complaint alleges that certain Bitcoin miners the Company purchased from Treis Blockchain, LLC ("Treis") in December 2021 contained firmware that is alleged to have constituted "trade secrets" owned by Grams. Principally, the Grams Complaint included allegations of misappropriation of these alleged trade secrets.

The Company believes that the allegations against it and its subsidiaries in the Grams Complaint are without merit and intends to vigorously defend the suit. To that end, the Company has entered into a joint defense agreement with Treis and the other named defendants. The Company has also entered into a tolling agreement with Treis. The Company filed a motion to dismiss the case for lack of personal jurisdiction on June 23, 2023. On October 6, 2023, Grams filed an Amended Complaint, to which the Company filed a renewed Motion to Dismiss for Lack of Personal Jurisdiction, or in the Alternative to Transfer the Case to the District of South Carolina, in addition to a renewed Motion to Dismiss several causes of action alleged in the Amended Complaint. On December 8, 2023, the Company filed its reply to Plaintiff's response to the Company's Motion to Transfer or Alternatively to Dismiss pursuant to Rule 12(b)(2). On April 12, 2024, Grams filed an opposition to the Company's previously filed motion to dismiss. On April 22, 2024, the Company filed a reply in support of its motion to dismiss. A ruling on the pending motions is expected to be forthcoming in the foreseeable future. On July 8, 2024, the Court denied the Motion to Dismiss for Lack of Personal Jurisdiction, or in the Alternative to Transfer the Case to the District of South Carolina. It further requested the Defendants to refile their Motion to Dismiss several causes of action alleged in the Amended Complaint so that the court could consider that motion separately. Defendants filed their Motion to Dismiss on July 22, 2024. The Company does not believe the Grams Complaint will have a material adverse effect on the Company's reported financial position or results of operations.

MinerVa Purchase Agreement

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached, the Company could end discussions, declare an impasse and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

John W. Krynock v. Panther Creek Fuel Services, LLC c/o Olympus Power

On June 2, 2023, Panther Creek Fuel Services, LLC, an affiliate of the Company was named as a defendant in a Federal Black Lung Case under Title IV of the Federal Coal Mine Health and Safety Act of 1969. The Plaintiff previously settled a state law claim with a predecessor in interest of the Company. The Company denies any liability in connection with the claim and intends to defend the suit vigorously. The Company does not believe that the claim will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with any certainty the outcome of these proceedings.

Department of Environmental Protection

On November 9, 2023, the Company entered into a Consent Order and Agreement ("COA") with the Commonwealth of Pennsylvania, Department of Environmental Protection ("DEP"). Pursuant to the COA, the DEP found that a July 5, 2022, inspection of the Company's Scrubgrass Plant observed that coal ash at the Scrubgrass Plant exceeded the capacity of the permitted ash conditioning area as approved by the DEP on September 12, 2007. The COA found that the Scrubgrass Plant's storage of excess waste coal ash violated certain provisions of the Solid Waste Management Act and Pennsylvania Code, among other items. Pursuant to the COA, Scrubgrass must pay a civil penalty in the amount of \$28,800, in two equal installments within ninety (90) days of entry into the COA. The Company made the first payment to the DEP on November 10, 2023. The terms of the COA also require the Company to remove (i) a minimum of 80,000 tons of excess waste coal ash by November 9, 2024, (ii) 160,000 aggregate tons of excess waste coal ash by November 9, 2025, (iii) 220,000 aggregate tons of excess waste coal ash by November 9, 2026, and (iv) all remaining excess waste coal ash by November 9, 2027, such that the ash conditioning area is consistent with the specifications accepted by the DEP on September 7, 2007. Beginning on January 24, 2024, the Company is to provide quarterly progress reports to the DEP. In connection with the COA, the Company has had preliminary discussions with the Pennsylvania Public Utilities Commission ("PUC") and the DEP regarding potential resettlement or forfeiture of Pennsylvania Tier II Alternative Energy Credits during any period of non-compliance, expected to be limited to July 5-22, 2022. In February of 2024, the Company retired 25,968 Alternative Energy Credits reflective of the amount of credits generated during the period of non-compliance from July 5-22, 2022. On December 15, 2023, the Scrubgrass Creek Watershed Association filed a Notice of Appeal to the Environmental Hearing Board regarding the COA (the "COA Appeal"). The Company does not believe the COA, COA Appeal or

discussions with the PUC will have a material adverse effect on the Company's reported financial position or results of operations.

Save Carbon County

On March 26, 2024, the Company, Panther Creek Power Operating, LLC, Stronghold and Stronghold LLC were named as defendants (collectively, the "Stronghold Defendants") in a complaint filed in the Court of Common Pleas in Philadelphia County by Save Carbon County (the "Complaint"). In addition to the Stronghold Defendants, Josh Shapiro in his capacity as the Governor of the Commonwealth of Pennsylvania, the Pennsylvania Department of Environmental Protection, Jessica Shirley in her capacity as the Interim Secretary for the Pennsylvania Department of Environmental Protection, and the Pennsylvania Public Utility Commission were named as defendants. Pursuant to the Complaint, Save Carbon County alleges certain public nuisance, private nuisance, products liability, and negligence claims against the Stronghold Defendants and demands compensatory and punitive damages, together with costs of suit, interest, and attorney's fees. On July 30, 2024, the parties stipulated to the transfer of the litigation to the Commonwealth Court of Pennsylvania, where the litigation will resume in the initial pleading stage, including resolution of preliminary objections to dismiss or narrow the scope of the Complaint's claims. The Company believes the Complaint is without merit. The Company does not believe that the claim will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with any certainty the outcome of these proceedings.

NOTE 11 – REDEEMABLE COMMON STOCK

Class V common stock represented 15.6% and 17.8% ownership of Stronghold LLC, as of June 30, 2024, and December 31, 2023, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by the Company's stockholders generally, and a redemption right into Class A shares. Refer to *Note 12 – Noncontrolling Interests* for more details.

The Company classifies its Class V common stock as redeemable common stock in the accompanying condensed consolidated balance sheets as, pursuant to the Stronghold LLC Agreement, the redemption rights of each unit held by Q Power for either shares of Class A common stock or an equivalent amount of cash is not solely within the Company's control. This is due to the holders of the Class V common stock collectively owning a majority of the voting stock of the Company, which allows the holders of Class V common stock to elect the members of the Board, including those directors who determine whether to make a cash payment upon a Stronghold LLC unit holder's exercise of its redemption rights. Redeemable common stock is recorded at the greater of the book value or redemption amount from the date of the issuance, April 1, 2021, and the reporting date as of June 30, 2024.

The Company recorded redeemable common stock as presented in the table below.

	Common - Class V	
	Shares	Amount
Balance - December 31, 2023	2,405,760	\$ 20,416,116
Net loss attributable to noncontrolling interest	—	(2,406,893)
Maximum redemption right valuation	—	(7,592,769)
Balance - June 30, 2024	2,405,760	\$ 10,416,454

NOTE 12 – NONCONTROLLING INTERESTS

The Company is the sole managing member of Stronghold LLC and, as a result, consolidates the financial results of Stronghold LLC and reports a noncontrolling interest representing the common units of Stronghold LLC held by Q Power. Changes in the Company's ownership interest in Stronghold LLC, while the Company retains its controlling interest, are accounted for as redeemable common stock transactions. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the continuing equity owners will result in changes to the amount recorded as noncontrolling interest. Refer to *Note 11 – Redeemable Common Stock* which describes the redemption rights of the noncontrolling interest.

Class V common stock represented 15.6% and 17.8% ownership of Stronghold LLC as of June 30, 2024, and December 31, 2023, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by the Company's stockholders generally, and a redemption right into shares of Class A common stock.

The following summarizes the redeemable common stock adjustments pertaining to the noncontrolling interest as of and for the six months ended June 30, 2024:

	Class V Common Stock Outstanding	Fair Value Price	Redeemable Common Stock Adjustments
Balance - December 31, 2023	2,405,760	\$ 8.49	\$ 20,416,116
Net loss attributable to noncontrolling interest	—		(2,406,893)
Adjustment of redeemable common stock to redemption amount ⁽¹⁾	—		(7,592,769)
Balance - June 30, 2024	2,405,760	\$ 4.33	\$ 10,416,454

⁽¹⁾ Redeemable common stock adjustment based on Class V common stock outstanding at fair value price at each quarter end, using a 10-day variable weighted average price ("VWAP") of trading dates including the closing date.

NOTE 13 – STOCK-BASED COMPENSATION

Stock-based compensation expense was \$1,667,787 and \$4,366,724 for the three months ended June 30, 2024, and 2023, respectively, and \$3,606,907 and \$6,816,048 for the six months ended June 30, 2024, and 2023, respectively, and is included in general and administrative expense in the condensed consolidated statements of operations. There was no income tax benefit related to stock-based compensation expense due to the Company having a full valuation allowance recorded against its deferred income tax assets.

On January 22, 2024, the Company entered into award agreements with certain executive officers. In total, the executive officers were granted 135,000 restricted stock units. Similarly, on March 15, 2023, the Company entered into award agreements with certain executive officers. In total, the executive officers were granted 272,500 restricted stock units in exchange for the cancellation of 98,669 stock options and 25,000 performance share units previously granted to the executive officers. All restricted stock units were granted under the Company's previously adopted Omnibus Incentive Plan, dated October 19, 2021.

Additionally, in April 2023, as part of the compensation pursuant to the Spence Consulting Agreement described in *Note 8 – Related Party Transactions*, Mr. Spence received a one-time grant of 250,000 fully vested shares of the Company's Class A common stock, which was recorded as stock-based compensation in the second quarter of 2023.

NOTE 14 – WARRANTS

The following table summarizes outstanding warrants as of June 30, 2024.

	Number of Warrants
Outstanding as of December 31, 2023	5,277,985
Issued	—
Exercised	—
Outstanding as of June 30, 2024	5,277,985

September 2022 Private Placement

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice Capital Master Fund Ltd. ("Armistice") and Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 227,435 and 60,241 shares of Class A common stock, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share. Refer to *Note 15 – Equity Issuances* for additional details and information regarding subsequent amendments. As part of the transaction, Armistice purchased the pre-funded warrants for 272,565 shares of Class A common stock at a purchase price of \$16.00 per warrant. The pre-funded warrants have an exercise price of \$0.001 per warrant share.

In April 2023, the Company, Armistice and Mr. Beard entered into amendments to, among other things, adjust the strike price of the remaining outstanding warrants from \$17.50 per share to \$10.10 per share. In December 2023, the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of

the remaining outstanding warrants from \$10.10 per share to \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

As of June 30, 2024, 560,241 warrants issued in connection with the September 2022 Private Placement remained outstanding.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (the "April 2023 Private Placement"). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock. Refer to *Note 15 – Equity Issuances* for additional details.

In January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$11.00 per share to \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

As of June 30, 2024, warrants exercisable for a total of 1,000,000 shares of Class A common stock remained outstanding.

December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share. Pursuant to the Securities Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock. Refer to *Note 15 – Equity Issuances* for additional details.

As of June 30, 2024, warrants exercisable for a total of 3,600,000 shares of Class A common stock remained outstanding. However, subsequent to June 30, 2024, the institutional investor exercised all 1,300,000 of its pre-funded warrants for an equal amount of shares of Class A common stock.

NOTE 15 – EQUITY ISSUANCES

Series C Convertible Preferred Stock

On December 30, 2022, the Company entered into the Exchange Agreement with the Purchasers of the Amended May 2022 Notes whereby the Amended May 2022 Notes were to be exchanged for shares of Series C Preferred Stock that, among other things, will convert into shares of Class A common stock or pre-funded warrants that may be exercised for shares of Class A common stock, at a conversion rate equal to the stated value of \$1,000 per share plus cash in lieu of fractional shares, divided by a conversion price of \$4.00 per share of Class A common stock. Upon the fifth anniversary of the Series C Preferred Stock, each outstanding share of Series C Preferred Stock will automatically and immediately convert into Class A common stock or pre-funded warrants. In the event of a liquidation, the Purchasers shall be entitled to receive an amount per share of Series C Preferred Stock equal to its stated value of \$1,000 per share. The Exchange Agreement closed on February 20, 2023.

Pursuant to the Exchange Agreement, the Purchasers received an aggregate 23,102 shares of the Series C Preferred Stock, in exchange for the cancellation of an aggregate \$17,893,750 of principal and accrued interest, representing all of the amounts owed to the Purchasers under the May 2022 Notes. On February 20, 2023, one Purchaser converted 1,530 shares of the Series C Preferred Stock to 382,500 shares of the Company's Class A common stock. The rights and preferences of the Series C Preferred Stock are designated in a certificate of designation, and the Company provided certain registration rights to the Purchasers. As of June 30, 2024, 5,990 shares of the Series C Preferred Stock remain outstanding following the Series D Exchange Agreement described below.

Series D Exchange Agreement

On November 13, 2023, the Company consummated a transaction (the "Series D Exchange Transaction") pursuant to an exchange agreement, dated November 13, 2023 (the "Series D Exchange Agreement") with Adage Capital Partners, LP (the "Holder") whereby the Company issued to the Holder an aggregate of 15,582 shares of a newly created series of preferred stock, the Series D Convertible Preferred Stock, par value \$0.0001 per share (the "Series D Preferred Stock"), in exchange for 15,582 shares of Series C Preferred Stock held by the Holder, which represented all of the shares of Series C Preferred Stock held by the Holder. The Series D Preferred Stock contains substantially similar terms as the Series C Preferred Stock except with respect to a higher conversion price. The Series D Exchange Agreement contains representations, warranties, covenants, releases, and indemnities customary for transactions of this type, as well as certain trading volume restrictions. As a result of the Series D Exchange Transaction, the Company recorded a deemed contribution of \$20,492,568 resulting from the extinguishment of 15,582 shares of Series C Preferred Stock associated with the Series D Exchange Transaction. The deemed contribution represented the difference between the carrying value of the existing Series C Preferred Stock and the estimated fair value of the newly-issued Series D Preferred Stock. During the first quarter of 2024, the remaining 7,610 shares of Series D Convertible Preferred Stock were converted to 1,414,117 shares of Class A common stock.

During the six months ended June 30, 2024, the Company incurred \$19,637 of final offering costs which has been recorded within additional paid-in capital in the condensed consolidated balance sheet.

September 2022 Private Placement

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice and Greg Beard, the Company's chairman and chief executive officer (together with Armistice, the "September 2022 Private Placement Purchasers"), for the purchase and sale of 227,435 and 60,241 shares, respectively, of Class A common stock, par value \$0.0001 per share at a purchase price of \$16.00 and \$16.60, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share (subject to certain adjustments). Subject to certain ownership limitations, such warrants are exercisable upon issuance and will be exercisable for five and a half years commencing upon the date of issuance. Armistice also purchased the pre-funded warrants to purchase 272,565 shares of Class A common stock at a purchase price of \$16.00 per pre-funded warrant. The pre-funded warrants have an exercise price of \$0.001 per warrant share. The transaction closed on September 19, 2022. The gross proceeds from the sale of such securities, before deducting offering expenses, were approximately \$9.0 million.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of June 30, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>June 30, 2024</u>
Expected volatility	130.4 %
Expected life (in years)	5.5
Risk-free interest rate	4.3 %
Expected dividend yield	0.00 %
Fair value	<u>\$ 2,031,813</u>

In connection with the closing of the December 2023 Private Placement (discussed below), the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and the Company's chairman and chief executive officer, Greg Beard, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (subject to certain adjustments in accordance with the terms thereof). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share.

equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the April 2023 Private Placement, before deducting offering expenses, were approximately \$10.0 million. The April 2023 Private Placement closed on April 21, 2023.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of June 30, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>June 30, 2024</u>
Expected volatility	130.4 %
Expected life (in years)	5.5
Risk-free interest rate	4.3 %
Expected dividend yield	0.00 %
Fair value	<u>\$ 3,652,212</u>

Additionally, as previously disclosed, the Company entered into Securities Purchase Agreements with the September 2022 Private Placement Purchasers for, in part, warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an exercise price of \$17.50 per share. On April 20, 2023, the Company and the September 2022 Private Placement Purchasers entered into amendments to, among other things, adjust the strike price of the warrants from \$17.50 per share to \$10.10 per share.

Pursuant to Greg Beard's employment agreement with the Company dated September 6, 2023, Mr. Beard is eligible for an annual bonus if the applicable targets to achieve such annual bonus are met. For Mr. Beard's 2023 annual bonus, on January 29, 2024, the Compensation Committee of the Company amended Mr. Beard's warrants under the September 2022 Private Placement (described above) and the April 2023 Private Placement such that the exercise price of the warrants was adjusted to \$7.51.

December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share (the "December 2023 Private Placement"). Pursuant to the Securities Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the December 2023 Private Placement, before deducting offering expenses, were approximately \$15.4 million. The December 2023 Private Placement closed on December 21, 2023.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of June 30, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>June 30, 2024</u>
Expected volatility	130.4 %
Expected life (in years)	5
Risk-free interest rate	4.3 %
Expected dividend yield	0.00 %
Fair value	<u>\$ 8,230,859</u>

As of June 30, 2024, warrants exercisable for a total of 3,600,000 shares of Class A common stock remained outstanding. However, subsequent to June 30, 2024, the institutional investor exercised all 1,300,000 of its pre-funded warrants for an equal amount of shares of Class A common stock.

ATM Agreement

On May 23, 2023, the Company entered into an at-the-market offering agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its Class A common stock having aggregate sales proceeds of up to \$15.0 million (the "ATM Shares"), from time to time, through an "at the market" equity offering program under which HCW acts as sales agent and/or principal.

Pursuant to the ATM Agreement, the ATM Shares may be offered and sold through HCW in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Stock Market LLC or sales made to or through a market maker other than on an exchange or in negotiated transactions. Under the ATM Agreement, HCW is entitled to compensation equal to 3.0% of the gross proceeds from the sale of the ATM Shares sold through HCW. The Company has no obligation to sell any of the ATM Shares under the ATM Agreement and may at any time suspend solicitations and offers under the ATM Agreement. The Company and HCW may each terminate the ATM Agreement at any time upon specified prior written notice.

The ATM Shares have been and are being issued pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-271671), filed with the SEC on May 5, 2023, as amended by Amendment No. 1 to the registration statement filed with the SEC on May 23, 2023 (as amended, the "ATM Registration Statement"). Pursuant to the ATM Agreement, no sales may be made until 30 days following the date on which the ATM Registration Statement is declared effective. The ATM Registration Statement was declared effective on May 25, 2023.

During the six months ended June 30, 2024, the Company sold zero ATM Shares.

NOTE 16 – SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and assess performance. The Company's CEO is the chief operating decision maker. The Company functions in two operating segments, *Energy Operations* and *Cryptocurrency Operations*, about which separate financial information is presented below.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
OPERATING REVENUES:				
Energy Operations	\$ 291,314	\$ 1,371,242	\$ 1,064,912	\$ 5,014,163
Cryptocurrency Operations	18,812,825	16,862,499	45,561,412	30,485,793
Total operating revenues	<u>\$ 19,104,139</u>	<u>\$ 18,233,741</u>	<u>\$ 46,626,324</u>	<u>\$ 35,499,956</u>
NET OPERATING LOSS:				
Energy Operations	\$ (8,873,175)	\$ (9,578,048)	\$ (17,076,355)	\$ (20,179,073)
Cryptocurrency Operations	(9,768,584)	(6,001,483)	(5,147,426)	(10,016,571)
Total net operating loss	<u>\$ (18,641,759)</u>	<u>\$ (15,579,531)</u>	<u>\$ (22,223,781)</u>	<u>\$ (30,195,644)</u>
OTHER (EXPENSE) INCOME ⁽¹⁾	<u>(2,625,238)</u>	<u>3,887,402</u>	<u>6,799,073</u>	<u>(28,157,047)</u>
NET LOSS	<u>\$ (21,266,997)</u>	<u>\$ (11,692,129)</u>	<u>\$ (15,424,708)</u>	<u>\$ (58,352,691)</u>
DEPRECIATION AND AMORTIZATION:				
Energy Operations	\$ (1,346,554)	\$ (1,330,647)	\$ (2,672,221)	\$ (2,663,520)
Cryptocurrency Operations	(7,944,009)	(7,304,320)	(16,132,996)	(13,694,288)
Total depreciation and amortization	<u>\$ (9,290,563)</u>	<u>\$ (8,634,967)</u>	<u>\$ (18,805,217)</u>	<u>\$ (16,357,808)</u>
INTEREST EXPENSE:				
Energy Operations	\$ (24,216)	\$ (252,178)	\$ (48,665)	\$ (411,465)
Cryptocurrency Operations	(2,223,847)	(2,351,300)	(4,462,807)	(4,575,926)
Total interest expense	<u>\$ (2,248,063)</u>	<u>\$ (2,603,478)</u>	<u>\$ (4,511,472)</u>	<u>\$ (4,987,391)</u>

⁽¹⁾ The Company does not allocate other income (expense) for segment reporting purposes. Amount is shown as a reconciling item between net operating income (loss) and consolidated net income (loss). Refer to the accompanying condensed consolidated statements of operations for further details.

For the three and six months ended June 30, 2024, and 2023, the loss on disposal of fixed assets, realized loss (gain) on sale of digital currencies, unrealized gain on digital currencies, realized gain on sale of miner assets, and impairments on digital currencies recorded in the condensed consolidated statements of operations were entirely attributable to the *Cryptocurrency Operations* segment.

NOTE 17 – EARNINGS (LOSS) PER SHARE

Basic EPS is computed by dividing the Company's net income (loss) by the weighted average number of Class A shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net loss per share of Class A common stock for the three and six months ended June 30, 2024, and 2023.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<u>Numerator:</u>				
Net loss	\$ (21,266,997)	\$ (11,692,129)	\$ (15,424,708)	\$ (58,352,691)
Less: net loss attributable to noncontrolling interest	(3,325,180)	(3,355,873)	(2,406,893)	(21,475,004)
Net loss attributable to Stronghold Digital Mining, Inc.	<u>\$ (17,941,817)</u>	<u>\$ (8,336,256)</u>	<u>\$ (13,017,815)</u>	<u>\$ (36,877,687)</u>
<u>Denominator:</u>				
Weighted average number of Class A common shares outstanding	14,369,800	6,163,450	14,179,810	5,274,471
Basic net loss per share	\$ (1.25)	\$ (1.35)	\$ (0.92)	\$ (6.99)
Diluted net loss per share	\$ (1.25)	\$ (1.35)	\$ (0.92)	\$ (6.99)

Securities that could potentially dilute earnings (loss) per share in the future were not included in the computation of diluted net loss per share for the three and six months ended June 30, 2024, and 2023, because their inclusion would be anti-dilutive. As of June 30, 2024, the potentially dilutive impact of Series C Preferred Stock not yet exchanged for shares of Class A common stock was 1,497,500, the potentially dilutive impact of Class V shares not yet exchanged for shares of Class A common stock was 2,405,760, and the potentially dilutive impact of outstanding warrants (excluding those with a \$0.01 exercise price) was 3,865,910.

Subsequent to June 30, 2024, an institutional investor exercised all 1,300,000 of its pre-funded warrants for an equal amount of shares of Class A common stock. These pre-funded warrants have been included in the computations of basic and diluted net loss per share of Class A common stock above because such pre-funded warrants have a nominal exercise price of \$0.01 per warrant.

NOTE 18 – INCOME TAXES

Tax Receivable Agreement

The Company entered into a Tax Receivable Agreement (“TRA”) with Q Power and an agent named by Q Power on April 1, 2021 (to which an additional holder was subsequently joined as an additional "TRA Holder" on March 14, 2023), pursuant to which the Company will pay the TRA Holders 85% of the realized (or, in certain circumstances, deemed to be realized) cash tax savings attributable to the tax basis step-ups arising from taxable exchanges of units and certain other items.

During 2022 and 2023, taxable exchanges of Stronghold LLC units, together with a corresponding number of Class V common shares by Q Power for Class A common stock of the Company, resulted in adjustments to the tax basis of Stronghold LLC’s assets. Such step-ups in tax basis, which were allocated to Stronghold Inc., are expected to increase Stronghold Inc.’s tax depreciation, amortization and/or other cost recovery deductions, which may reduce the amount of tax Stronghold Inc. would otherwise be required to pay in the future. No cash tax savings have been realized by Stronghold Inc. with respect to these basis adjustments due to the Company’s estimated taxable losses, and the realization of cash tax savings in the future is dependent, in part, on estimates of sufficient future taxable income. As such, a deferred income tax asset has not been recorded due to maintaining a valuation allowance on the Company’s deferred income tax assets, and no liability has been recorded with respect to the TRA in light of the applicable criteria for accrual.

Estimating the amount and timing of Stronghold Inc.’s realization of income tax benefits subject to the TRA is imprecise and unknown at this time and will vary based on a number of factors, including when future redemptions actually occur. Accordingly, the Company has not recorded any deferred income tax asset or liability associated with the TRA.

Provision for Income Taxes

The provision for income taxes for the three and six months ended June 30, 2024, and 2023, was zero, resulting in an effective income tax rate of zero. The difference between the statutory income tax rate of 21% and the Company’s effective tax rate for the three and six months ended June 30, 2024, and 2023, was primarily due to pre-tax losses attributable to the noncontrolling interest and due to maintaining a valuation allowance against the Company’s deferred income tax assets.

The determination to record a valuation allowance was based on management’s assessment of all available evidence, both positive and negative, supporting realizability of the Company’s net operating losses and other deferred income tax assets, as required by ASC 740, *Income Taxes*. In light of the criteria under ASC 740 for recognizing the tax benefit of deferred income tax assets, the Company maintained a valuation allowance against its federal and state deferred income tax assets as of June 30, 2024, and December 31, 2023.

NOTE 19 – SUPPLEMENTAL CASH AND NON-CASH INFORMATION

Supplemental disclosures of cash flow information for the six months ended June 30, 2024, and 2023, were as follows:

	June 30, 2024	June 30, 2023
Income tax payments	\$ —	\$ —
Interest payments	\$ 4,442,187	\$ 4,676,461

Supplementary non-cash investing and financing activities consisted of the following for the six months ended June 30, 2024, and 2023:

	June 30, 2024	June 30, 2023
Purchases of property, plant and equipment through finance leases	\$ 249,037	\$ 60,679
Purchases of property, plant and equipment included in accounts payable or accrued liabilities	210,020	24,137
Operating lease right-of-use assets exchanged for lease liabilities	—	291,291
Reclassifications from deposits to property, plant and equipment	8,000,643	4,658,970
Issued as part of financing:		
Warrants – April 2023 Private Placement	—	8,882,914
Convertible Note Exchange for Series C Convertible Preferred Stock:		
Extinguishment of convertible note	—	16,812,500
Extinguishment of accrued interest	—	655,500
Issuance of Series C convertible preferred stock, net of issuance costs	—	45,386,944
B&M Settlement:		
Warrants – B&M	—	1,739,882
Return of transformers to settle outstanding payable	—	6,007,500
Issuance of B&M Note	—	3,500,000
Elimination of accounts payable	—	11,426,720
Financed insurance premiums	1,676,510	1,275,288
Class A common stock issued to settle outstanding payables or accrued liabilities	44,990	954,793

NOTE 20 – FAIR VALUE

In addition to assets and liabilities that are measured at fair value on a recurring basis, such as digital currencies pursuant to ASU 2023-08 as described above in *Note 1 – Basis of Presentation* and *Note 2 – Digital Currencies*, the Company also measures certain assets and liabilities at fair value on a nonrecurring basis. The Company's non-financial assets, including operating lease right-of-use assets and property, plant and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized.

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

Adverse changes in business climate, including decreases in the price of Bitcoin and resulting decreases in the market price of miners, may indicate that an impairment triggering event has occurred. If the testing performed indicates the estimated fair value of the Company's miners to be less than their net carrying value, an impairment charge will be recognized, decreasing the net carrying value of the Company's miners to their estimated fair value.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act")), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, statements pertaining to our trends, liquidity, capital resources, and future performance, among others, contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all).

Forward-looking statements may include statements about:

- the hybrid nature of our business model, which is highly dependent on the price of Bitcoin;*
- our dependence on the level of demand and financial performance of the crypto asset industry;*
- our substantial indebtedness and its effect on our results of operations and our financial condition;*
- our ability to manage our growth, business, financial results and results of operations;*
- uncertainty regarding our evolving business model;*
- our ability to raise capital to fund our business and growth;*
- our ability to maintain sufficient liquidity to fund operations, growth and acquisitions;*
- uncertainty regarding the outcomes of any investigations or proceedings;*
- our ability to retain management and key personnel and the integration of new management;*
- our ability to enter into purchase agreements, acquisitions and financing transactions;*
- our ability to maintain our relationships with our third-party brokers and our dependence on their performance;*
- our ability to procure crypto asset mining equipment from foreign-based suppliers;*
- developments and changes in laws and regulations, including increased regulation of the crypto asset industry through legislative action and revised rules and standards applied by The Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act and the Investment Company Act;*
- the future acceptance and/or widespread use of, and demand for, Bitcoin and other crypto assets;*
- our ability to respond to price fluctuations and rapidly changing technology;*
- our ability to operate our coal refuse power generation facilities as planned;*
- our ability to develop and monetize our carbon capture project to generate meaningful revenue, on a timely basis or at all;*
- our ability to avail ourselves of tax credits for the clean-up of coal refuse piles;*
- legislative or regulatory changes, and liability under, or any future inability to comply with, existing or future energy regulations or requirements;*
- our ability to timely complete a strategic review process and to consummate a transaction in connection with such process, in part or at all; and*
- our ability to register for certain demand response and sync reserve programs in PJM.*

We caution you that the forward-looking statements contained in this Form 10-Q are subject to a variety of risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, decline in demand for our products and services, the seasonality and volatility of the crypto asset industry, our acquisition strategies, the inability to comply with developments and changes in regulation, cash flow and access to capital, maintenance of third-party relationships, and the other risks described under the heading "Item 1A.Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 8, 2024, and in any subsequently filed Quarterly Reports on Form 10-Q, including this Form 10-Q. Should one or more of the risks or uncertainties described in the Annual Report on Form 10-K or in any subsequently filed Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Any forward-looking statement that we make in this Form 10-Q speaks only as of the date of such statement. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Form 10-Q.

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

Except as otherwise indicated or required by the context, all references to the "Company," "we," "us" or "our" relate to Stronghold Digital Mining, Inc. ("Stronghold Inc.") and its consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in this Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans, expectations and strategy for our business, and operations, includes forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see section above entitled "Cautionary Statement Regarding Forward-Looking Statements." Certain risks may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion and analysis. Factors that may cause actual results to differ materially from current expectations include, among other things, those described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 8, 2024 (the "2023 Form 10-K"), and in subsequently filed Quarterly Reports on Form 10-Q.

Overview of the Business

Stronghold Digital Mining, Inc. ("Stronghold Inc.," the "Company," "we," "us," or "our") was incorporated as a Delaware corporation on March 19, 2021. The Company is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

We believe that our integrated model of owning our own power plants and Bitcoin mining data center operations helps us to produce Bitcoin at a cost that is attractive versus the price of Bitcoin, and generally below the prevailing market price of power that many of our peers must pay and may have to pay in the future during periods of uncertain or elevated power pricing. Due to the environmental benefit resulting from the remediation of the sites from which the waste coal utilized by our two power generation facilities is removed, we also qualify for Tier II renewable energy tax credits ("RECs") in Pennsylvania. These RECs are currently valued at approximately \$28 per megawatt hour ("MWh") and help reduce our net cost of power. We believe that our ability to utilize RECs in reducing our net cost of power further differentiates us from our public company peers that purchase power from third-party sources or import power from the grid and that do not have access to RECs or other similar tax credits. Should power prices weaken to a level that is below the Company's cost to produce power, we have the ability to purchase power from the PJM Interconnection Merchant Market ("PJM") grid pursuant to Electricity Sales and Purchase Agreements (collectively, the "ESPAs") at each of our Plants with Champion Energy Services LLC ("Champion") to ensure that we are producing Bitcoin at the lowest possible cost. Conversely, we are able to sell power to the PJM grid instead of using the power to produce Bitcoin, as we have done, on an opportunistic basis, when revenue from power sales exceeds Bitcoin mining revenue. We operate as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. Our ability to sell energy in the wholesale generation market in the PJM RTO provides us with the ability to optimize between selling power to the grid and mining for Bitcoin. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors.

Carbon Capture Initiative

On November 10, 2023, the Company launched the first phase of its carbon capture project with the deployment of the first unit of carbon capture technology at the Scrubgrass Plant. The design and process follow four months of third-party laboratory tests, utilizing a variety of testing methodologies. The Company's beneficial use ash naturally contains reactive calcium oxide as a result of including limestone in the fuel mix to reduce sulfur dioxide emissions, given the high sulfur content in mining waste. Calcium oxide can, under the right conditions, bond with carbon dioxide to form calcium

carbonate, effectively absorbing carbon dioxide out of ambient air and permanently storing it in a geologically stable solid. Lab results have demonstrated that the Company's beneficial use ash can potentially capture carbon dioxide at a capacity of approximately 14% by weight of starting ash. The Company expects that development of the project will be iterative, as the Company works to optimize processes around ash movement, composition, rate of capture, time to capture and cost, among other variables. Actual carbon dioxide absorption rates, and timing thereof, may vary, including by site across the Scrubgrass Plant and Panther Creek Plant, type of ash between fly and bottom ash, arrangement of ash in the field, and weather conditions, among other variables. The cost of equipment for the first phase is expected to be less than \$100,000, and the Company believes that the scaled project will cost approximately \$50 to \$125 per annual ton of carbon dioxide capture capacity, assuming the laboratory results are validated. Assumptions included in the estimated \$50 to \$125 per annual ton of carbon dioxide capture capacity include, but are not limited to, (i) expected costs of equipment, taking into account the cost of the equipment used to construct the first unit at the Scrubgrass Plant, (ii) incremental labor costs related to the construction of the project, and (iii) the expected deployment of a combined 100 to 150 carbon capture units across the Scrubgrass Plant and Panther Creek Plant.

The Company's Scrubgrass Plant and Panther Creek Plant produce approximately 800,000 to 900,000 combined tons of beneficial use ash per year at baseload capacity utilization. Extrapolating the potential 14% carbon dioxide capture capacity from the Scrubgrass Plant's ash lab tests would imply potential to capture approximately 115,000 tons of carbon dioxide per year. The Company intends to monetize any credits generated from its carbon capture initiatives in private markets, and the Company expects such monetization in the private markets in earnest in 2025. In February 2024, the carbon capture initiative at the Scrubgrass Plant was registered on the Puro Carbon Registry ("Puro"), and the Company is now in the audit process with Puro, with the goal of accreditation at the Scrubgrass Plant in the third quarter of 2024. The Company is also exploring whether its carbon capture initiatives are eligible to qualify for tax credits under Section 45Q of the Internal Revenue Code of 1986, as amended (such credits, "Section 45Q tax credits"). The earliest the Company would be in a position to qualify for Section 45Q tax credits is in 2025, or more likely, in 2026, if the Company is able to qualify for Section 45Q tax credits at all. See *Item 1A "Risk Factors"* in our 2023 Form 10-K for risks associated with the Company's carbon capture initiative and Section 45Q tax credits.

Bitcoin Mining

As of August 9, 2024, we own or host nearly 42,000 Bitcoin miners with hash rate capacity exceeding 4.1 EH/s. Based on the capacity of our data centers, which have more than 40,000 energized slots, we actively operate approximately 30,000 wholly owned Bitcoin miners, with hash rate capacity exceeding 3.1 EH/s, and host nearly 10,000 Bitcoin miners, with hash rate capacity of nearly 1.0 EH/s. As of August 9, 2024, we do not have any outstanding orders where the receipt of Bitcoin miners is expected. We believe we have potential to expand our current hash rate capacity to beyond 7 EH/s through high-grading our fleet with current-generation Bitcoin miners and to expand our 130 MW of existing Bitcoin mining or other data center capacity to over 500 MW.

Bitcoin

Bitcoin was introduced in 2008 with the goal of serving as a digital means of exchanging and storing value. Bitcoin is a form of digital currency that depends upon a consensus-based network and a public ledger called a "blockchain," which contains a record of every Bitcoin transaction ever processed. The Bitcoin network is the first decentralized peer-to-peer payment network, powered by users participating in the consensus protocol with no central authority or middlemen, that has wide network participation. The authenticity of each Bitcoin transaction is protected through digital signatures that correspond with addresses of users that send and receive Bitcoin. Users have full control over remitting Bitcoin from their own sending addresses. All transactions on the Bitcoin blockchain are transparent, allowing those running the appropriate software to confirm the validity of each transaction. To be recorded on the blockchain, each Bitcoin transaction is validated through a proof-of-work consensus method, which entails solving complex mathematical problems to validate transactions and post them on the blockchain. This process is called mining. Miners are rewarded with Bitcoin, both in the form of newly created Bitcoin and fees in Bitcoin, for successfully solving the mathematical problems and providing computing power to the network. A company's computing power, measured in hash rate, is generally considered to be one of the most important metrics for evaluating Bitcoin mining companies.

We receive Bitcoin as a result of our mining operations, and we sell Bitcoin, from time to time, to support our operations and strategic growth. We do not currently plan to engage in regular trading of Bitcoin (other than as necessary to convert our Bitcoin to U.S. dollars) or hedging activities related to our holding of Bitcoin; however, our decisions to hold or sell Bitcoin at any given time may be impacted by the Bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell Bitcoin that we hold or the number of Bitcoin we will sell. We assess our fiat currency needs on an ongoing basis, incorporating market conditions, our financial forecasts, and scenarios analyses. We safeguard and keep private our digital assets by

utilizing storage solutions provided by Anchorage Digital Bank (“Anchorage”), which require multi-factor authentication and utilize cold and hot storage. While we are confident in the security of our digital assets, we are evaluating additional measures to provide additional protection.

Strategic Review Process

On May 2, 2024, we announced that the Company and its Board have initiated a formal strategic review process with the assistance of outside financial and legal advisors. To date, the Company has received numerous bids for all, or parts, of the Company. The Company and its Board continue to consider a wide range of alternatives to maximize shareholder value, including, but not limited to, the sale of all, or parts, of the Company, another strategic transaction involving some, or all, of the assets of the Company, and strategic financings. There is no deadline or definitive timetable set for the completion of the strategic alternatives process, and there can be no assurance any proposal will be made or accepted, any agreement will be executed, or any transaction will be consummated in connection with this review.

As one part of its strategic review process, the Company has assessed opportunities to expand and enhance its current sites. In May and June 2024, Stronghold submitted preliminary load studies to local utilities to import an additional 400 MW at Panther Creek. One of the preliminary load studies was for an additional 250 MW and found that such power may be able to be delivered in stages over the next one to five years. The Company has submitted a project feasibility report, which is the next step toward securing this 250 MW. The preliminary load studies associated with the remaining capacity are still in process. In August 2024, Stronghold secured a one-year option with certain extension rights to purchase up to approximately 1,140 acres of land adjacent to the Company’s existing Panther Creek site. The Company believes that this option, along with the ability to expand the electricity and fiber available at the existing site and proximity to other data centers, provides the Panther Creek Plant with a significant opportunity for data center expansion. The Company’s Scrubgrass site is 636 acres, and the Company is pursuing various expansion opportunities including preliminary load studies submitted to import an additional 390 MW from the grid.

In July, the Company engaged Appleby Strategy Group LLC (“ASG”), an end-to-end data center solutions expert, to advise the Company in evaluating additional potential uses for the Scrubgrass and Panther Creek sites. Initial assessments from ASG support the view that expansive access to land, electricity, fiber, and water are key differentiating traits of the Company’s Scrubgrass and Panther Creek sites that may make them attractive for large-scale data center development.

Recent Developments

PJM Base Residual Auction

On July 31, 2024, PJM held its annual Base Residual Auction for capacity reserve scheduling for the 12-month delivery year from June 2025 through May 2026. The Company’s Panther Creek Plant and Scrubgrass Plant offered capacity into the auction, as required, and each cleared the auction at \$269.92/MW/day, up approximately 833% from \$28.92/MW/day in last year’s Base Residual Auction. The Panther Creek Plant cleared 69.2 MW of capacity in the auction, which the Company estimates will yield approximately \$7 million of incremental revenue at an estimated 100% net margin during the 12-month period from June 2025 through May 2026. The Scrubgrass Plant cleared 75.6 MW in the auction and has since exited 17 MW of that commitment through bi-lateral transactions, retaining 58.6 MW of clearing capacity. The Company is currently evaluating options with its remaining capacity commitment at the Scrubgrass Plant, including exiting the additional clearing capacity through bi-lateral transactions, with a focus on maximizing the flexibility and long-term potential of its data center operations.

Increased Coal Refuse Reclamation and Energy Tax Credit

On July 11, 2024, the Pennsylvania General Assembly completed its annual commonwealth budget process and passed PA Senate Bill 654, which Governor Josh Shapiro subsequently signed into law. The law increases the Coal Refuse Reclamation and Energy Tax Credit from \$4 per ton to \$8 per ton, the annual program cap from \$20 million to \$55 million, and the individual facility cap from 22.2% to 26.5%. The law did not change the duration of the program, which remains effective through 2036. The Company estimates this increase in the waste coal tax credit will result in approximately \$2 to \$4 million per annum of incremental net income.

Distributed Energy Resource and Peak Saver Agreement with Voltus, Inc.

On April 26, 2024, the Company executed a Distributed Energy Resource and Peak Saver Agreement with Voltus, Inc. (“Voltus”) pursuant to which Voltus will assist the Company in registering for certain demand response and sync reserve programs in PJM that the Company believes will allow it to capture additional revenue.

Trends and Other Factors Impacting Our Performance

General Digital Asset Market Conditions

During 2022 and more recently in 2023, a number of companies in the crypto assets industry have declared bankruptcy, including, but not limited to, Core Scientific, Celsius Network LLC ("Celsius"), Voyager Digital, Three Arrows Capital, BlockFi, FTX Trading Ltd. ("FTX"), and Genesis Holdco. Such bankruptcies have contributed, at least in part, to the volatility in the price of our shares as well as the price of Bitcoin, and some loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. To date, aside from the general decrease in the price of Bitcoin and in our and our peers stock price that may be indirectly attributable to the bankruptcies in the crypto assets industry, we have not been indirectly or directly materially impacted by such bankruptcies. As of the date hereof, we have no direct or material contractual relationship with any company in the crypto assets industry that has experienced a bankruptcy. Additionally, there has been no impact on our hosting agreement or relationship with Foundry Digital, LLC ("Foundry"), our institutional custody agreement or relationship with Anchorage, or our institutional custody and trading relationship with Coinbase Inc. The hosting agreement with Foundry is performing in line with our expectations, and on February 6, 2023, we entered into a new hosting agreement to replace the existing hosting agreement with Foundry which, among other things, extended the agreement term to two years with no unilateral early termination option and made amendments to certain profit-sharing components. The bankruptcy of Genesis Holdco, which is affiliated with the parent entity of Foundry, has not materially impacted the original or currently existing hosting arrangement. Additionally, we have had no direct exposure to Celsius, First Republic Bank, FTX, Signature Bank, Silicon Valley Bank, or Silvergate Capital Corporation. We continue to conduct diligence, including into liquidity or insolvency issues, on third parties in the crypto asset space with whom we have potential or ongoing relationships. While we have not been materially impacted by any liquidity or insolvency issues with such third parties to date, there is no guarantee that our counterparties will not experience liquidity or insolvency issues in the future.

We safeguard and keep private our digital assets, including the Bitcoin that we mine, by utilizing storage solutions provided by Anchorage, which requires multi-factor authentication. While we are confident in the security of our digital assets held by Anchorage, given the broader market conditions, there can be no assurance that other crypto asset market participants, including Anchorage as our custodian, will not ultimately be impacted. Further, given the current conditions in the digital assets ecosystem, we are liquidating our mined Bitcoin often, and generally at multiple points every week through Anchorage. We continue to monitor the digital assets industry as a whole, although it is not possible at this time to predict all of the risks stemming from these events that may result to us, our service providers, our counterparties, and the broader industry as a whole. We cannot provide any assurance that we will not be materially impacted in the future by bankruptcies of participants in the crypto asset space. See "*Risk Factors—Crypto Asset Mining Related Risks—Our crypto assets may be subject to loss, damage, theft or restriction on access. Further, digital asset exchanges on which crypto assets trade are relatively new and largely unregulated, and thus may be exposed to fraud and failure. Incorrect or fraudulent cryptocurrency transactions may be irreversible—*" in our 2023 Form 10-K for additional information.

Bitcoin Price Volatility

The market price of Bitcoin has historically and recently been volatile. For example, the price of Bitcoin ranged from a low of approximately \$17,000 in January 2023 to over \$73,000 in March 2024. After our initial public offering, the price of Bitcoin dropped over 75%, resulting in an adverse effect on our results of operations, liquidity and strategy, and resulting in increased credit pressures on the cryptocurrency industry. Since then, Bitcoin has recovered to over \$73,000 during certain times in 2024. Most recently, Bitcoin has experienced volatility over the past month, trading between \$53,000 and \$70,000. Our operating results depend on the value of Bitcoin because it is the only crypto asset we currently mine. We cannot accurately predict the future market price of Bitcoin and, as such, we cannot accurately predict potential adverse effects, including whether we will record unrealized or realized losses on the value of our Bitcoin assets. The future value of Bitcoin will affect the revenue from our operations, and any future decline in the value of the Bitcoin we mine would impact our consolidated financial statements and results of operations, which could have a material adverse effect on the market price for our securities.

Bitcoin Adoption and Network Hash Rate

Since its introduction in 2008, Bitcoin has become the leading cryptocurrency based on several measures of adoption: total value of coins in circulation, transactions, and computing power devoted to its protocol. The total value of Bitcoin in circulation was approximately \$1.3 trillion as of July 28, 2024, nearly three times that of Ethereum at \$393 billion, the second largest cryptocurrency. Bitcoin cumulative transactions have increased from one transaction on January 7, 2009, to 1,050 billion transactions through July 28, 2024. As the adoption of Bitcoin has progressed, the computing power devoted to mining for it has also increased. This collective computing power is referred to as "network hash rate". Bitcoin network

hash rate has risen from nearly zero at inception to a seven-day average of 649 EH/s as of July 28, 2024, as Bitcoin price has risen from its initial trading price of \$0.0008 in July 2010 to approximately \$68,000 as of July 28, 2024. The actual number of mining computers hashing at any given time cannot be known; therefore, the network hash rate, at any given time, is approximated by using "mining difficulty."

The term difficulty refers to the complexity of the mathematical problems that the miners solve and is adjusted up or down automatically after 2,016 blocks (an "epoch") have been mined on the network. Difficulty on July 28, 2024, was 82.1 trillion, and it has ranged from one to 88.1 trillion. Generally speaking, if network hash rate has moved up during the current epoch, it is likely that difficulty will increase in the next epoch, which reduces the award per unit of hash rate during that epoch, all else equal, and vice versa. Deriving network hash rate from difficulty requires the following equation: network hash rate is the product of a) blocks solved over the last 24 hours divided by 144, b) difficulty, c) 2^{32} , divided by 600 seconds.

Embedded in the Bitcoin source code is an upper limit of 21 million for the quantity of Bitcoin that can ever be mined or in circulation, which means that the currency is finite, unlike fiat currencies. Through July 28, 2024, approximately 19.8 million Bitcoin have been mined, leaving approximately 1.2 million left to be mined. The year in which the last Bitcoin is expected to be mined is 2140. Every four years there is an event called a halving where the coins awarded per block is cut in half. While the reward for adding a block to the blockchain between May 11, 2020, and April 19, 2024, was 6.25 Bitcoin, the halving occurred on April 19, 2024, and the mining award per block is now 3.125 Bitcoin instead of 6.25 previously. Each day there are approximately 144 blocks awarded to the entirety of the global Bitcoin network. While network hash rate has been somewhat cyclical over short periods of time, since the creation of Bitcoin, as network hash rate has increased over time through a combination of an increased number of network participants, an increased quantity of miners hashing, and more efficient miners with faster processing speeds hashing, competition for block awards has increased.

Hash Price

There are three critical drivers of revenue per unit of hash rate in the Bitcoin mining industry (using terahash as the unit of hash rate): Bitcoin price, difficulty, and Bitcoin transaction fees. Hash price is the nexus of those terms and is equivalent to revenue per terahash per day. Hash price was \$0.054 on July 28, 2024, compared to the 2024 average year-to-date hash price of \$0.076, and compared to the five-year, one year, 2023, and 2022 average hash prices of \$0.164, \$0.081, \$0.075, and \$0.124, respectively. The five-year high price was April 20, 2021, when hash price was at \$0.57. The five-year low hash price was \$0.045 on July 4, 2024. We estimate that the average global Bitcoin network breakeven hash price required to cover operating costs is currently between \$0.045 to \$0.080, which assumes variable operating expenses of \$60 to \$70 per MWh, annual fixed operating expenses of \$1 to \$5 per TH/s, and average network efficiency of 30 to 40 J/TH.

In addition to mining for new Bitcoin, we are also paid transaction fees in the form of Bitcoin for processing and validating transactions. During 2022, average transaction fees were 1.6% of block subsidies, and, during the first quarter of 2023, transaction fees were 2.3%. In April 2023, transaction fees and volume rose sharply on the Bitcoin network, and transaction fees averaged 8.2% from April 1, 2023, to June 30, 2023. During the third and fourth quarters of 2023, transaction fees averaged 2.8% and 14.6%, respectively, with the latter representing the highest quarterly average since Bitcoin was founded. Transaction fees have remained elevated during 2024, with an 9.8% year-to-date average through July 28, 2024. Transaction fees are volatile and there are no assurances that transaction fees will continue at recent levels in the future.

Critical Accounting Policies and Significant Estimates

The Company's critical accounting policies and significant estimates, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2023, remain unchanged.

Post IPO Taxation and Public Company Costs

Stronghold LLC is and has been organized as a pass-through entity for U.S. federal income tax purposes and is therefore not subject to entity-level U.S. federal income taxes. Stronghold Inc. was incorporated as a Delaware corporation on March 19, 2021, and is therefore subject to U.S. federal income taxes and state and local taxes at the prevailing corporate income tax rates, including with respect to its allocable share of any taxable income of Stronghold LLC. In addition to tax expenses, Stronghold Inc. also incurs expenses related to its operations, plus payment obligations under the Tax Receivable Agreement entered into between the Company, Q Power LLC ("Q Power") and an agent named by Q Power, dated April 1, 2021 (the "TRA"), which are expected to be significant. Additionally, on March 14, 2023, we executed a joinder agreement

with an additional holder (together with Q Power, the "TRA Holders") who thereby became a party to the TRA. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fifth Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the "Stronghold LLC Agreement") requires Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc. and Q Power, in an amount sufficient to allow Stronghold Inc. to pay its taxes and to make payments under the TRA. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-pro rata payments to Stronghold Inc. to reimburse it for its corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. See "Tax Receivable Agreement" herein for additional information.

In addition, we have incurred, and expect to continue to incur, incremental, non-recurring costs related to our transition to a publicly traded corporation, including the costs of the IPO and the costs associated with the initial implementation of our internal control reviews and testing pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). We have also incurred, and expect to continue to incur, additional significant and recurring expenses as a publicly traded corporation, including costs associated with compliance under the Securities Exchange Act, of 1934, as amended, annual and quarterly reports to common stockholders, registrar and transfer agent fees, national stock exchange fees, audit fees, incremental director and officer liability insurance costs, and director and officer compensation. Our financial statements following the IPO will continue to reflect the impact of these expenses.

Factors Affecting Comparability of Our Future Results of Operations to Our Historical Results of Operations

Our historical financial results discussed below may not be comparable to our future financial results for the reasons described below.

Stronghold Inc. is subject to U.S. federal, state and local income taxes as a corporation. Our accounting predecessor was treated as a partnership for U.S. federal income tax purposes and, as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income was passed through to its members. Accordingly, the financial data attributable to our predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality. Due to cumulative and current losses as well as an evaluation of other sources of income as outlined in ASC 740, *Income Taxes*, management has determined that the utilization of our deferred income tax assets is not more likely than not, and therefore, we have recorded a valuation allowance against our net deferred income tax assets. Management continues to evaluate the likelihood of the Company utilizing its deferred taxes, and while the valuation allowance remains in place, we expect to record no deferred income tax expense or benefit. Should the valuation allowance no longer be required, the 21% statutory federal income tax rate, as well as state and local income taxes at their respective rates, will apply to income allocated to Stronghold Inc.

As we further implement controls, processes and infrastructure applicable to companies with publicly traded equity securities, it is likely that we will incur additional selling, general and administrative expenses relative to historical periods. Our future results will depend on our ability to efficiently manage our consolidated operations and execute our business strategy.

As we continue to acquire miners and utilize our power generating assets to power such miners, we anticipate that a greater proportion of our revenue and expenses will relate to cryptocurrency asset mining.

As previously discussed in the "Critical Accounting Policies" section in our 2023 Form 10-K, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with revenue recognition, property, plant and equipment (including the useful lives and recoverability of long-lived assets), investments, digital currency assets, intangible assets, stock-based compensation, loss contingency accruals, income taxes, and business combinations. The Company's financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed.

Consolidated Results of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
OPERATING REVENUES:				
Cryptocurrency mining	\$ 14,988,526	\$ 13,782,798	\$ 36,279,584	\$ 25,080,096
Cryptocurrency hosting	3,824,299	3,079,701	9,281,828	5,405,697
Energy	221,370	740,793	921,437	3,471,779
Capacity	—	582,557	—	1,442,067
Other	69,944	47,892	143,475	100,317
Total operating revenues	19,104,139	18,233,741	46,626,324	35,499,956
OPERATING EXPENSES:				
Fuel	5,798,304	6,291,501	13,209,132	13,705,515
Operations and maintenance	9,081,647	8,804,097	17,323,372	17,245,020
General and administrative	11,746,585	10,077,738	18,344,931	18,546,493
Depreciation and amortization	9,290,563	8,634,967	18,805,217	16,357,808
Loss on disposal of fixed assets	1,731,105	17,281	1,731,105	108,367
Realized loss (gain) on sale of digital currencies	243,688	(266,665)	(380,419)	(593,433)
Unrealized gain on digital currencies	(145,994)	—	(147,221)	—
Realized gain on sale of miner assets	—	—	(36,012)	—
Impairments on digital currencies	—	254,353	—	325,830
Total operating expenses	37,745,898	33,813,272	68,850,105	65,695,600
NET OPERATING LOSS	(18,641,759)	(15,579,531)	(22,223,781)	(30,195,644)
OTHER INCOME (EXPENSE):				
Interest expense	(2,248,063)	(2,603,478)	(4,511,472)	(4,987,391)
Loss on debt extinguishment	—	—	—	(28,960,947)
Changes in fair value of warrant liabilities	(382,175)	6,475,880	11,295,545	5,761,291
Other	5,000	15,000	15,000	30,000
Total other (expense) income	(2,625,238)	3,887,402	6,799,073	(28,157,047)
NET LOSS	\$ (21,266,997)	\$ (11,692,129)	\$ (15,424,708)	\$ (58,352,691)

Highlights of our consolidated results of operations for the three and six months ended June 30, 2024, compared to the three and six months ended June 30, 2023, include:

Operating Revenues

Total operating revenues increased by approximately \$0.9 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily due to an approximately \$1.2 million increase in cryptocurrency mining revenues because of increased hash rate resulting from the purchase and installation of additional Bitcoin miners. Cryptocurrency hosting revenues increased by approximately \$0.7 million primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023. These increases were partially offset by (i) an approximately \$0.6 million decrease in capacity revenue due to both plants strategically reducing exposure to the capacity markets and the resulting cost-capping and operational requirements in PJM's day ahead market and (ii) an approximately \$0.5 million decrease in energy revenues driven by lower prevailing market prices, lower generation, and increased consumption of self-generated electricity due to the expansion of our cryptocurrency operations.

Total operating revenues increased by approximately \$11.1 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to an approximately \$11.2 million increase in cryptocurrency mining revenues driven by increased hash rate driven by the purchase and installation of additional Bitcoin miners. Cryptocurrency hosting revenues increased by approximately \$3.9 million primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023. These increases were partially offset by (i) an approximately \$1.4 million decrease in capacity revenue due to both plants strategically reducing exposure to the capacity markets and the resulting cost-capping and operational requirements in PJM's day ahead market and (ii) an approximately \$2.6 million decrease in energy revenues driven by lower prevailing market prices and increased consumption of self-generated electricity due to the expansion of our cryptocurrency operations.

Operating Expenses

Total operating expenses increased by approximately \$3.9 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily driven by (i) an approximately \$1.7 million loss on disposal of fixed assets as a result of decommissioning MinerVa miners, (ii) an approximately \$1.7 million increase in general and administrative expenses, which was primarily driven by the estimated accrual for two loss contingencies totaling approximately \$5.2 million during the second quarter of 2024 but partially offset by lower stock-based compensation and insurance expenses, (iii) an approximately \$0.7 million increase in depreciation and amortization due to the purchase and installation of additional Bitcoin miners, (iv) an approximately \$0.5 million increase in realized losses on the sale of digital currencies driven by deteriorated Bitcoin pricing, and (v) an approximately \$0.3 million increase in operations and maintenance expenses due to an increase in professional services for cryptocurrency operations. These increases were partially offset by an approximately \$0.5 million decrease in fuel expenses driven by lower megawatt consumption as a result of voluntary curtailment due to record June heat in Pennsylvania and the planned outage at the Panther Creek Plant.

Total operating expenses increased by approximately \$3.2 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily driven by (i) an approximately \$2.4 million increase in depreciation and amortization due to the purchase and installation of additional Bitcoin miners, (ii) an approximately \$1.6 million increase in the loss on disposal of fixed assets as a result of decommissioning MinerVa miners, and (iii) an approximately \$0.2 million decrease in realized gains on the sale of digital currencies driven by deteriorated Bitcoin pricing. These increases were partially offset by (i) an approximately \$0.5 million decrease in fuel expenses driven by lower megawatt consumption as a result of voluntary curtailment due to record June heat in Pennsylvania and the planned outage at the Panther Creek Plant and (ii) an approximately \$0.2 million decrease in general and administrative expenses driven by lower stock-based compensation expense, insurance expense and professional services, mostly offset by the estimated accrual for two loss contingencies totaling approximately \$5.2 million during the second quarter of 2024.

Other Income (Expense)

Total other income (expense) decreased by approximately \$6.5 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily driven by an approximately \$6.9 million decrease in other income resulting from changes in the fair value of warrant liabilities, which is determined using a Black-Scholes model with significant inputs described in *Note 15 – Equity Issuances* in the notes to the Condensed Consolidated Financial Statements.

Total other income (expense) increased by approximately \$35.0 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily driven by (i) an approximately \$29.0 million loss on debt extinguishment recorded in the first quarter of 2023 and (ii) an approximately \$5.5 million increase in other income resulting from changes in the fair value of warrant liabilities. For more details regarding the loss on debt extinguishment, see *Note 7 – Debt* in the notes to the Condensed Consolidated Financial Statements.

Segment Results

The below presents summarized results for our operations for the two reporting segments: *Energy Operations* and *Cryptocurrency Operations*.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
OPERATING REVENUES:				
Energy Operations	\$ 291,314	\$ 1,371,242	\$ 1,064,912	\$ 5,014,163
Cryptocurrency Operations	18,812,825	16,862,499	45,561,412	30,485,793
Total operating revenues	\$ 19,104,139	\$ 18,233,741	\$ 46,626,324	\$ 35,499,956
NET OPERATING LOSS:				
Energy Operations	\$ (8,873,175)	\$ (9,578,048)	\$ (17,076,355)	\$ (20,179,073)
Cryptocurrency Operations	(9,768,584)	(6,001,483)	(5,147,426)	(10,016,571)
Total net operating loss	(18,641,759)	(15,579,531)	(22,223,781)	(30,195,644)
OTHER (EXPENSE) INCOME ⁽¹⁾	(2,625,238)	3,887,402	6,799,073	(28,157,047)
NET LOSS	\$ (21,266,997)	\$ (11,692,129)	\$ (15,424,708)	\$ (58,352,691)
DEPRECIATION AND AMORTIZATION:				
Energy Operations	\$ (1,346,554)	\$ (1,330,647)	\$ (2,672,221)	\$ (2,663,520)
Cryptocurrency Operations	(7,944,009)	(7,304,320)	(16,132,996)	(13,694,288)
Total depreciation and amortization	\$ (9,290,563)	\$ (8,634,967)	\$ (18,805,217)	\$ (16,357,808)
INTEREST EXPENSE:				
Energy Operations	\$ (24,216)	\$ (252,178)	\$ (48,665)	\$ (411,465)
Cryptocurrency Operations	(2,223,847)	(2,351,300)	(4,462,807)	(4,575,926)
Total interest expense	\$ (2,248,063)	\$ (2,603,478)	\$ (4,511,472)	\$ (4,987,391)

⁽¹⁾ We do not allocate other income (expense) for segment reporting purposes. Amount is shown as a reconciling item between net operating income (loss) and consolidated net income (loss). Refer to our accompanying condensed consolidated statements of operations for further details.

Energy Operations Segment

	Three Months Ended			Six Months Ended		
	June 30, 2024	June 30, 2023	Change	June 30, 2024	June 30, 2023	Change
OPERATING REVENUES:						
Energy	\$ 221,370	\$ 740,793	\$ (519,423)	\$ 921,437	\$ 3,471,779	\$ (2,550,342)
Capacity	—	582,557	(582,557)	—	1,442,067	(1,442,067)
Other	69,944	47,892	22,052	143,475	100,317	43,158
Total operating revenues	291,314	1,371,242	(1,079,928)	1,064,912	5,014,163	(3,949,251)
OPERATING EXPENSES:						
Fuel - net of crypto segment subsidy ⁽¹⁾	(220,101)	709,441	(929,542)	186,703	3,425,488	(3,238,785)
Operations and maintenance	7,347,231	7,655,058	(307,827)	13,928,894	14,933,288	(1,004,394)
General and administrative	520,228	541,802	(21,574)	1,012,338	1,989,275	(976,937)
Depreciation and amortization	1,346,554	1,330,647	15,907	2,672,221	2,663,520	8,701
Total operating expenses	8,993,912	10,236,948	(1,243,036)	\$ 17,800,156	\$ 23,011,571	\$ (5,211,415)
NET OPERATING LOSS (EXCLUDING CORPORATE OVERHEAD)						
Corporate overhead	(8,702,598)	(8,865,706)	163,108	(16,735,244)	(17,997,408)	1,262,164
NET OPERATING LOSS	\$ (8,873,175)	\$ (9,578,048)	\$ 704,873	\$ (17,076,355)	\$ (20,179,073)	\$ 3,102,718
INTEREST EXPENSE						
	\$ (24,216)	\$ (252,178)	\$ 227,962	\$ (48,665)	\$ (411,465)	\$ 362,800

⁽¹⁾ The *Cryptocurrency Operations* segment consumed \$6.0 million and \$13.0 million of electricity supplied by the *Energy Operations* segment for the three and six months ended June 30, 2024, respectively, and \$5.6 million and \$10.3 million for the three and six months ended June 30, 2023, respectively. For segment reporting, this intercompany electric charge is recorded as a contra-expense to offset fuel costs within the *Energy Operations* segment.

Operating Revenues

Total operating revenues decreased by approximately \$1.1 million for the three months ended June 30, 2024, as compared to the same period in 2023, due to an approximately \$0.6 million decrease in capacity revenues and an approximately \$0.5 million decrease in energy revenues driven by lower prevailing market prices, lower generation, and increased consumption of self-generated electricity resulting from the expansion of our cryptocurrency operations.

Total operating revenues decreased by approximately \$3.9 million for the six months ended June 30, 2024, as compared to the same period in 2023, due to an approximately \$1.4 million decrease in capacity revenues and an approximately \$2.6 million decrease in energy revenues driven by lower prevailing market prices and increased consumption of self-generated electricity resulting from the expansion of our cryptocurrency operations.

Effective June 1, 2022, through May 31, 2025, both plants strategically reduced their exposure to the capacity markets and the resulting cost-capping and operational requirements in PJM's day ahead market. The Company chose to be an energy resource, which reduced monthly capacity revenues and the frequency with which the plants will be mandated to sell power at non-market rates, in exchange for the opportunity to sell power to the grid at prevailing market rates, which management expects will more than make up for lost capacity revenues. This also gives the plants the ability to provide fast response energy to the grid in the real time market when needed without having to comply with day ahead power commitments. When high power prices call for more electricity to be supplied by the Company's plants, and those prices are in excess of Bitcoin-equivalent power prices, the Company may shut off its data center Bitcoin mining load in order to sell power to the grid. The Company believes that this integration should allow it to optimize for both revenue as well as grid support over time.

Full plant power utilization is optimal for the Company's revenue growth as it also drives a higher volume of Tier II RECs, waste coal tax credits, and beneficial use ash sales, as well as the increased electricity supply for our cryptocurrency asset operations.

Operating Expenses

Total operating expenses decreased by approximately \$1.2 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily due to (i) an approximately \$0.9 million decrease in fuel expenses due to increased fuel cost allocations to the *Cryptocurrency Operations* segment, resulting from the expansion of our cryptocurrency operations, and (ii) an approximately \$0.3 million decrease in operations and maintenance expenses due to a decrease in plant maintenance. REC sales of approximately \$5.2 million and \$5.4 million were recognized as contra-expenses to offset fuel expenses for the three months ended June 30, 2024, and 2023, respectively.

Total operating expenses decreased by approximately \$5.2 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to (i) an approximately \$3.2 million decrease in fuel expenses due to increased fuel cost allocations to the *Cryptocurrency Operations* segment, resulting from the expansion of our cryptocurrency operations, (ii) an approximately \$1.0 million decrease in operations and maintenance expenses due to a decrease in plant maintenance, and (iii) an approximately \$1.0 million decrease in general and administrative expenses primarily related to a decrease in the value of accounts receivable recorded during the first quarter of 2023. REC sales of approximately \$11.7 million and \$10.4 million were recognized as contra-expenses to offset fuel expenses for the six months ended June 30, 2024, and 2023, respectively.

Corporate overhead allocated to the *Energy Operations* segment decreased by approximately \$0.5 million and \$1.8 million for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023, primarily driven by a decrease in *Energy Operations* segment revenues and a decrease in stock-based compensation and insurance expenses. Corporate overhead has been allocated to the two segments using a "fair-share" of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

Cryptocurrency Operations Segment

	Three Months Ended			Six Months Ended		
	June 30, 2024	June 30, 2023	Change	June 30, 2024	June 30, 2023	Change
OPERATING REVENUES:						
Cryptocurrency mining	\$ 14,988,526	\$ 13,782,798	\$ 1,205,728	\$ 36,279,584	\$ 25,080,096	\$ 11,199,488
Cryptocurrency hosting	3,824,299	3,079,701	744,598	9,281,828	5,405,697	3,876,131
Total operating revenues	18,812,825	16,862,499	1,950,326	45,561,412	30,485,793	15,075,619
OPERATING EXPENSES:						
Electricity - purchased from energy segment	6,018,405	5,582,060	436,345	13,022,429	10,280,027	2,742,402
Operations and maintenance	1,734,416	1,149,039	585,377	3,394,478	2,311,732	1,082,746
General and administrative	40,066	63,751	(23,685)	79,253	120,937	(41,684)
Impairments on digital currencies ⁽¹⁾	—	254,353	(254,353)	—	325,830	(325,830)
Realized loss (gain) on sale of digital currencies	243,688	(266,665)	510,353	(380,419)	(593,433)	213,014
Unrealized gain on digital currencies	(145,994)	—	(145,994)	(147,221)	—	(147,221)
Loss on disposal of fixed assets	1,731,105	17,281	1,713,824	1,731,105	108,367	1,622,738
Realized gain on sale of miner assets	—	—	—	(36,012)	—	(36,012)
Depreciation and amortization	7,944,009	7,304,320	639,689	16,132,996	13,694,288	2,438,708
Total operating expenses	17,565,695	14,104,139	3,461,556	\$ 33,796,609	\$ 26,247,748	\$ 7,548,861
NET OPERATING INCOME (EXCLUDING CORPORATE OVERHEAD)						
	\$ 1,247,130	\$ 2,758,360	\$ (1,511,230)	\$ 11,764,803	\$ 4,238,045	\$ 7,526,758
Corporate overhead	11,015,714	8,759,843	2,255,871	16,912,229	14,254,616	2,657,613
NET OPERATING INCOME (LOSS)	\$ (9,768,584)	\$ (6,001,483)	\$ (3,767,101)	\$ (5,147,426)	\$ (10,016,571)	\$ 4,869,145
INTEREST EXPENSE						
	\$ (2,223,847)	\$ (2,351,300)	\$ 127,453	\$ (4,462,807)	\$ (4,575,926)	\$ 113,119

¹ The Company adopted ASU 2023-08 effective January 1, 2024, using a modified retrospective transition method. For more information, see Note 1 – Basis of Presentation in the notes to the Condensed Consolidated Financial Statements.

Operating Revenues

Total operating revenues increased by approximately \$2.0 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily due to an approximately \$1.2 million increase in cryptocurrency mining revenues driven by increased hash rate after the purchase and installation of additional Bitcoin miners period over period. Cryptocurrency hosting revenues increased by approximately \$0.7 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023.

Total operating revenues increased by approximately \$15.1 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to an approximately \$11.2 million increase in cryptocurrency mining revenues driven by increased hash rate after the purchase and installation of additional Bitcoin miners period over period. Cryptocurrency hosting revenues increased by approximately \$3.9 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023.

Operating Expenses

Total operating expenses increased by approximately \$3.5 million for the three months ended June 30, 2024, as compared to the same period in 2023, primarily due to (i) an approximately \$1.7 million loss on disposal of fixed assets as a result of decommissioning MinerVa miners, (ii) an approximately \$0.6 million increase in depreciation and amortization driven by the purchase and installation of additional Bitcoin miners, (iii) an approximately \$0.6 million increase in operations and maintenance expenses driven by an increase in professional services to support our cryptocurrency operations, (iv) an approximately \$0.5 million increase in realized loss on the sale of digital currencies driven by deteriorated Bitcoin pricing, and (v) an approximately \$0.4 million increase in intercompany electric charges related to the expansion of our cryptocurrency mining operations. These increases were partially offset by an approximately \$0.3 million decrease in impairments on digital currencies following the adoption of ASU 2023-08 effective January 1, 2024.

Total operating expenses increased by approximately \$7.5 million for the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to (i) an approximately \$2.7 million increase in intercompany electric charges related to the expansion of our cryptocurrency mining operations, (ii) an approximately \$2.4 million increase in depreciation and amortization driven by the purchase and installation of additional Bitcoin miners, (iii) an approximately \$1.6 million increase in loss on disposal of fixed assets as a result of decommissioning MinerVa miners, and (iv) an approximately \$1.1 million increase in operations and maintenance expenses driven by an increase in professional services to support our cryptocurrency operations.

Corporate overhead allocated to the *Cryptocurrency Operations* segment increased by approximately \$2.3 million and \$2.7 million for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023, primarily driven by increases in *Cryptocurrency Operations* segment revenues relative to total combined revenue. Corporate overhead has been allocated to the two segments using a “fair-share” of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

Impairments on Digital Currencies

Impairments on digital currencies of approximately \$0.3 million and \$0.3 million were recognized for the three and six months ended June 30, 2023, respectively, as a result of the negative impacts from Bitcoin spot market declines in the prior year period. Effective January 1, 2024, the Company adopted ASU 2023-08 which requires cryptocurrency assets to be recorded at fair value. As such, the Company no longer accounts for digital currencies as indefinite-life intangible assets, and therefore, no impairment losses have been recognized in the current year period. As of June 30, 2024, we held approximately 4 Bitcoin on our consolidated balance sheet at fair value. The spot market price of Bitcoin was \$61,927 as of June 30, 2024, per Coinbase.

Interest Expense

Interest expense decreased by approximately \$0.1 million and \$0.1 million for the three and six months ended June 30, 2024, as compared to the same periods in 2023, following marginal reductions in outstanding debt over the same periods.

Liquidity and Capital Resources

Overview

Stronghold Inc. is a holding company with no operations and is the sole managing member of Stronghold LLC. Our principal asset consists of units of Stronghold LLC. Our earnings and cash flows and ability to meet any debt obligations depend on the cash flows resulting from the operations of our operating subsidiaries and the payment of distributions to us by such subsidiaries.

Our cash needs are primarily for growth through acquisitions, capital expenditures, working capital to support equipment financing, and the purchase of additional miners and general operating expenses. We have incurred, and may continue to incur, significant expenses in servicing and maintaining our power generation facilities. If we were to acquire additional facilities in the future, capital expenditures may include improvements, maintenance and build out costs associated with equipping such facilities to house Bitcoin miners. We may also incur additional expenses and capital expenditures to develop our carbon capture system, which is currently in pilot testing.

We have historically relied on funds from equity issuances, equipment financings and revenues from mining Bitcoin and selling power generated at our power plants to provide for our liquidity needs. During 2023, we received approximately \$10.0 million pursuant to the April 2023 Private Placement and approximately \$15.4 million pursuant to the December 2023 Private Placement. During the year ended December 31, 2023, we sold 1,794,587 ATM Shares at approximately \$6.47 per share under the ATM Agreement for gross proceeds of approximately \$11.6 million, less sales commissions of approximately \$0.4 million for net proceeds of approximately \$11.2 million. During the six months ended June 30, 2024, the Company sold zero ATM Shares.

As of June 30, 2024, and August 9, 2024, we had approximately \$5.1 million and \$3.6 million, respectively, of cash and cash equivalents and Bitcoin on our consolidated balance sheet, which included approximately 4 Bitcoin and 2 Bitcoin, respectively. As of June 30, 2024, we had principal amount outstanding indebtedness of approximately \$55.1 million.

If our cash flows from operations continue to fall short of uses of capital, we may need to seek additional sources of capital to fund our short-term and long-term capital needs. We may further sell assets or seek potential additional debt or equity financing to fund our short-term and long-term needs. Further, the terms of the Credit Agreement and December 2023

Private Placement contain certain restrictions, including maintenance of certain financial and liquidity ratios and minimums, and certain restrictions on future issuances of debt and equity (including usage of our ATM). In connection with the December 2023 Private Placement, the Company entered into a Registration Rights Agreement with the institutional investor (the “December Registration Rights Agreement”) whereby it agreed, among other things, to file a resale registration statement (the “December Resale Registration Statement”) with the SEC covering all shares of common stock sold to the institutional investor and the shares of common stock issuable upon exercise of the warrants and the prefunded warrants purchased by the institutional investor, and to cause the December Resale Registration Statement to become effective within the timeframes specified in the December Registration Rights Agreement; failure to do so will result in certain penalties specified in the December Registration Rights Agreement (and we made two such payments for liquidated damages during the second quarter of 2024 totaling approximately \$300,000). In particular, we are contractually restricted from issuing equity to raise capital in the public or private markets (including sales under the ATM Agreement) until 30 days after the December Resale Registration Statement is effective, and there is no guarantee when that will be. We received comments from the staff of the SEC’s Division of Corporation Finance in September 2023 related to the accounting of our Bitcoin-related operations, among other things, and have been informed that we will be unable to take the December Resale Registration Statement effective until such comments are resolved. Nearly eleven months later, such review is still ongoing. Beginning with the third quarter of 2023, we may be required to make monthly prepayments pursuant to the WhiteHawk Refinancing Agreement if we are unable to maintain a cash balance above a certain amount. If we are unable to raise additional capital in the near future, there is a risk that we could breach this minimum cash balance covenant and default on the prepayment obligations mentioned above, and we could be required to discontinue or significantly reduce the scope of our operations, including through the sale of our assets, if no other means of financing options are available.

Operations have not yet established a consistent record of covering our operating expenses, and we incurred net losses of \$21.3 million and \$15.4 million for the three and six months ended June 30, 2024, respectively, and our accumulated deficit was \$337.0 million as of June 30, 2024.

If we are able to begin raising capital again under our ATM Agreement in the near future, taking into account such proceeds along with the continued expansion of our cryptocurrency mining operations, we believe our liquidity position, combined with expected improvements in operating cash flows, will be sufficient to meet our existing commitments and fund our operations for the next twelve months.

We have no material off balance sheet arrangements.

Analysis of Changes in Cash Flows

	Six Months Ended		
	June 30, 2024	June 30, 2023	Change
Net cash flows provided by (used in) operating activities	\$ 6,039,518	\$ (1,642,478)	\$ 7,681,996
Net cash flows used in investing activities	(393,002)	(10,581,332)	10,188,330
Net cash flows (used in) provided by financing activities	(4,984,977)	4,031,299	(9,016,276)
Net increase (decrease) in cash and cash equivalents	<u>\$ 661,539</u>	<u>\$ (8,192,511)</u>	<u>\$ 8,854,050</u>

Operating Activities. Net cash flows provided by operating activities was approximately \$6.0 million for the six months ended June 30, 2024, compared to approximately \$1.6 million used in operating activities for the six months ended June 30, 2023. The approximately \$7.7 million net increase in cash flows from operating activities was primarily due to higher hash rate on installed miners, which generated higher and more profitable revenues.

Investing Activities. Net cash flows used in investing activities was approximately \$0.4 million for the six months ended June 30, 2024, compared to approximately \$10.6 million used in investing activities for the six months ended June 30, 2023. The approximately \$10.2 million net improvement in cash flows was primarily due to lower cash outflows for the purchase of property, plant and equipment. Significant cash outflows occurred during the six months ended June 30, 2023, for the continued ramp up of cryptocurrency mining operations in the prior year, and no such activities occurred during the comparable period in 2024.

Financing Activities. Net cash flows used in financing activities was approximately \$5.0 million for the six months ended June 30, 2024, compared to approximately \$4.0 million provided by financing activities for the six months ended June 30, 2023. The approximately \$9.0 million net decrease in cash flows was primarily due to prior year proceeds from the April 2023 Private Placement for the six months ended June 30, 2024.

Debt Agreements

We have entered into various debt agreements used to purchase equipment to operate our business. Total net obligations under all debt agreements as of June 30, 2024, were \$54.8 million (excluding financed insurance premiums).

WhiteHawk Refinancing Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the "Credit Agreement") with WhiteHawk Finance LLC ("WhiteHawk") to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the "WhiteHawk Financing Agreement"). Upon closing, the Credit Agreement consisted of approximately \$35.1 million in term loans and approximately \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the "WhiteHawk Refinancing Agreement") was entered into by Stronghold Digital Mining Holdings, LLC ("Stronghold LLC"), as Borrower (in such capacity, the "Borrower"), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into the First Amendment in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. However, in December 2023, the Company made two amortization payments of the WhiteHawk Refinancing Agreement that were otherwise due on July 31, 2024, and August 31, 2024, and therefore, the next required monthly amortization payment is due on September 30, 2024.

Beginning June 30, 2023, following a five-month holiday, Stronghold LLC began to make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000. On February 15, 2024, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into the Third Amendment which, among other items, amended the Company's minimum liquidity requirement to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of June 30, 2024.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate ("SOFR") plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5%, and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.50% for the six months ended June 30, 2024.

Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of \$28,960,947 during the first quarter of 2023.

Bruce & Merrilees Promissory Note

On March 28, 2023, the Company entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released 10 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default has occurred or is occurring under the Credit Agreement and (ii) no PIK Option (as such term is defined in the Credit Agreement) had been elected. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of June 30, 2024, the Company has paid \$500,000 of principal pursuant to the B&M Note.

Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of June 30, 2024, the Company fully repaid the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant. As of June 30, 2024, the Company fully repaid the promissory note due to Canaan.

Tax Receivable Agreement

The TRA generally provides for the payment by Stronghold Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using the estimated impact of state and local taxes) that Stronghold Inc. actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of Stronghold Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such holder's Stronghold LLC Units pursuant to an exercise of the Redemption Right or the Call Right (each defined in the TRA) and (ii) imputed interest deemed to be paid by Stronghold Inc. as a result of, and additional tax basis arising from, any payments Stronghold Inc. makes under the TRA. Stronghold Inc. will retain the remaining net cash savings, if any. The TRA generally provides for payments to be made as Stronghold Inc. realizes actual cash tax savings from the tax benefits covered by the TRA. However, the TRA provides that if Stronghold Inc. elects to terminate the TRA early (or it is terminated early due to Stronghold Inc.'s failure to honor a material obligation thereunder or due to certain mergers, asset sales, other forms of business combinations or other changes of control), Stronghold Inc. is required to make an immediate payment equal to the present value of the future payments it would be required to make if it realized deemed tax savings pursuant to the TRA (determined by applying a discount rate equal to one-year LIBOR (or an agreed successor rate, if applicable) plus 100 basis points, and using numerous assumptions to determine deemed tax savings), and such early termination payment is expected to be substantial and may exceed the future tax benefits realized by Stronghold Inc.

The actual timing and amount of any payments that may be made under the TRA are unknown at this time and will vary based on a number of factors. However, Stronghold Inc. expects that the payments that it will be required to make to the TRA Holders (or their permitted assignees) in connection with the TRA will be substantial. Any payments made by Stronghold Inc. to the TRA Holders (or their permitted assignees) under the TRA will generally reduce the amount of cash that might have otherwise been available to Stronghold Inc. or Stronghold LLC. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt or other agreements, the Stronghold LLC Agreement will require Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc., in

an amount sufficient to allow Stronghold Inc. and Q Power to pay its taxes and to make payments under the TRA. Stronghold Inc. generally expects Stronghold LLC to fund such distributions out of available cash. However, except in cases where Stronghold Inc. elects to terminate the TRA early, the TRA is terminated early due to certain mergers or other changes of control or Stronghold Inc. has available cash but fails to make payments when due, generally Stronghold Inc. may defer payments due under the TRA if it does not have available cash to satisfy its payment obligations under the TRA or if its contractual obligations limit its ability to make these payments. Any such deferred payments under the TRA generally will accrue interest at the rate provided for in the TRA, and such interest may significantly exceed Stronghold Inc.'s other costs of capital. If Stronghold Inc. experiences a change of control (as defined under the TRA, which includes certain mergers, asset sales and other forms of business combinations), and in certain other circumstances, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, Stronghold Inc. realizes in respect of the tax attributes subject to the TRA. In the case of such an acceleration in connection with a change of control, where applicable, Stronghold Inc. generally expects the accelerated payments due under the TRA to be funded out of the proceeds of the change of control transaction giving rise to such acceleration, which could have a significant impact on our ability to consummate a change of control or reduce the proceeds received by our stockholders in connection with a change of control. However, Stronghold Inc. may be required to fund such payment from other sources, and as a result, any early termination of the TRA could have a substantial negative impact on our liquidity or financial condition.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, see *Note 1 – Basis of Presentation* in the notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that its disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

Information regarding this Item is contained in *Note 10 – Commitments and Contingencies* in the notes to the Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Except as set forth below, there are no material changes to the Risk Factors contained in Item 1A to Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed on March 8, 2024, as supplemented in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed on May 8, 2024.

We are evaluating certain recent PJM programs, including demand response and other ancillary programs, but there can be no assurances as to the timing of such qualification, if at all.

On April 14, 2024, PJM updated its “Guidance on Co-Located Load.” Pursuant to the Guidance on Co-Located Load, certain “In Network” load designations have the potential to enable ancillary revenue streams such as demand response. Stronghold is currently in the process of registering its data center at the Scrubgrass Plant in the demand response program. However, no assurance can be made as to whether the data center at the Scrubgrass Plant will qualify as “In Network” load, and thus be eligible for demand response or other ancillary programs, the timing of such qualification, or our ability to monetize such participation in demand response or other ancillary programs. Additionally, any classification as “In Network” load may require such facility to exit future capacity commitments, and such exit may have an impact on the Company’s financial and regulatory condition.

We are evaluating certain opportunities to expand the Scrubgrass and Panther Creek Plant data centers, including with additional MW, but there can be no assurances as to the timing of any such expansion, or ability to expand at all.

The Company has engaged third parties to assist with evaluating additional potential uses for the data centers at the Scrubgrass Plant and Panther Creek Plant. In May and June 2024, Stronghold submitted preliminary load studies to local utilities to import up to an additional 400 MW at the Panther Creek Plant. No assurance can be made as to whether the Company will pursue such expansion opportunities, whether additional MW will be able to be delivered to the data center at the Panther Creek Plant or the data center at the Scrubgrass Plant, or the timeline for any potential expansion.

Power expansion initiatives are capital intensive and may take a significant amount of time.

Expanding our existing data centers, if we choose to pursue such expansion, requires significant capital expenditure on new infrastructure, equipment, labor, and studies necessary to increase MW availability. If we are unable to fund our capital expenditures, either through our revenue streams or through other sources of capital, we may be unable to remain competitive and experience a deterioration in our results of operations and financial condition. Additionally, the timeline for power expansion is uncertain. It may be several years before we are able to realize the benefits of the power expansion initiatives, if at all.

Our contemplated power expansion initiative is anticipated to be cash flow negative for the foreseeable future as we build out the necessary infrastructure and continue to conduct additional studies. Such a project could comprise a meaningful share of our cash flow.

We are not expecting to generate meaningful revenues from our contemplated power expansion initiative until, at the earliest, 2025. In the interim, we will be incurring costs for the requisite load studies and expansion projects, infrastructure development, equipment supply and potential land purchases. Although we believe that the power expansion initiative can lead to various profitable endeavors for the Company over time, there are numerous risks and uncertainties that make its timing and quantification difficult to accurately predict. The financial impact of expending capital on these activities before realizing cash flows could negatively impact our results of operations and financial condition.

We are dependent on third-parties, including consultants, contractors and suppliers, to develop our power expansion initiatives, and failure to properly manage these relationships, or the failure of these consultants, contractors and suppliers to perform as expected, could have a material adverse effect on our business, prospects or operations.

We currently rely on third-party consultants, contractors and suppliers to assist with the exploration of our power expansion program and initiatives, including navigating various regulatory aspects. No assurance can be made that business

interruptions will not occur as a result of the failure by these consultants, contractors or suppliers to perform as expected. We cannot ensure that our consultants, contractors or suppliers will continue to perform services to our satisfaction or on commercially reasonable terms. Our consultants, contractors or suppliers may also decline our orders to fulfill those of our competitors, putting us at competitive harm. Further, resource constraints or future regulatory actions could also impact our ability to obtain and receive components needed to advance our power expansion program and initiatives. If our consultants, contractors or suppliers are not able to provide the agreed-upon services at the level of quality and quantity we require, we may not be able to replace such consultants, contractors or suppliers in a timely manner. Any delays, interruptions or increased costs could have a material adverse effect on our business, prospects or operations.

Our management team has limited experience with GPU computing initiatives.

Members of our management team have limited experience with GPU computing programs, initiatives, and the related infrastructure required to develop such programs or initiatives. To the extent we pursue such programs or initiatives, our management team may not successfully or efficiently manage the Company's GPU computing programs and initiatives. These new obligations to potentially develop and manage the Company's GPU computing programs and initiatives will require significant attention from our management team and other employees and could divert their attention away from the day-to-day management of other aspects of our business, which could adversely affect our business and financial performance.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
3.2	Amended and Restated Bylaws of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
3.3	Certificate of Designations of the Series C Convertible Preferred Stock of Stronghold Digital Mining, Inc., effective February 20, 2023, filed with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 24, 2023).
3.4	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on May 19, 2023).
3.5	Certificate of Designation of the Series D Convertible Preferred Stock of Stronghold Digital Mining, Inc., filed with the Secretary of State of the State of Delaware and effective November 13, 2023 (incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40931) filed on November 14, 2023).
10.1 *	Second Amendment to Hosting Agreement, dated as of July 3, 2024, by and between Stronghold Digital Mining Hosting, LLC and Foundry Digital LLC.
10.2 *	Third Amendment to Hosting Agreement, dated as of July 5, 2024, by and between Stronghold Digital Mining Hosting, LLC and Cantaloupe Digital LLC.
10.3 *†	Second Amendment to the Stronghold Digital Mining, Inc. Omnibus Incentive Plan, dated June 6, 2024.
31.1 *	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2 *	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1 **	Section 1350 Certification of Chief Executive Officer.
32.2 **	Section 1350 Certification of Chief Financial Officer.
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

** Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: August 14, 2024 STRONGHOLD DIGITAL MINING, INC.
(registrant)

By: /s/ Matthew J. Smith
Matthew J. Smith
Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

AMENDMENT NUMBER 2 TO HOSTING AGREEMENT

This **AMENDMENT NUMBER 2 TO HOSTING AGREEMENT** (this “Amendment”) is made this 3rd day of July, 2024, by and between Stronghold Digital Mining Hosting, LLC, a Delaware limited liability company (“Stronghold”) and Foundry Digital LLC, a Delaware limited liability company (“Foundry” and, together with Stronghold, each a “Party” and, collectively, the “Parties”).

WHEREAS, the parties are party to that certain Hosting Agreement dated as of February 6, 2023, as amended by that certain Amendment Number 1 to Hosting Agreement dated as of February 8, 2023 and that certain Addendum to the Hosting Agreement dated August 28, 2023 (the “Agreement”).

WHEREAS, the parties desire to amend the Agreement to clarify the original intent of the Parties under the Agreement with respect to certain provisions therein.

WHEREAS, capitalized terms used herein not otherwise defined shall have the meanings ascribed in the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Parties, the Parties, intending to be legally bound, do hereby agree as follows:

1. Section 2.2.2 of the Agreement is hereby amended as marked in the following paragraph:

“2.2.2 This Agreement shall no longer apply to any Bitcoin Miner, and such Bitcoin Miner shall be excluded from any calculation used to determine any payments, profits or fees, that **(i)** is not in Working Order, **(ii)** is “Economically Obsolete” (as defined herein), or **(iii) is removed at the request of Foundry and replaced pursuant to Section 5.3.**”

2. Section 2.2.2.2 is further amended as marked in the following paragraph:

“2 Working Order is defined as not functioning normally for more than 30 consecutive days after Stronghold provides **written** notice to Foundry that a Bitcoin Miner is not functioning properly which **written** notice shall include calculations related to the performance of that Bitcoin Miner. Foundry shall have the right to replace that Bitcoin Miner with a ~~R~~replacement Bitcoin Miner or to repair that Bitcoin Miner to bring it to normal function. Stronghold shall hold a space at the Panther Creek facility **or Scrubgrass facility** for that Bitcoin Miner to be replaced or repaired for 30 days after notice is given to Foundry.”

3. Section 2.2.2.3 is further amended as marked in the following paragraph:

“3 In each case, Foundry shall have thirty (30) days to either (i) in the case of 2.2.2.1, provide a new Bitcoin Miner that is not Economically Obsolete; or (ii) in the case of 2.2.2.2, provide **a replacement Bitcoin Miner or provide** necessary spare parts to cure any defects in the applicable Bitcoin Miner.”

4. Section 2.2.2 is further amended by adding the following subsection 4 to Section 2.2.2:

“4 In the event a Bitcoin Miner is removed and replaced pursuant to Section 5.3, this Agreement shall apply to the replacement Bitcoin Miner supplied by Foundry commencing upon delivery of such replacement Bitcoin miner by Foundry to Stronghold at Panther Creek or Scrubgrass.”

5. Section 2.3 of the Agreement is hereby amended as marked in the following paragraph:

“2.3 The Parties agree that in the event of ~~any Early Termination~~ **a termination of this Agreement as provided for in this Agreement** (including both an Event of Default that leads to termination), neither Party ~~shall have~~ **has** a duty or obligation to mitigate unless otherwise indicated in this Agreement.”

6. The first line of text in Section 2.4 of the Agreement is hereby amended as marked here:

“2.4 Removal of Property. Upon ~~the early a~~ termination of this Agreement **as provided for in this Agreement**, Foundry may . . .”

7. Section 4.1 of the Agreement is hereby amended as marked in the following paragraph:

“4.1 Access to Facilities. Foundry shall not be permitted access to Panther Creek **or Scrubgrass** other than through a supervised tour and upon prior written notice to Stronghold no less than 48 hours in advance and such access shall occur during normal business hours. **Foundry may be permitted supervised access to Panther Creek or Scrubgrass to provide repairs to Bitcoin Miners that are not in Working Order or “Economically Obsolete,” in accordance with 2.2.2 above, or to replace any Bitcoin Miner at the request of Foundry in accordance with Section 5.3.** Foundry will be solely responsible for any damage or loss caused by anyone acting for or on its behalf while at the Facility except to the extent of any contributory negligence on the part of Stronghold.”

8. Section 4.2 of the Agreement is hereby amended as marked in the following paragraph:

“4.2 Hazardous Conditions. If, in the **reasonable** discretion of Stronghold, its employees, or its agents, any hazardous conditions arise on, from, or affecting Panther Creek **or Scrubgrass**, Stronghold is hereby authorized to suspend service under this Agreement **for the affected site** without subjecting Stronghold to any liability. Stronghold shall provide **written** ~~courtesy~~ notice of any such suspension of service to Foundry within a reasonable time. In the event of an emergency, and upon prior written notice to ~~the~~ Foundry, Stronghold may rearrange, remove, or relocate Bitcoin Miners without any liability to Foundry. For the avoidance of doubt, Foundry shall not be liable or responsible for any obligations under this Agreement during such period of suspended service.”

9. Section 4.3 of the Agreement is hereby amended as marked in the following paragraph:

“4.3 Intermittent Outages. Foundry acknowledges that Stronghold may curtail the Bitcoin Miners upon the occurrence and continuation of either a Force Majeure event, for **during** outages for maintenance purposes, **and/or in the event Stronghold identifies** a Hazardous Condition, **or if Stronghold determines that it is in the best interest of, and more economical for, all Parties to the Agreement to sell power to the grid. Stronghold agrees to provide written notice to Foundry of any of the foregoing events**, as specified in this Agreement, ~~or if Stronghold, in its sole and reasonable discretion, determines that it is in its best interest and more economical to sell power to the grid.~~”

10. Section 5 of the Agreement is hereby amended as marked here:

“5. Removal, ~~and Relocation~~ **and Replacement** of the Bitcoin Miners.”

11. Section 5.1 of the Agreement is hereby amended as marked in the following paragraph:

“5.1 Relocation by Stronghold. Stronghold may, from time to time, relocate ~~the~~ Bitcoin Miners within Panther Creek **or Scrubgrass to the extent Stronghold reasonably determines that such relocation is necessary to protect**. ~~In the event that such relocations are for the purposes of protecting the Bitcoin Miners from Hazardous Conditions,~~ **due to commercially unacceptable interference (as defined in Section 5.2), and/or performing or to perform** maintenance work on the Bitcoin Miners, Stronghold agrees to provide written notice of ~~the~~ **any such** relocation as soon as reasonably practical **(or as set forth in Section 5.2 for commercially unacceptable interference)**. Stronghold must receive prior written approval from Foundry to relocate the Bitcoin Miners for any other reason. In any case, the site of relocation shall afford comparable environmental conditions for the Bitcoin Miners, comparable accessibility to the Bitcoin Miners, and comparable security conditions for the Bitcoin Miners. ~~Notwithstanding the foregoing,~~ Stronghold shall not arbitrarily or capriciously relocate the Bitcoin Miners. If the Bitcoin Miners are relocated according to this Section, the cost of relocating the Bitcoin Miners shall be borne exclusively by Stronghold.”

12. The first sentence of Section 5.2 of the Agreement is hereby amended as marked in the following sentence:

“5.2 Commercially Unacceptable Interference. If at any time ~~the~~ **any** Bitcoin Miners causes commercially unacceptable ~~interference~~ to the other equipment at Panther Creek **or Scrubgrass** and such ~~interference~~ cannot be cured within ten (10) days, Stronghold may, with prior written notice to Foundry, ~~remove or relocate the~~ **such** Bitcoin Miners at Foundry’s sole expense.”

13. Section 5.3 of the Agreement is hereby amended as marked in the following paragraph:

“5.3 Equipment Removal and Replacement. ~~Except as set forth in Section 2.3,~~ **During the Term or any renewal Term,** Foundry shall ~~not be entitled~~ **have the right** to remove any Bitcoin Miners from Panther Creek, but may request that Stronghold ~~remove and deliver the~~ **replace** Bitcoin Miners **at Panther Creek or Scrubgrass to Foundry if Foundry**

reasonably determines that such replacement will be economically beneficial. For the avoidance of doubt, a replacement Bitcoin Miner will be deemed economically beneficial if such replacement Bitcoin Miner (i) has the same or higher hash rate capacity as the replaced Bitcoin Miner and (ii) has the same or better efficiency than the replaced Bitcoin Miners. In that event, Stronghold agrees, at Foundry's sole cost upon not less than thirty (30) business days' notice, to remove the Bitcoin Miners that are being replaced and arrange for the delivery of such removed Bitcoin Miners to Foundry; upon the delivery by Foundry of the Replacement Bitcoin Miners to Stronghold at Panther Creek or Scrubgrass, as applicable, at Foundry's sole cost upon not less than thirty (30) business days' notice.

14. All other references in the Agreement to Panther Creek shall be amended to also refer to Scrubgrass.

15. Miscellaneous.

a. Each of the Parties represents and warrants that (i) it has the requisite power and authority to enter into this Amendment; (ii) this Amendment has been duly authorized, executed and delivered by such Party; (iii) the Agreement, as amended by this Amendment, is a legal, valid and binding agreement of such Party; (iv) the execution, delivery and performance of this Agreement by such Party do not contravene, violate, or constitute a default under any Applicable Law, any of such Party's organizational documents, or any agreement, indenture, or other instrument to which such Party is a party or by which such Party is bound; and (v) the execution, delivery and performance of this Amendment do not require the approval of or any notice to any Governmental Authority.

b. Except as amended by this Amendment, all of the terms and provisions in the Agreement shall remain in full force and effect and shall apply to this Amendment.

c. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall collectively constitute one instrument. Delivery or an executed counterpart of a signature page of this Amendment by telecopy or electronic .pdf copy shall be effective as delivery of a manually executed counterpart of this Amendment.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first written above.

STRONGHOLD DIGITAL MINING HOSTING, LLC

By: /s/ **Gregory Beard**

Name: Gregory Beard

Title: Authorized Person

FOUNDRY DIGITAL LLC

By: /s/ **Andrea Childs**

Name: Andrea Childs

Title: SVP, Marketing and Business Operations

FOUNDRY DIGITAL LLC

By: /s/ **Juri Bulovic**

Name: Juri Bulovic

Title: Head of Mining

AMENDMENT NUMBER 3 TO HOSTING AGREEMENT

This **AMENDMENT NUMBER 3 TO HOSTING AGREEMENT** (this “Amendment”) is made this 5th day of July, 2024, by and between Stronghold Digital Mining Hosting, LLC, a Delaware limited liability company (“Stronghold”) and Cantaloupe Digital LLC, a Delaware limited liability company (“Cantaloupe” and, together with Stronghold, each a “Party” and, collectively, the “Parties”).

WHEREAS, the parties are party to that certain Hosting Agreement dated as of April 27, 2023, as amended by that certain Amendment Number 1 to Hosting Agreement dated as of July, 2023 and that certain Amendment (Number 2) to Hosting Agreement dated as of December 26, 2023 (the “Agreement”).

WHEREAS, the parties desire to amend the Agreement to clarify the original intent of the Parties under the Agreement with respect to certain provisions therein.

WHEREAS, capitalized terms used herein not otherwise defined shall have the meanings ascribed in the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Parties, the Parties, intending to be legally bound, do hereby agree as follows:

1. Section 2.2.1 of the Agreement is hereby amended as marked in the following paragraph:

“2.2.1. **Solely upon** ~~Upon~~ the occurrence of an Event of Default that has not been cured (to the extent a cure is permissible) within 15 business days of receipt of notice from the non-defaulting party under this Agreement (except for a default of Section 2.2.1.1(i) (payment default) which shall have a 5 business day cure period from the date payment is due as set forth herein), Stronghold or Cantaloupe (as the non-breaching party) may terminate this Agreement.”

2. Section 2.2.2 of the Agreement is hereby amended as marked in the following paragraph:

“2.2.2 This Agreement shall no longer apply to any Bitcoin Miner, and such Bitcoin Miner shall be excluded from any calculation used to determine any payments, profits or fees, that **(i)** is “Not in Working Order” (as defined herein), **(ii)** is “Economically Obsolete” (as defined herein), or **(iii)** is removed ~~at the request of Cantaloupe~~ **and replaced pursuant to this Agreement.**”

3. Section 2.2.2.2 is amended as marked in the following paragraph:

“2.2.2.2 “Not in Working Order” is defined as not functioning normally for more than 30 consecutive days after Stronghold provides **written** notice to Cantaloupe that a Bitcoin Miner is not functioning properly which **written** notice shall include calculations related to the performance of that Bitcoin Miner. Cantaloupe shall have the right to replace that Bitcoin Miner with a **properly functioning replacement** Bitcoin Miner or to repair that

Bitcoin Miner to bring it to normal function. Stronghold shall hold a space at the Panther Creek facility for that Bitcoin Miner to be replaced or repaired for 30 calendar days after notice is given to Cantaloupe.

In the case of 2.2.2.1, **in the event Cantaloupe requests that a Bitcoin Miner that is Economically Obsolete be removed**, Cantaloupe shall have thirty (30) calendar days to provide a **new replacement** Bitcoin Miner that is not Economically Obsolete; and (ii) in the case of 2.2.2.2, Cantaloupe shall have thirty (30) calendar days to provide **a replacement Bitcoin Miner or provide** necessary spare parts to cure any defects in the applicable Bitcoin Miner.”

4. Section 2.2.2 is further amended by adding the following subsection 2.2.2.4 to Section 2.2.2:

“2.2.2.4 In the event a Bitcoin Miner is removed and replaced pursuant to this Agreement, this Agreement shall apply to the replacement Bitcoin Miner supplied by Cantaloupe commencing upon delivery of such replacement Bitcoin Miner by Cantaloupe to Stronghold at Panther Creek.”

5. Section 2.2.3 is hereby amended by adding the following sentence at the end the second paragraph of Section 2.2.3:

“Stronghold shall have the right to resume operation of any Bitcoin Miner that has been suspended pursuant to this Section 2.2.3 immediately upon a determination that “Agreement Revenue” (as defined herein) exceeds “Total Cost” (as defined herein).”

6. Section 2.3 of the Agreement is hereby amended as marked in the following paragraph:

“2.3 The Parties agree that in the event of any ~~early~~ termination **of this Agreement as provided for in this Agreement**, neither Party has a duty or obligation to mitigate unless such termination results from an Event of Default by such Party.”

7. The first line of text in Section 2.4 of the Agreement is hereby amended as marked here:

“2.4 Removal of Property. Upon ~~the early~~ **a** termination of this Agreement **as provided for in this Agreement**, Cantaloupe may, upon written notice to Stronghold, remove any of the Bitcoin Miners from the Mining Facility at Cantaloupe’s sole cost and expense within twenty (20) days of the notice to Stronghold.”

8. Section 4.1 of the Agreement is hereby amended as marked in the following paragraph:

“4.1 Access to Facilities. Cantaloupe shall not be permitted access to Panther Creek other than through a **reasonable** supervised tour and upon prior written notice to Stronghold no less than 48 hours in advance and such access shall occur during normal business hours. **Cantaloupe shall be permitted reasonable supervised access to Panther Creek to provide repairs to Bitcoin Miners that are “Not in Working Order” or “Economically Obsolete,” in accordance with 2.2.2 above, or to replace any Bitcoin Miner at the request of Cantaloupe in accordance with Section 5.3.** Cantaloupe will

be solely responsible for any damage or loss caused by anyone acting for or on its behalf while at the Facility except to the extent of any contributory negligence on the part of Stronghold.”

9. Section 4.2 of the Agreement is hereby amended as marked in the following paragraph:

“4.2 Hazardous Conditions. If, in the **reasonable** discretion of Stronghold, its employees, or its agents, any hazardous conditions arise on, from, or affecting Panther Creek, Stronghold is hereby authorized to suspend service under this Agreement without subjecting Stronghold to any liability. Stronghold shall provide ~~prior~~ written notice of any such suspension of service to Cantaloupe within a reasonable time. In the event of an emergency, and upon prior written notice to ~~the~~ Cantaloupe, Stronghold may rearrange, remove, or relocate Bitcoin Miners without any liability to Cantaloupe. For the avoidance of doubt, Cantaloupe shall not be liable or responsible for any obligations under this Agreement during such period of suspended service.”

10. Section 4.3 of the Agreement is hereby amended as marked in the following paragraph:

“4.3 Intermittent Outages. Cantaloupe acknowledges that Stronghold may curtail the Bitcoin Miners upon the occurrence and continuation of ~~either~~ a Force Majeure event, **during** ~~for~~ outages for maintenance purposes, ~~and/or~~ **in the event Stronghold identifies** a Hazardous Condition, **or if Stronghold determines that it is in the best interest of, and more economical for, all Parties to the Agreement to sell power to the grid.** ~~as specified in this Agreement, or if Stronghold, in its sole and reasonable discretion, determines that it is in its best interest and more economical to sell power to the grid,~~ Stronghold shall notify Cantaloupe by email of any curtailment as soon as commercially practicable, **as specified in this Agreement.**”

11. Section 5 of the Agreement is hereby amended as marked here:

“5. ~~Removal and Relocation~~ **and Replacement** of the Bitcoin Miners.”

12. Section 5.1 of the Agreement is hereby amended as marked in the following paragraph:

“5.1 Relocation by Stronghold. Stronghold may, from time to time, relocate ~~the~~ Bitcoin Miners within Panther Creek, ~~subject to the following provisions~~ **to the extent Stronghold reasonably determines that such relocation is necessary to protect** ~~. In the event that such relocations are for the purposes of protecting the Bitcoin Miners from Hazardous Conditions,~~ **due to commercially unacceptable interference (as defined in Section 5.2), and/or performing or to perform** maintenance work on the Bitcoin Miners, ~~Stronghold agrees to provide written notice of the~~ **any such** relocation as soon as reasonably practical **(or as set forth in Section 5.2 for commercially unacceptable interference)**. Stronghold must receive prior written approval from Cantaloupe to relocate the Bitcoin Miners for any other reason. In any case, the site of relocation shall afford comparable environmental conditions for the Bitcoin Miners, comparable accessibility to the Bitcoin Miners, and comparable security conditions for the Bitcoin

Miners. Notwithstanding the foregoing, Stronghold shall not arbitrarily or capriciously relocate the Bitcoin Miners. If the Bitcoin Miners are relocated according to this Section, the cost of relocating the Bitcoin Miners shall be borne exclusively by Stronghold.”

13. The first sentence of Section 5.2 of the Agreement is hereby amended as marked in the following sentence:

“5.2 **Commercially Unacceptable Interference.** If at any time ~~the any~~ Bitcoin Miners causes commercially unacceptable ~~h~~interference to other equipment at Panther Creek and such interference cannot be cured within ten (10) business days, Stronghold may, with prior written notice to Cantaloupe, ~~remove the Bitcoin Miners from the Panther Creek site, or~~ relocate ~~the such~~ Bitcoin Miners to another pods at Panther Creek alleviating the ~~h~~interference, in each case at Cantaloupe’s sole expense.”

14. Section 5.3 of the Agreement is hereby amended as marked in the following paragraph:

“5.3 ~~Equipment Removal-Replacement.~~ Except as set forth in Section 5.2, **During the Term or any renewal Term,** Cantaloupe shall ~~not be entitled~~ have the right to remove any Bitcoin Miners from Panther Creek, but may request that Stronghold ~~remove and deliver thereplace~~ Bitcoin Miners at Panther Creek to Cantaloupe if Cantaloupe reasonably determines that such replacement will be economically beneficial. For the avoidance of doubt, a replacement Bitcoin Miner will be deemed economically beneficial if such replacement Bitcoin Miner (i) has the same or higher hash rate capacity as the replaced Bitcoin Miner and (ii) has the same or better efficiency than the replaced Bitcoin Miners. In that event, Stronghold agrees, at Cantaloupe’s sole cost upon not less than fifteen (15) business days’ notice, to remove the Bitcoin Miners that are being replaced and arrange for the delivery of such removed Bitcoin Miners to Cantaloupe; upon the delivery by Cantaloupe of the ~~R~~replacement Bitcoin Miners to Stronghold at Panther Creek; ~~at Cantaloupe’s sole cost upon not less than fifteen (15) business days’ notice.~~”

15. Miscellaneous.

a. Each of the Parties represents and warrants that (i) it has the requisite power and authority to enter into this Amendment; (ii) this Amendment has been duly authorized, executed and delivered by such Party; (iii) the Agreement, as amended by this Amendment, is a legal, valid and binding agreement of such Party; (iv) the execution, delivery and performance of this Agreement by such Party do not contravene, violate, or constitute a default under any Applicable Law, any of such Party’s organizational documents, or any agreement, indenture, or other instrument to which such Party is a party or by which such Party is bound; and (v) the execution, delivery and performance of this Amendment do not require the approval of or any notice to any Governmental Authority.

b. Except as amended by this Amendment, all of the terms and provisions in the Agreement shall remain in full force and effect and shall apply to this Amendment.

c. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall collectively constitute one instrument. Delivery or an executed counterpart of a signature page of this Amendment by telecopy or electronic .pdf copy shall be effective as delivery of a manually executed counterpart of this Amendment.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first written above.

STRONGHOLD DIGITAL MINING HOSTING, LLC

By: /s/ **Greg Beard**

Name: Greg Beard

Title: Authorized Person

CANTALOUPE DIGITAL LLC

By: /s/ **Nan Geng Zhang**

Name: Nan Geng Zhang

Title: Chairman and CEO

**SECOND AMENDMENT TO THE
STRONGHOLD DIGITAL MINING, INC.
OMNIBUS INCENTIVE PLAN
JUNE 6, 2024**

THIS SECOND AMENDMENT (the “*Second Amendment*”) to the Stronghold Digital Mining, Inc. Omnibus Incentive Plan, as may be amended from time to time (the “*Plan*”), has been adopted by Stronghold Digital Mining, Inc., a Delaware corporation (the “*Company*”). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

WITNESSETH:

WHEREAS, the Company previously adopted the Plan, effective October 19, 2021 and amended the Plan, effective January 18, 2023;

WHEREAS, Section 9(p) of the Plan provides that the board of directors of the Company (the “*Board*”) or the Compensation Committee of the Board (the “*Committee*”) may amend the Plan from time to time without the consent of any stockholders or Participants, except that any amendment or alteration to the Plan, including any increase in any share limitation, shall be subject to the approval of the Company’s stockholders not later than the next annual meeting following such Board or Committee action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted;

WHEREAS, the Board desires to amend the Plan to (i) limit the Committee’s discretion to accelerate vesting under the Plan, (ii) increase the number of shares of Stock available for delivery with respect to Awards, (iii) remove the “evergreen” feature for the number of shares of Stock available for delivery with respect to Awards, (iv) limit the ability for shares of Stock to be recycled back into the Plan, (iv) remove the “repricing” feature and the ability to exchange Awards without stockholder approval and (v) prohibit the cash buyout of Awards without stockholder approval; and

WHEREAS, the Board has determined that the Second Amendment shall be made effective as of, and contingent on, the date the Second Amendment is approved by the stockholders of the Company (such date, the “*Amendment Effective Date*”).

NOW, THEREFORE, the Plan shall be amended as of the Amendment Effective Date, as set forth below:

1. Section 3(a)(v) of the Plan is hereby deleted and replaced in its entirety with the following:

“modify, waive or adjust any term or condition of an Award that has been granted, which may include the waiver of forfeiture restrictions, modification of the form of settlement of the Award (for example, from cash to Stock or vice versa), early termination of a performance period, or modification of any other condition or limitation regarding an Award; provided that such modification, waiver or exercise shall not include an acceleration of vesting.”

2. Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:

“Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with Section 8, [●] shares of Stock are reserved and available for delivery with respect to Awards and such total shall be available for the issuance of shares upon the exercise of ISOs.”

3. Section 4(c) of the Plan is hereby deleted and replaced in its entirety with the following:

“Availability of Shares Not Delivered under Awards. Shares of Stock subject to an Award under the Plan that expires or is cancelled, forfeited, exchanged, settled in cash or otherwise terminated without the actual delivery of shares (Awards of Restricted Stock shall not be considered “delivered shares” for this purpose), will again be available for Awards. Notwithstanding the foregoing, (i) the number of shares tendered or withheld in payment of any exercise or purchase price of an Award or taxes relating to an Award, (ii) shares that were subject to an Option or an SAR but were not issued or delivered as a result of the net settlement or net exercise of such Option or SAR and (iii) shares repurchased on the open market with the proceeds of an Option’s exercise price, will not, in each case, be available for Awards.”

4. Section 6(j) of the Plan is hereby deleted and replaced in its entirety with the following:

“Substitute Awards. Awards may be granted in substitution or exchange for any other Award granted under the Plan or under another plan of the Company or an Affiliate or any other right of an Eligible Person to receive payment from the Company or an Affiliate. Awards may also be granted under the Plan in substitution for awards held by individuals who become Eligible Persons as a result of a merger, consolidation or acquisition of another entity or the assets of another entity by or with the Company or an Affiliate. Such Substitute Awards referred to in the immediately preceding sentence that are Options or SARs may have an exercise price that is less than the Fair Market Value of a share of Stock on the date of the substitution if such substitution complies with the Nonqualified Deferred Compensation Rules and other applicable laws and exchange rules.”

5. The following is added as a new Section 6(k) of the Plan:

“No Repricing. Except as provided in Section 6(j), or in Section 8, without the approval of the stockholders of the Company, the terms of outstanding Awards may not be amended to (i) reduce the Exercise Price or grant price of an outstanding Option or SAR, (ii) grant a new Option, SAR or other Award in substitution for, or upon the cancellation of, any previously granted Option or SAR that has the effect of reducing the Exercise Price or grant price thereof, (iii) exchange any Option or SAR for Stock, cash or other consideration when the Exercise Price or grant price per share of Stock under such Option or SAR exceeds the Fair Market Value of a share of Stock or (iv) take any other action that would be considered a “repricing” of an Option or SAR under the applicable listing standards of the national securities exchange on which the Stock is listed (if any).”

RESOLVED FURTHER, that the Second Amendment shall supersede any prior amendments to the Plan to the extent there is any conflict between the Second Amendment and such prior amendments; and

RESOLVED FURTHER, that except as amended hereby, the Plan is specifically ratified and reaffirmed.

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CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory A. Beard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “registrant”) for the quarter ended June 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 officer(s) 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)) 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 officer(s) 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.

Dated: August 14, 2024

By: /s/ Gregory A. Beard

Gregory A. Beard

Chairman and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew J. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “registrant”) for the quarter ended June 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 officer(s) 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)) 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 officer(s) 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.

Dated: August 14, 2024

By: /s/ Matthew J. Smith
Matthew J. Smith
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “Company”) for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory A. Beard, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, 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) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2024

By: /s/ Gregory A. Beard

Gregory A. Beard

Chairman and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “Company”) for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew J. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, 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) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2024

By: /s/ Matthew J. Smith

Matthew J. Smith

Chief Financial Officer

(Principal Financial Officer)