

**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 AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

or

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

For the transition period from _____ to _____

MARATHON DIGITAL HOLDINGS, INC.

(Exact Name of Registrant as Specified in Charter)

| | | |
|---|-----------------------------|--------------------------------------|
| Nevada | 001-36555 | 01-0949984 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |
| 1180 North Town Center Drive, Suite 100 Las Vegas, NV | | 89144 |
| (Address of principal executive offices) | | (Zip Code) |

Registrant's telephone number, including area code: 702-945-2773

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer | <input type="checkbox"/> |
| Non-accelerated Filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | MARA | The Nasdaq Capital Market |

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, 106,308,647 shares of common stock are issued and outstanding as of May 6, 2022.

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OTHER PERTINENT INFORMATION

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

Item 1. Financial Statements

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

| | March 31, 2022 (unaudited) | December 31, 2021 |
|---|----------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 118,511,331 | \$ 268,522,019 |
| Digital currencies | 135,123,592 | 102,805,980 |
| Digital currencies, restricted | 20,437,284 | 20,437,284 |
| Subscription receivable | 4,720,197 | - |
| Deposits | 40,791,699 | 34,458,347 |
| Investment fund | 218,236,903 | 223,778,545 |
| Loan receivable | 30,000,000 | 30,000,000 |
| Prepaid expenses and other current assets | 24,764,814 | 8,148,016 |
| Total current assets | <u>592,585,820</u> | <u>688,150,191</u> |
| Other assets: | | |
| Property and equipment (net of accumulated depreciation and impairment charges of \$34,884,957 and \$21,311,461, respectively) | 333,317,458 | 276,242,794 |
| Advances to vendor | 594,239,887 | 466,254,623 |
| Investments | 13,499,825 | 3,000,000 |
| Long term prepaids | 3,130,766 | 13,665,589 |
| Right-of-use assets | 1,326,491 | - |
| Intangible assets (net of accumulated amortization and impairment charges of \$293,049 and \$280,497, respectively) | - | 931,226 |
| Total other assets | <u>945,514,427</u> | <u>760,094,232</u> |
| TOTAL ASSETS | <u>\$ 1,538,100,247</u> | <u>\$ 1,448,244,423</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,715,259 | \$ 10,772,523 |
| Accrued expenses | 4,124,873 | 2,154,616 |
| Operating lease liabilities | 264,460 | - |
| Accrued interest | 2,710,411 | 867,260 |
| Total current liabilities | <u>14,815,003</u> | <u>13,794,399</u> |
| Long-term liabilities | | |
| Notes payable | 729,376,808 | 728,405,922 |
| Operating lease liabilities | 1,071,459 | - |
| Deferred tax liabilities | 18,723,657 | 23,020,721 |
| Total long-term liabilities | <u>749,171,924</u> | <u>751,426,643</u> |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |
| Preferred stock, 0.0001 par value, 50,000,000 shares authorized, no shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively | - | - |
| Common stock, 0.0001 par value; 200,000,000 shares authorized; 106,051,713 and 102,733,273 issued and outstanding at March 31, 2022 and December 31, 2021, respectively | 10,605 | 10,273 |
| Additional paid-in capital | 939,741,806 | 835,693,610 |
| Accumulated other comprehensive loss | (450,719) | (450,719) |
| Accumulated deficit | (165,188,372) | (152,229,783) |
| Total stockholders' equity | <u>774,113,320</u> | <u>683,023,381</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 1,538,100,247</u> | <u>\$ 1,448,244,423</u> |

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

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

| | Three Months Ended March 31, | |
|--|-------------------------------------|----------------------|
| | 2022 | 2021 |
| Revenues | | |
| Digital currency mining | \$ 51,717,718 | \$ 9,152,815 |
| Total revenues | <u>51,717,718</u> | <u>9,152,815</u> |
| Costs and expenses | | |
| Cost of revenue | 26,393,636 | 2,406,415 |
| Operating and administrative expenses | | |
| Compensation and related taxes | 10,342,967 | 52,405,786 |
| Professional fees | 2,247,378 | 426,638 |
| General and administrative | 1,389,388 | 307,191 |
| Impairment of mined digital currency | 19,551,254 | 662,199 |
| Impairment of patents | 919,363 | - |
| Total operating and administrative expenses | <u>34,450,350</u> | <u>53,801,814</u> |
| Operating income (loss) | <u>(9,126,268)</u> | <u>(47,055,414)</u> |
| Other income (expenses) | | |
| Change in fair value of investment fund | (5,541,642) | 131,822,950 |
| Change in fair value of warrant liability | - | (1,591,895) |
| Interest income | 228,693 | 183,828 |
| Other income (expenses) | (2,400) | (1,524) |
| Total other (expenses) income | <u>(5,315,349)</u> | <u>130,413,359</u> |
| Interest expense | (2,814,036) | (1,203) |
| Loss before income taxes | <u>\$ (17,255,653)</u> | <u>\$ 83,356,742</u> |
| Income tax benefit | 4,297,064 | - |
| Net income (loss) | <u>\$ (12,958,589)</u> | <u>\$ 83,356,742</u> |
| Net income (loss) per share, basic: | <u>\$ (0.13)</u> | <u>\$ 0.88</u> |
| Net income (loss) per share, diluted: | <u>\$ (0.13)</u> | <u>\$ 0.87</u> |
| Weighted average shares outstanding, basic: | <u>103,102,596</u> | <u>94,350,216</u> |
| Weighted average shares outstanding, diluted: | <u>103,102,596</u> | <u>96,251,240</u> |

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

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

For the Three Months Ended March 31, 2022

| | Preferred Stock | | Common Stock | | Additional | Accumulated | Accumulated | Total |
|--|-----------------|--------|--------------|-----------|----------------|------------------|---------------------|----------------------|
| | Number | Amount | Number | Amount | Paid-in | Deficit | Other Comprehensive | Stockholders' Equity |
| Balance as of December 31, 2021 | - | \$ - | 102,733,273 | \$ 10,273 | \$ 835,693,610 | \$ (152,229,783) | \$ (450,719) | \$ 683,023,381 |
| Stock based compensation | - | - | 118,796 | 12 | 9,275,340 | - | - | 9,275,352 |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 2,999,644 | 300 | 90,192,877 | - | - | 90,193,177 |
| Common stock issued for long term service contract | - | - | 200,000 | 20 | 4,579,979 | - | - | 4,579,999 |
| Net loss | - | - | - | - | - | (12,958,589) | - | (12,958,589) |
| Balance as of March 31, 2022 | - | \$ - | 106,051,713 | \$ 10,605 | \$ 939,741,806 | \$ (165,188,372) | \$ (450,719) | \$ 774,113,320 |

For the Three Months Ended March 31, 2021

| | Preferred Stock | | Common Stock | | Additional | Accumulated | Accumulated | Total |
|--|-----------------|--------|--------------|----------|----------------|------------------|---------------------|----------------------|
| | Number | Amount | Number | Amount | Paid-in | Deficit | Other Comprehensive | Stockholders' Equity |
| Balance as of December 31, 2020 | - | \$ - | 81,974,619 | \$ 8,197 | \$ 428,242,763 | \$ (116,055,277) | \$ (450,719) | \$ 311,744,964 |
| Stock based compensation | - | - | 4,701,442 | 470 | 51,031,125 | - | - | 51,031,595 |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 12,500,000 | 1,250 | 237,428,369 | - | - | 237,429,619 |
| Options exercised for cash | - | - | 23,500 | 2 | (2) | - | - | (0) |
| Warrant exercised for cash | - | - | 170,904 | 17 | 160,145 | - | - | 160,162 |
| Net loss | - | - | - | - | - | 83,356,742 | - | 83,356,742 |
| Balance as of March 31, 2021 | - | \$ - | 99,370,465 | \$ 9,936 | \$ 716,862,400 | \$ (32,698,535) | \$ (450,719) | \$ 683,723,082 |

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

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

| | Three Months Ended March 31, | |
|--|-------------------------------------|-----------------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ (12,958,589) | \$ 83,356,742 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 18,538,926 | 1,298,936 |
| Impairment of patents | 919,363 | - |
| Deferred tax benefit | (4,297,064) | - |
| Change in fair value of warrant liability | - | 1,591,895 |
| Change in fair value of investment securities | 5,541,642 | (131,822,950) |
| Impairment of digital currencies | 19,551,254 | 662,199 |
| Stock based compensation | 9,275,352 | 51,031,595 |
| Amortization of right-of-use assets | 26,132 | 16,597 |
| Amortization of bond issuance costs | 970,886 | - |
| Other adjustments from operations | - | 80,863 |
| Changes in operating assets and liabilities: | | |
| Digital currencies | (51,868,867) | (9,152,816) |
| Deposits | (6,287,068) | - |
| Lease liability | (16,704) | (18,701) |
| Prepaid expenses and other assets | (6,210,505) | (113,847) |
| Accounts payable and accrued expenses | (1,087,007) | (13,774) |
| Accrued interest | 1,843,151 | - |
| Net cash used in operating activities | <u>(26,059,098)</u> | <u>(3,083,261)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Advances to vendor | (192,390,625) | (63,221,724) |
| Purchase of property and equipment | (6,534,120) | (25,456,714) |
| Purchase of equity investments | (10,499,825) | - |
| Purchase of investment securities | - | (150,000,000) |
| Sale of digital currencies | - | 16,000 |
| Net cash used in investing activities | <u>(209,424,570)</u> | <u>(238,662,438)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock/At-the-market offering | 88,127,270 | 327,103,650 |
| Offering costs for the issuance of common stock/At-the-market offering | (2,654,290) | (14,906,805) |
| Proceeds received on exercise of options and warrants | - | 160,164 |
| Net cash provided by financing activities | <u>85,472,980</u> | <u>312,357,009</u> |
| Net (decrease) increase in cash and cash equivalents | (150,010,688) | 70,611,310 |
| Cash and cash equivalents — beginning of period | 268,522,019 | 141,322,776 |
| Cash and cash equivalents — end of period | <u>\$ 118,511,331</u> | <u>\$ 211,934,086</u> |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Options exercised into common stock | \$ - | \$ 2 |
| Operating lease assets obtained in exchange for new operating lease liabilities | \$ 1,352,623 | \$ - |
| Receivable due to share issuance | \$ 4,720,197 | \$ - |
| Common stock issued for service and license agreements | \$ 4,579,999 | \$ - |

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

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Marathon Digital Holdings, Inc. (the “Company”) was incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. On December 7, 2011, the Company changed its name to American Strategic Minerals Corporation and was engaged in exploration and potential development of a minerals business. In June 2012, the Company discontinued the minerals business and began to invest in real estate properties in Southern California. In October 2012, the Company discontinued its real estate business and the Company commenced IP licensing operations, at which time the Company’s name was changed to Marathon Patent Group, Inc. Since 2018, the Company purchased cryptocurrency mining machines and established a data center in Canada to mine digital assets. The Company has since expanded its activities in the mining of bitcoin. As of March 31, 2022, the Company no longer holds any legacy IP assets and is solely focused on the mining of bitcoin and ancillary opportunities within the bitcoin ecosystem.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated condensed financial statements, including the accounts of the Company’s subsidiaries, Marathon Crypto Mining, Inc., Crypto Currency Patent Holding Company and Soems Acquisition Corp., have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year ended December 31, 2022.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the useful lives of fixed assets, the assumptions used to calculate fair value of options granted, realization of long-lived assets, deferred income taxes, unrealized tax positions and the realization of digital currencies.

Significant Accounting Policies

There have been no material changes to the Company’s significant accounting policies to those previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Digital Currencies

Digital currencies are included in current assets in the consolidated balance sheets. Digital currencies are recorded at cost less impairment.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Halving – The bitcoin blockchain and the cryptocurrency reward for solving a block is subject to periodic incremental halving. Halving is a process designed to control the overall supply and reduce the risk of inflation in cryptocurrencies using a Proof-of-Work consensus algorithm. At a predetermined block, the mining reward is cut in half, hence the term “Halving”. The last halving for bitcoin occurred on May 12, 2020. For example, the current fixed reward on the bitcoin network for solving a new block is six and one quarter (6.25) bitcoins per block, which decreased from twelve and a half (12.5) bitcoins per block in May 2020. It is estimated that the number of bitcoins per block will halve again in about four (4) years. Many factors influence the price of bitcoin and potential increases or decreases in prices in advance of or following a future halving is unknown.

The following table presents the activities of the digital currencies for the three months ended March 31, 2022:

| | | |
|---|-----------|--------------------|
| Digital currencies at December 31, 2021 | \$ | 123,243,264 |
| Additions of digital currencies | | 51,717,718 |
| Impairment of digital currencies | | (19,551,254) |
| Interest received on digital currencies, restricted | | 151,148 |
| Digital currencies at March 31, 2022 | <u>\$</u> | <u>155,560,876</u> |

At March 31, 2022, we held approximately 4,579 self-mined bitcoin with a carrying value of \$155.6 million and carried on the balance sheet as digital currencies (\$135.1 million) and digital currencies, restricted (\$20.5 million). The fair market value of the self-mined bitcoin as of March 31, 2022 was approximately \$208.8 million. We also held approximately 4,794 bitcoin in an investment fund, which was valued at \$218.2 million as of March 31, 2022.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Investment Fund

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, that requires entities to generally measure investments in equity securities at fair value and recognize changes in fair value in net income.

On January 25, 2021, the Company entered into a limited partnership agreement with NYDIG Digital Assets Fund III, LP (“fund”) whereas the fund purchased 4,812.66 BTC in an aggregate purchase price of \$150 million. The Company owns 100% of the limited partnership interest. The investment fund is included in current assets in the consolidated balance sheets.

The fund qualifies and operates as an investment company for accounting purposes pursuant to the accounting and reporting guidance under ASC 946, Financial Services – Investment Companies, which requires fair value measurement of the Fund’s investments in digital assets. The digital assets held by each Fund are traded on a number of active markets globally, including the over-the-counter (“OTC”) market and digital asset exchanges. A fair value measurement under ASC 820 for an asset assumes that the asset is exchanged in an orderly transaction between market participants either in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset (ASC 820-10-35-5). An entity must have access to the principal (or most advantageous) market at the measurement date (ASC 820-10-35-6A).

Investments

Investments, which may be made from time to time for strategic reasons (and not to engage in the business of investments) are included in non-current assets in the consolidated balance sheets. Investments are recorded at cost and the Company analyzes these investments value on a quarterly basis. As part of the Company’s policy to maximize return on strategic investment opportunities, while preserving capital and limiting downside risk, the Company may at times enter into equity investments or SAFE agreements. The nature and timing of the Company’s investments will depend on available capital at any particular time and the investment opportunities identified and available to the Company.

Fair Value of Financial Instruments

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions.

The carrying amounts reported in the consolidated balance sheet for cash, accounts receivable, accounts payable, and accrued expenses, approximate their estimated fair market value based on the short-term maturity of these instruments. The carrying value of notes payable and other long-term liabilities approximate fair value as the related interest rates approximate rates currently available to the Company.

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to their fair value measurement. The Company measures the fair value of its marketable securities and investments by taking into consideration valuations obtained from third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs included reported trades of and broker-dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs.

The following tables present information about the Company’s assets and liabilities measured at fair value on a recurring basis and the Company’s estimated level within the fair value hierarchy of those assets and liabilities as of March 31, 2022 and December 31, 2021, respectively:

| | Fair value measured at March 31, 2022 | | | |
|-----------------------|--|--|--|--|
| | Total carrying value at March 31, 2022 | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | |
| Money Market Accounts | \$ 114,938,284 | \$ 114,938,284 | \$ - | \$ - |
| Investment Fund | \$ 218,236,903 | \$ - | \$ 218,236,903 | \$ - |
| | | | | |
| | Fair value measured at December 31, 2021 | | | |
| | Total carrying value at December 31, 2021 | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | |
| Money Market Accounts | \$ 266,635,158 | \$ 266,635,158 | \$ - | \$ - |
| Investment Fund | \$ 223,778,545 | \$ - | \$ 223,778,545 | \$ - |

There were no transfers among Levels 1, 2 or 3 during the three months ended March 31, 2022.

Net Income and Basic and Diluted Net Income per Share

Net income per common share is calculated in accordance with ASC Topic 260: Earnings Per Share (“ASC 260”). Basic income per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. For the three month period ending March 31, 2022, the Company incurred a loss position and as such the computation of diluted net income (loss) per share does not include dilutive common stock equivalents in the weighted average shares outstanding, as they would be anti-dilutive.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Computation of potential shares for the diluted earning (loss) per share calculation at March 31, 2022 and 2021 are as follows:

| | As of March 31, | |
|--|------------------------|----------------|
| | 2022 | 2021 |
| Warrants to purchase common stock | 324,375 | 448,790 |
| Options to purchase common stock | - | 81,120 |
| Convertible notes to exchange common stock | 9,812,955 | - |
| Total | 10,137,330 | 529,910 |

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

| | For the Three Months Ended March 31, | |
|---|---|---------------|
| | 2022 | 2021 |
| Net income (loss) attributable to common shareholders | \$ (12,958,589) | \$ 83,356,742 |
| Denominator: | | |
| Weighted average common shares - basic | 103,102,596 | 94,350,216 |
| Weighted average common shares - diluted | 103,102,596 | 96,251,240 |
| Income (loss) per common share - basic | \$ (0.13) | \$ 0.88 |
| Income (loss) per common share - diluted | \$ (0.13) | \$ 0.87 |

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 3 – ADVANCES TO VENDORS AND PROPERTY AND EQUIPMENT

The Company contracts with bitcoin mining server manufacturers in procuring equipment necessary for the operation of its bitcoin mining operations. A typical agreement calls for a certain percentage of the total order to be paid in advance at specific intervals, usually (1) within several days of execution of a specific contract (2) approximately six months before each shipment date and (3) approximately one month before each shipment date. We account for these payments as Advances to vendor on the balance sheet.

As of March 31, 2022 and December 31, 2021, such advances totaled approximately \$594.2 million and \$466.3 million, respectively.

In addition, the Company contracts with other service providers for hosting of its equipment and operational support in data centers where the company's equipment is deployed. These arrangements also call for advance payments to be made to vendors in conjunction with the contractual obligations associated with these services. We classify these payments as deposits on the balance sheet.

The components of property and equipment as of March 31, 2022 and December 31, 2021 are:

| | Useful life (Years) | March 31, 2022 | December 31, 2021 |
|---|---------------------|-----------------------|-----------------------|
| Website | 7 | 121,787 | 121,787 |
| Mining equipment | 5 | 182,247,691 | 163,868,283 |
| Construction in Progress | N/A | 186,125,986 | 133,565,908 |
| Mining patent | 17 | - | 1,210,000 |
| Gross property, equipment and intangible assets | | 368,495,464 | 298,765,978 |
| Less: Accumulated depreciation and amortization | | (35,178,006) | (21,591,958) |
| Property, equipment and intangible assets, net | | \$ 333,317,458 | \$ 277,174,020 |

The Company's depreciation expense related to property and equipment for the three months ended March 31, 2022 and March 31, 2021 was \$13,864,132 and \$720,142, respectively. Amortization expense for the three months ended March 31, 2022 and March 31, 2021 was \$12,552 and \$17,794, respectively.

NOTE 4 - STOCKHOLDERS' EQUITY

Common Stock

Shelf Registration Statements on Form S-3 and At The Market Offering Agreements

On February 11, 2022, we entered into an At The Market Offering Agreement, or sales agreement, with H.C. Wainwright & Co., LLC relating to shares of our common stock. In accordance with the terms of the sales agreement, we may offer and sell shares of our common stock having an aggregate offering price of up to \$750,000,000 from time to time through Wainwright acting as our sales agent. As of March 31, 2022, the Company had sold 2,999,644 shares of common stock for an aggregate purchase price of \$90.2 million net of offering costs pursuant to this At The Market Offering Agreement.

Series B Convertible Preferred Stock

As of March 31, 2022, there were no shares of Series B Convertible Preferred Stock outstanding.

Series E Preferred Stock

There was no Series E Convertible Preferred Stock outstanding as of March 31, 2022.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Common Stock Warrants

A summary of the status of the Company's outstanding stock warrants and changes during the three months ended March 31, 2022 is as follows:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) |
|---|--------------------|------------------------------------|---|
| Outstanding as of December 31, 2021 | 326,779 | \$ 25.54 | 3.5 |
| Issued | - | \$ - | - |
| Expired | (2,404) | \$ 52.00 | - |
| Exercised | - | \$ - | - |
| Outstanding as of March 31, 2022 | 324,375 | \$ 25.00 | 3.8 |
| Warrants exercisable as of March 31, 2022 | 324,375 | \$ 25.00 | 3.8 |
| The aggregate intrinsic value of warrants outstanding and exercisable at March 31, 2022 was | | | |
| | | \$ 956,907 | |

Common Stock Options

As of March 31, 2022 and December 31, 2021, there were no stock options outstanding.

Restricted Stock

A summary of the restricted stock award activity (represented by restricted stock units (RSUs)) for the three months ended March 31, 2022 as follows:

| | Number of Units | Weighted Average Grant Date Fair Value |
|--------------------------------|-----------------|---|
| Nonvested at December 31, 2021 | 642,094 | \$ 35.93 |
| Granted | 665,180 | \$ 24.64 |
| Vested | (118,796) | \$ 26.99 |
| Nonvested at March 31, 2022 | 1,188,478 | \$ 25.78 |

During the first quarter of 2022, the Compensation Committee issued grants that will vest over the next four years and result in total stock compensation expense of approximately \$16.3 million.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - DEBT, COMMITMENTS AND CONTINGENCIES

Debt

On October 1, 2021, the Company entered into a Revolving Credit and Security Agreement (the “Agreement”) with Silvergate Bank pursuant to which Silvergate has agreed to loan the Company up to \$100 million on a revolving basis. At March 31, 2022 and December 31, 2021 there were no amounts outstanding under this facility.

On November 18, 2021, the Company issued \$650 million principal amount of its 1.00% Convertible Senior Notes due 2026 (the “Notes”). The Notes were issued pursuant to, and are governed by, an indenture dated as of November 18, 2021, between the Company and U.S. Bank National Association, as trustee. Pursuant to the purchase agreement between the Company and the initial purchasers of the Notes, the Company also granted the initial purchasers an option to purchase up to an additional \$97,500,000 principal amount of Notes. This option was exercised and an additional \$97,500,000 principal amount of Notes were issued on November 23, 2021.

As of March 31, 2022 and December 31, 2021, notes outstanding, net of unamortized discounts of approximately \$18.1 million and \$19.1 million, respectively, were \$729.4 million and \$728.4 million, respectively.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), and has since issued amendments thereto, related to the accounting for leases (collectively referred to as “ASC 842”). ASC 842 establishes a right-of-use, or ROU, model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Effective January 1, 2019, the Company adopted ASU 842. The Company determines if an arrangement contains a lease at inception based on whether or not the Company has the right to control the asset during the contract period and other facts and circumstances.

The Company leases office space in the United States under operating lease agreements. Office space is the Company’s only material underlying asset class under operating lease agreements. The Company has no material finance leases.

Effective June 1, 2018, the Company rented its corporate office at 1180 North Town Center Drive, Suite 100, Las Vegas, Nevada 89144, on a month to month basis.

Effective February 14, 2022, the Company rented an office located at Tower 101, 101 NE Third Avenue, Fort Lauderdale, Florida, 33301, for a term of 63 months.

Effective March 1, 2022, the Company rented an office located at 300 Spectrum Center Drive, Irvine CA, 92618, for a term of 24 months.

As of March 31, 2022, the Company’s right-of-use (“ROU”) assets and total lease liabilities were \$1.3 million and \$1.3 million, respectively for leases in the United States. As of December 31, 2021, the Company’s ROU assets and total lease liabilities were nil. The Company has made payments and amortized the right-of-use assets totalling \$16,704 and \$26,132, respectively, for the three month period ending March 31, 2022.

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Operation lease costs are recorded on a straight-line basis within operating expenses. The Company's total lease expense is comprised of the following:

| | For the Three Months Ended | |
|-------------------------------|-----------------------------------|-----------------------|
| | March 31, 2022 | March 31, 2021 |
| Operating leases | | |
| Operating lease cost | \$ 26,133 | \$ 18,701 |
| Operating lease expense | 26,133 | 18,701 |
| Short-term lease rent expense | 7,139 | 6,687 |
| Total rent expense | <u>\$ 33,272</u> | <u>\$ 25,388</u> |

Additional information regarding the Company's leasing activities as a lessee is as follow:

| | For the Three Months Ended | |
|--|-----------------------------------|-----------------------|
| | March 31, 2022 | March 31, 2021 |
| Operating cash flows from operating leases | \$ 16,704 | \$ - |
| Weighted-average remaining lease term – operating leases | 4.7 | - |
| Weighted-average discount rate – operating leases | 5.0% | 0.0% |

As of March 31, 2022, contractual minimum lease payments are as follows for the next five years.

| Year | Amount |
|------------------|---------------------|
| 2022 (remaining) | \$ 182,318 |
| 2023 | \$ 323,582 |
| 2024 | \$ 248,447 |
| 2025 | \$ 236,696 |
| 2026 | \$ 240,991 |
| Thereafter | \$ 101,824 |
| Total | <u>\$ 1,333,858</u> |

Legal Proceedings

Ho Matter

On January 14, 2021, Plaintiff Michael Ho ("Plaintiff" or "Ho") filed a Civil Complaint for Damages and Restitution ("Complaint") against Marathon Digital Holdings, Inc. (the "Company") and 10 Doe Defendants. The Complaint alleges six causes of action against the Company, (1) Breach of Written Contract; (2) Breach of Implied Contract; (3) Quasi-Contract; (4) Services Rendered; (5) Intentional Interference with Prospective Economic Relations; and (6) Negligent Interference with Prospective Economic Relations, which is the one plead against "all Defendants" and is most likely to involve later named defendants. The claims arise from the same set of facts, Ho alleges that the Company profited from commercially-sensitive information he shared with the Company and then it refused to compensate him for his role in securing the acquisition of a supplier of energy for the Company. On February 22, 2021, the Company responded to Mr. Ho's Complaint with a general denial and the assertion of applicable affirmative defenses. Then, on February 25, 2021, the Company removed the action to the United States District Court in the Central District of California, where the action remains pending. Marathon filed a motion for summary judgment/adjudication of all causes of action. On February 11, 2022, the Court granted the motion and dismissed Ho's 2nd, 5th and 6th causes of action. Discovery is closed. The Court held a pre-trial conference on February 24, 2022, where it vacated the March 3, 2022 trial date and ordered the parties to meet and confer on a new trial date. The Court discussed the various theories of damages maintained by the parties. In its ruling on the summary judgment motion and at the pre-trial conference on February 24, 2022, the Court noted that a jury is more likely to accept \$150,000 as an appropriate damages amount if liability is found, as opposed to the various theories espoused by Ho that result in multi-million dollar recoveries. Due to outstanding issues of fact and law, it is impossible to predict the outcome at this time; however, after consulting legal counsel, the Company is confident that it will prevail in this litigation, since it did not have a contract with Mr. Ho and he did not disclose any commercially-sensitive information under any mutual nondisclosure agreement that was used to structure any joint venture with energy providers. Trial is set to begin on May 26, 2022.

Information Subpoena

On October 6, 2020, the Company entered into a series of agreements with multiple parties to design and build a data center for up to 100-megawatts in Hardin, MT. In conjunction therewith, the Company filed a Current Report on Form 8-K on October 13, 2020. The 8-K discloses that, pursuant to a Data Facility Services Agreement, the Company issued 6,000,000 shares of restricted Common Stock, in transactions exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. During the quarter ended September 30, 2021, the Company and certain of its executives received a subpoena to produce documents and communications concerning the Hardin, Montana data center facility described in our Form 8-K dated October 13, 2020. We understand that the SEC may be investigating whether or not there may have been any violations of the federal securities law. We are cooperating with the SEC.

Putative Complaint

On December 17, 2021, a putative class action complaint was filed in the United States District Court for the District of Nevada, against the Company and present and former senior management. The Complaint alleges securities fraud related to the disclosure of an SEC investigation previously made by the Company on November 15, 2021. Plaintiff Tad Schlatre served the Complaint on the Company on March 1, 2022.

Derivative Complaint

On February 18, 2022, a shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's board of directors and senior management. The complaint is based on allegations substantially similar to the allegations in the December 2021 putative securities class action complaint, related to the Company's disclosure of an SEC investigation previously made by the Company on November 15, 2021. On March 4, 2022, the Complaint was served on the Company. On April 4, 2022, the defendants moved to dismiss the Complaint.

On May 5, 2022, a second shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's board of directors and senior management. The complaint is based on allegations substantially similar to the allegations in the February 18, 2022 derivative complaint.

In the opinion of management, after consulting legal counsel, the ultimate disposition of these five matters will not have a material adverse effect on the Company and its related entities combined financial position, results of operations, or liquidity.

NOTE 6 – Subsequent Events

The Company has evaluated subsequent events through the date the consolidated financial statements were available to be issued and has concluded that no such events or transactions took place that would require disclosure herein except as stated directly below.

Subsequent to March 31, 2022, the Company has drawn down on the revolving line of credit in an amount of \$70,000,000.

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

This report on Form 10-Q ("Report") and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

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

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our consolidated financial statements and the notes presented herein. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those expressed, implied or anticipated in these forward-looking statements as a result of certain factors discussed herein and any other periodic reports filed and to be filed with the Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "sustain", "on track", "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in our reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Business of the Company

Marathon Digital Holdings, Inc. (the “Company”) was incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. On December 7, 2011, the Company changed its name to American Strategic Minerals Corporation and were engaged in exploration and potential development of uranium and vanadium minerals business. In June 2012, the Company discontinued the minerals business and began to invest in real estate properties in Southern California. In October 2012, the Company discontinued its real estate business and the Company commenced IP licensing operations, at which time the Company’s name was changed to Marathon Patent Group, Inc. As of March 31, 2022, the Company no longer holds any legacy IP assets and is solely focused on the mining of bitcoin and ancillary opportunities within the bitcoin ecosystem under the name Marathon Digital Holdings, Inc.

Covid 19 Pandemic

The impact of the worldwide spread of a novel strain of coronavirus (“COVID 19”) has been and continues to be unprecedented and unpredictable, although less of a concern as it was one year ago, but based on the Company’s current assessment, the Company does not expect any material impact on its long-term strategic plans, operations and its liquidity due to the worldwide spread of COVID-19. However, the Company is continuing to assess the effect on its operations by monitoring the spread of COVID-19 and the actions implemented to combat the virus throughout the world and its assessment of the impact of COVID-19 may change.

Recent developments

On March 31, 2022, Marathon Digital Holdings, Inc. (the “Company”) amended its previously announced agreements with affiliates of Beowulf Energy LLC, a Delaware limited liability company (collectively and as applicable, “Beowulf”), and Two Point One, LLC, a Delaware limited liability company (“2P1”), pursuant to which Beowulf and 2P1 have been designing and developing a data center facility of up to 110-megawatts (the “Facility”) located next to, and supplied energy directly from, Beowulf’s power generation station in Hardin, MT. As part of the Company’s mandate to become carbon neutral by the end of the 2022 fiscal year, the Company, Beowulf and 2P1 agreed to terminate the Data Facility Services Agreement, the Power Purchase Agreement and the Ground Lease for the Facility as of August 15, 2022, and the Company will redeploy its Hardin-installed miners to renewable power facilities on or before September 30, 2022.

Effective March 31, 2022, Douglas Mellinger was appointed as a director to the Board of Directors of Marathon Digital Holdings, Inc. (the “Company”) to fill the vacancy created by Merrick Okamoto’s departure at the end of 2021. Effective the same date, Hugh Gallagher was appointed as the Company’s Chief Financial Officer, and Simeon Salzman was appointed as its Chief Accounting Officer.

The Company began operating its own mining pool in May 2021. Prior to participating in the Company’s own mining pool, the Company’s miners contributed hashrate to F2Pool. BTC earned by the pool are allocated to pool participants based on the proportion of hashrate contributed to the pool per participant at the time of the reward. From May 2021 to December 2021, the Company’s miners contributed approximately 94% of the pool’s total hashrate, with 3rd party operators contributing approximately 6%. Effective April 30, 2022, third party miners are no longer permitted to participate in the Company’s mining pool, and prospectively, the Company will be the only participant and contribute 100% of the pool’s hashrate. As such, the Company will no longer incur pool fees for operating its own mining pool as the sole customer of the pool.

Critical Accounting Matters

We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Digital Currencies

Digital currencies are included in current assets in the consolidated balance sheets as intangible assets with indefinite useful lives. Digital currencies are recorded at cost less impairment.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the digital currency at the time its fair value is being measured. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

At March 31, 2022, we held approximately 4,579 self-mined bitcoin with a carrying value of \$155.6 million and carried on the balance sheet as digital currencies (\$135.1 million) and digital currencies, restricted (\$20.5 million). We also held approximately 4,794 bitcoin in an investment fund, which was valued at \$218.2 million as of March 31, 2022. We expect to increase our bitcoin holdings over time primarily through mining activities, though we may purchase or sell bitcoin in future periods as needed for treasury management or general corporate purposes.

Revenue Recognition

The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of this revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The mining of Bitcoin (“BTC”) is a continuous process, with computers running calculations 24 hours per day, 7 days per week in support of the bitcoin blockchain, verifying transactions and adding verified “blocks” of transactions to the blockchain. When the mining pool in which the Company participates solves the equation to verify a block, that block is added to the Bitcoin blockchain and the pool is rewarded BTC in return. Blocks are added to the bitcoin blockchain on average every 10 minutes, and each new block is a new contract / performance obligation. The time between contract inception and receipt of consideration, as it relates to a mining pool, is therefore not materially different.

The Company utilizes custodian services, provided by NYDIG, related to allocating and disbursing the pool rewards after they are earned by the pool. The mining rewards (in the form of BTC) are allocated to pool participants based on the proportion of hashrate contributed to the pool per participant at the time of the reward. NYDIG confirms this allocation among pool participants within 24 hours of a block reward. As bitcoin’s blockchain operates 24 hours a day, 365 days a year, in the case where the pool receives mining rewards when there is a federal holiday or over the weekend (Saturday/Sunday), NYDIG sends the respective earnings report on the next available business day. Once participants confirm the NYDIG calculations, the mining rewards are sent to each participants digital wallet, at that time upon constructive receipt, the Company will then effectively recognize revenue using the closing price during that respective day multiplied by the bitcoin rewards received. The Company aggregates all BTC rewards confirmed in any given day and records revenue in USD at the prevailing market price at the end of the day. The value of the BTC rewards, utilizing the prevailing market prices at constructive receipt, is not materially different than the value recognized. Management utilizes various pricing sources, including sources readily available to the general public (such as Messari.io, Yahoo Finance and Blockchain.com) to ensure the reasonableness of our assessment of valuation and we periodically review or back check this assumption for reasonableness.

The Company began operating its own mining pool in May 2021. In addition to mining within the pool, the Company, as pool operator, recognizes approximately 0.5% of any block reward as pool fee revenue. This fee is subtracted from BTC rewarded prior to the allocation of the BTC reward among the pool participants based on contributed hashrate. As a result, revenues associated directly with bitcoin mining activities are recorded net of any pool fee with an offsetting cost of revenue. Pool operator fees were approximately \$0.3 million for the three month period ended March 31, 2022. There were no pool operator fees recorded in the comparable prior-year period. Effective April 30, 2022, third party miners are no longer permitted to participate in the Company’s mining pool, and prospectively, the Company will be the only participant and contribute 100 % of the pool’s hashrate. As such, the Company will no longer incur pool fees for operating its own mining pool as the sole customer of the pool.

In addition to the block rewards and pool operator fees, transaction verification fees are awarded per block reward and vary in amount. These transaction fees were approximately \$0.6 million for the three months ended March 31, 2022 and \$0.0 million for the comparable prior-year period.

Impairment of Long-lived Assets

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the quarter ended March 31, 2022 the Company completed a final review of patents which remained from our legacy as a patent company and determined that there was no longer any value to these patents. As a result, the Company wrote those patents off during the quarter, incurring an impairment of \$919,363.

Non-GAAP Financial Measures

We are providing supplemental non-GAAP financial measures for (i) Adjusted Net Income (ii) Adjusted EBITDA.

Adjusted net income

We define Adjusted Net Income as GAAP net income (or loss) for the period with adjustments to add back the impacts of (1) stock compensation expense, net of withholding taxes (2) changes in the fair market value of our investment fund and (3) the tax effects of the aforementioned adjustments. This non-GAAP measure is used by management to evaluate earnings performance from period-to-period given that (i) we expect that share-based compensation expense will continue to be a recurring expense that may vary significantly from period-to-period and (ii) we also hold digital currencies in an investment fund that requires fair value accounting of the bitcoin held in the fund. Given that this treatment is fundamentally different from the accounting for our self-mined bitcoin (a long-lived intangible that is evaluated for impairment but not reported at market value) and can also vary significantly from period-to-period, we believe our measure of Adjusted Net Income provides management and investors with a meaningful view of earnings resulting from current operating activities.

| | For the three months ended March 31, | | |
|--|--------------------------------------|---------------------|-----------------------|
| | 2022 | 2021 | Variance |
| Net (loss) income | \$ (12,958,589) | \$ 83,356,742 | \$ (96,315,331) |
| Adjustments: | | | |
| Stock Compensation Expense, net of withholding taxes | 9,275,352 | 51,031,595 | (41,756,243) |
| Change in FMV of investment fund | 5,541,642 | (131,822,950) | 137,364,592 |
| Income tax impact of adjustments, net | (3,681,985) | - | (3,681,985) |
| Adjusted net income (loss) | \$ (1,823,580) | \$ 2,565,387 | \$ (4,388,967) |
| Adjusted net income (loss) per share, basic: | \$ (0.02) | \$ 0.03 | \$ (0.05) |
| Adjusted net income (loss) per share, diluted: | \$ (0.02) | \$ 0.03 | \$ (0.05) |
| Weighted average shares outstanding, basic: | 103,102,596 | 94,350,216 | |
| Weighted average shares outstanding, diluted: | 103,102,596 | 96,251,240 | |

Adjusted EBITDA

We define Adjusted EBITDA as GAAP net income (or loss) for the period with adjustments to add back the impacts of (1) depreciation and amortization (2) interest expense (3) income tax expense and (4) adjustments for non-cash and non-recurring items which currently include (i) stock compensation expense, net of withholding taxes (ii) changes in the fair market value of our investment fund (iii) changes in fair value of warrant liability (iv) impairment of digital currencies and (v) other impairments of long-lived assets. Adjusted EBITDA in future periods would also likely include adjustments for unusual or infrequent items that might impact the comparability of our financial results, for example losses on early extinguishments of debt or unusually large gains or losses on sales of assets if these items were to occur. This non-GAAP measure is used by management in evaluating operating performance and we believe it to be a meaningful non-GAAP measure used by investors to compare the Company's operating performance with that of other companies within the industry.

| | For the three months ended March 31, | | |
|--|--------------------------------------|----------------------|------------------------|
| | 2022 | 2021 | Variance |
| Net income (loss) | \$ (12,958,589) | \$ 83,356,742 | \$ (96,315,331) |
| Adjustments: | | | |
| Depreciation and amortization | 18,538,926 | 1,298,936 | 17,239,990 |
| Interest expense | 2,814,036 | 1,203 | 2,812,833 |
| Income tax expense (benefit) | (4,297,064) | - | (4,297,064) |
| EBTIDA | \$ 4,097,309 | \$ 84,656,881 | \$ (80,559,572) |
| Adjustments for non-cash and non-recurring items: | | | |
| Stock compensation expense, net of withholding tax | 9,275,352 | 51,031,595 | (41,756,243) |
| Change in FMV of investment fund | 5,541,642 | (131,822,950) | 137,364,592 |
| Change in fair value of warrant liability | - | 1,591,895 | (1,591,895) |
| Impairment of digital currencies | 19,551,254 | 662,199 | 18,889,055 |
| Impairment of patents | 919,363 | - | 919,363 |
| Adjusted EBITDA | \$ 39,384,920 | \$ 6,119,620 | \$ 33,265,300 |

Depreciation and amortization consists of depreciation on fixed assets of approximately \$13.9 million, amortization of prepaid service contracts of approximately \$4.7 million and amortization of intellectual property of \$12,552 for the three month period ending March 31, 2022.

These supplemental financial measures are not measurements of financial performance under generally accepted accounting principles in the United States ("GAAP") and, as a result, these measures may not be comparable to similarly titled measures of other companies. Management uses these non-GAAP financial measures internally to help understand, manage, and evaluate our business performance and to help make operating decisions. We believe that this combination of reconciliations from GAAP net income to Non-GAAP measures is important when taken together with the GAAP financial results in that they provide a meaningful view of earnings performance for management and investors. We also believe that these Non-GAAP measures provide additional information to investors about the Company's performance because they eliminate certain items not associated with current-period transactions and other significant discrete items that might impact the comparison of period-to-period results

Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation and should be read only in conjunction with our Consolidated Condensed Financial Statements, which have been prepared in accordance with GAAP. We rely primarily on such Consolidated Condensed Financial Statements to understand, manage, and evaluate our business performance and use the non-GAAP financial measures only supplementally.

Recent Issued Accounting Standards

See Note 2 to our consolidated financial statements for a discussion of recent accounting standards and pronouncements.

Results of Operations

For the Three Months Ended March 31, 2022 and 2021

| | For the three months ended March 31, | | | % |
|---|--------------------------------------|--------------|---------------|-------|
| | 2022 | 2021 | Variance | |
| Revenues | \$ 51,717,718 | \$ 9,152,815 | \$ 42,564,903 | 465% |
| Cost of revenues (includes depreciation and amortization) | 26,393,636 | 2,406,415 | 23,987,221 | 997% |
| Total margin (1) | 25,324,082 | 6,746,400 | 18,577,682 | 275% |
| Operating and administrative expenses | 34,450,350 | 53,801,814 | (19,351,464) | -36% |
| Operating income (loss) | (9,126,268) | (47,055,414) | 37,929,146 | -81% |
| Other income (loss) | (5,315,349) | 130,413,359 | (135,728,708) | -104% |
| Interest expense | (2,814,036) | (1,203) | (2,812,833) | NM |
| Income (loss) before income taxes | (17,255,653) | 83,356,742 | (100,612,395) | -121% |
| Income tax expense (benefit) | 4,297,064 | - | 4,297,064 | NM |
| Net income (loss) | (12,958,589) | 83,356,742 | (96,315,331) | -116% |
| Adjusted net income (loss) | (1,823,580) | 2,565,387 | (4,388,967) | -171% |
| Total margin excluding depreciation and amortization | 43,863,008 | 8,045,337 | 35,817,672 | 445% |
| Adjusted EBITDA | 39,384,920 | 6,119,620 | 33,265,300 | 544% |
| Bitcoin self-mined during the period | 1,258.6 | 191.8 | 1,066.8 | 556% |

- (1) Total margin is defined as revenues less cost of revenues
NM - percent variance is not meaningful

Revenues, Costs, Total Margin

We generated revenues of \$51.7 million during the three months ended March 31, 2022 as compared to \$9.2 million during the three months ended March 31, 2021. This \$42.6 million increase in revenue was driven by significantly higher mining activity (\$50.9 million) partially offset by lower revenue per bitcoin mined (\$8.3 million) resulting from lower market prices for bitcoin compared with the prior year period.

Direct cost of revenues during the three months ended March 31, 2022 amounted to \$26.4 million compared with \$2.4 million in the prior-year period. This \$24 million increase in cost was driven by significantly higher mining activities (\$13.4 million) and higher costs per bitcoin mined (\$10.6 million). The increase in cost per bitcoin mined was primarily related to higher depreciation and amortization expenses related to significant increases in the number of mining servers placed into service.

Total margin, defined as revenues less cost of revenue, totaled \$25.3 million compared with \$6.7 million in the prior year period. This \$18.6 million increase in total margin was driven by higher mining activity (\$37.5 million) partially offset by lower revenue per bitcoin mined (\$8.3 million) and higher cost of revenue per bitcoin mined (\$10.6 million).

Operating expenses

We incurred operating expenses of \$34.5 million for the three months ended March 31, 2022 a decrease of \$19.4 million or 36% from the prior-year period. Our operating expenses fluctuated significantly due to non-cash expenses including stock compensation, impairments of digital currencies and impairment of legacy patents. The tables that follow provide additional details on the components of our operating expenses and highlight the fluctuations in specific areas:

| | For the Three Months Ended | |
|----------------------------------|----------------------------|----------------|
| | March 31, 2022 | March 31, 2021 |
| Compensation and related taxes | \$ 10,342,967 | \$ 52,405,786 |
| Professional fees | 2,247,378 | 426,638 |
| Other general and administrative | 1,389,388 | 307,191 |
| Impairment of digital currencies | 19,551,254 | 662,199 |
| Impairment of patents | 919,363 | - |
| Total | \$ 34,450,350 | \$ 53,801,814 |

Non-cash operating expenses consisted of the following:

| | For the Three Months Ended | |
|--------------------------------------|----------------------------|----------------|
| | March 31, 2022 | March 31, 2021 |
| Stock compensation and related taxes | \$ 9,275,352 | \$ 51,031,141 |
| Impairment of digital currencies | 19,551,254 | 662,199 |
| Impairment of patents | 919,363 | - |
| Total | \$ 29,745,969 | \$ 51,693,340 |

Our operating expenses exclusive of the non-cash items listed above totaled \$4.7 million for the three months ended March 31, 2022 an increase of \$2.6 million from the prior-year period primarily related to compensation and professional fees associated with increased mining activities.

Other income (loss)

Other income (loss) was a net loss of (\$5.3) million for the three months ended March 31, 2022 compared with income of \$130.4 million in the prior-year period. The significant variance in other income (loss) was primarily related to fluctuations in the fair market value impact of our investment fund, which recorded a decrease in fair market value of \$5.5 million in the current-year period and an increase in fair value of \$131.8 million in the prior-year period.

Interest expense

Interest expense increased \$2.8 million from the prior year period as a result of the convertible notes issued in November 2021.

Income tax expense (benefit)

Income tax expenses was a benefit of \$4.3 million for the period ended March 31, 2022. Our effective tax rate from continuing operations was approximately 24.9% for the three months ended March 31, 2022, and zero for the three months ended March 31, 2021. The difference between the US statutory tax rate of 21% was primarily due to state taxes.

Net income (loss)

Despite significant increases in operational activities and revenues resulting from our bitcoin mining operations, we recorded a GAAP net loss of \$(13.0) million compared with GAAP net income of \$83.4 million in the prior period. This variance was primarily driven by the aforementioned fluctuation in fair value of our investment fund partially offset by the higher mining activities and lower compensation expenses.

Adjusted Net Income (loss)

Despite significant increases in operational activities and revenues resulting from our bitcoin mining operations, we recorded an Adjusted net loss of \$(1.8) million compared with Adjusted net income of \$2.6 million in the prior period. This variance was primarily driven by increases in impairments of digital currencies (and, to a lesser extent, an impairment of certain legacy patents) partially offset by the benefits of higher total margin and an income tax expense benefit recorded in the current period.

Adjusted EBITDA

Adjusted EBITDA increased to \$39.4 million, a \$33.3 million increase from the prior year period. This increase was primarily related to higher total margin from increased mining activities in the quarter which, excluding the impact of depreciation and amortization recorded as part of cost of revenues, increased \$35.8 million. This increase was partially offset by increases in operating expenses exclusive of non-cash expenses.

Financial Condition and Liquidity

The company expects to have sufficient liquidity, including cash on hand, available borrowing capacity and, to a lesser extent our bitcoin holdings, to support ongoing operations. We will continue to seek to fund the growth in our mining activities through the capital markets, including both debt and equity issuances.

Cash and cash equivalents totaled \$118.5 million at March 31, 2022, a decrease of \$150 million from December 31, 2021. The decrease in cash and cash equivalents was primarily driven by significant increases in investing activities related to increasing our mining activities, including advances to vendor (\$192.4 million) and to a lesser extent purchases of property and equipment (\$6.5 million) and deposits (6.3 million). We also invested a total of \$10.5 million in various equity investees during the period. These expenditures were financed with a combination of cash on hand and proceeds from the issuance of common stock (\$85.5 million). Net cash used by operating activities was \$26.1 million during the period.

At March 31, 2022, we held approximately 4,579 self-mined bitcoin with a carrying value of \$155.6 million and carried on the balance sheet as digital currencies (\$135.1 million) and digital currencies, restricted (\$20.5 million). We also held approximately 4,794 bitcoin in an investment fund, which was valued at \$218.2 million as of March 31, 2022. We expect to increase our bitcoin holdings over time primarily through mining activities, though we may purchase or sell bitcoin in future periods as needed for treasury management or general corporate purposes.

There were no borrowings outstanding under the Company's \$100 million revolving credit agreement at March 31, 2022.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated condensed financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2022, our exposure to market risk was primarily from our At The Market Facility. During the quarter the price at which we sold our common stock per share fluctuated from \$19.79 to \$34.13 with an average price per share of \$25.99. We would have risk on our commercial credit facility had we drawn down upon it as the interest rate changes at the greater of 6% and the prime rate plus 2.75%. We have no other floating debt obligations. As we have drawn down upon this facility in the second quarter of 2022, we will have some quantitative data in the Quarterly Report on Form 10-Q for the second quarter of this year. Our interest rate exposure will be primarily due to differences between our floating rate debt obligations compared to our floating rate short-term investments.

There have been no other material changes in our primary risk exposures or management of market risks as of this quarter.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2022. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework in the 2013 COSO framework. Based on this assessment, management concluded that our disclosure controls and procedures were not effective as of March 31, 2022 for the reasons stated in our Annual Report on Form 10-K for the year ended December 31, 2021.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company’s financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of our ongoing program to implement changes and further improve our internal controls and in conjunction with our Code of Ethics, our independent directors have been working with management to include protocols and measures aimed at ensuring quality of our internal controls. Among those measures is the implementation of a whistleblower hotline, which allows third parties to anonymously report noncompliant activity. The hotline may be accessed as follows:

To file a report, use the Client Code “MarathonPG” and pick one of the following options:

- Call: 1-877-647-3335
- Click: <http://www.RedFlagReporting.com>

Changes in Internal Controls.

There have been changes in our internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We have created a position of Chief Accounting Officer to bifurcate the duties of Financial Reporting from those of the Chief Financial Officer thus providing additional high level personnel in our Finance Department. We are also undertaking an exhaustive review process of our outside internal controls consultants and bringing in additional resources to support our efforts to continue remediation of our internal controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Ho Matter

On January 14, 2021, Plaintiff Michael Ho (“Plaintiff” or “Ho”) filed a Civil Complaint for Damages and Restitution (“Complaint”) against Marathon Digital Holdings, Inc. (the “Company”) and 10 Doe Defendants. The Complaint alleges six causes of action against the Company, (1) Breach of Written Contract; (2) Breach of Implied Contract; (3) Quasi-Contract; (4) Services Rendered; (5) Intentional Interference with Prospective Economic Relations; and (6) Negligent Interference with Prospective Economic Relations, which is the one plead against “all Defendants” and is most likely to involve later named defendants. The claims arise from the same set of facts, Ho alleges that the Company profited from commercially-sensitive information he shared with the Company and then it refused to compensate him for his role in securing the acquisition of a supplier of energy for the Company. On February 22, 2021, the Company responded to Mr. Ho’s Complaint with a general denial and the assertion of applicable affirmative defenses. Then, on February 25, 2021, the Company removed the action to the United States District Court in the Central District of California, where the action remains pending. Marathon filed a motion for summary judgment/adjudication of all causes of action. On February 11, 2022, the Court granted the motion and dismissed Ho’s 2nd, 5th and 6th causes of action. Discovery is closed. The Court held a pre-trial conference on February 24, 2022, where it vacated the March 3, 2022 trial date and ordered the parties to meet and confer on a new trial date. The Court discussed the various theories of damages maintained by the parties. In its ruling on the summary judgment motion and at the pre-trial conference on February 24, 2022, the Court noted that a jury is more likely to accept \$150,000 as an appropriate damages amount if liability is found, as opposed to the various theories espoused by Ho that result in multi-million dollar recoveries. Due to outstanding issues of fact and law, it is impossible to predict the outcome at this time; however, after consulting legal counsel, the Company is confident that it will prevail in this litigation, since it did not have a contract with Mr. Ho and he did not disclose any commercially-sensitive information under any mutual nondisclosure agreement that was used to structure any joint venture with energy providers. Trial is set to begin on May 26, 2022.

Information Subpoena

On October 6, 2020, the Company entered into a series of agreements with multiple parties to design and build a data center for up to 100-megawatts in Hardin, MT. In conjunction therewith, the Company filed a Current Report on Form 8-K on October 13, 2020. The 8-K discloses that, pursuant to a Data Facility Services Agreement, the Company issued 6,000,000 shares of restricted Common Stock, in transactions exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. During the quarter ended September 30, 2021, the Company and certain of its executives received a subpoena to produce documents and communications concerning the Hardin, Montana data center facility described in our Form 8-K dated October 13, 2020. We understand that the SEC may be investigating whether or not there may have been any violations of the federal securities law. We are cooperating with the SEC.

Putative Complaint

On December 17, 2021, a putative class action complaint was filed in the United States District Court for the District of Nevada, against the Company and present and former senior management. The Complaint alleges securities fraud related to the disclosure of an SEC investigation previously made by the Company on November 15, 2021. Plaintiff Tad Schlatre served the Complaint on the Company on March 1, 2022.

Derivative Complaint

On February 18, 2022, a shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's board of directors and senior management. The complaint is based on allegations substantially similar to the allegations in the December 2021 putative securities class action complaint, related to the Company's disclosure of an SEC investigation previously made by the Company on November 15, 2021. On March 4, 2022, the Complaint was served on the Company. On April 4, 2022, the defendants moved to dismiss the Complaint.

On May 5, 2022, a second shareholder derivative complaint was filed in the United States District Court for the District of Nevada, against current and former members of the Company's board of directors and senior management. The complaint is based on allegations substantially similar to the allegations in the February 18, 2022 derivative complaint.

In the opinion of management, after consulting legal counsel, the ultimate disposition of these five matters will not have a material adverse effect on the Company and its related entities combined financial position, results of operations, or liquidity.

Other than as disclosed herein, we know of no other material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation other than in the normal course of business.

Item 1A. Risk Factors.

There are no updates or changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2021 except as set forth below.

Our business could be harmed by prolonged power and internet outages, shortages, or capacity constraints.

Our operations require a significant amount of electrical power and access to high-speed internet to be successful. If we are unable to secure sufficient electrical power, or if we lose internet access for a prolonged period, we may be required to reduce our operations or cease them altogether. If this occurs, our business and results of operations may be materially and adversely affected.

We are subject to risks associated with our need for significant electrical power.

Our operations have required significant amounts of electrical power, and, as we continue to expand our mining fleet, we anticipate our demand for electrical power will continue to grow. If we are unable to continue to obtain sufficient electrical power on a cost-effective basis, we may not realize the anticipated benefits of our significant capital investments.

Additionally, our operations could be materially adversely affected by prolonged power outages. Therefore, we may have to reduce or cease our operations in the event of an extended power outage, or as a result of the unavailability or increased cost of electrical power. If this were to occur, our business and results of operations could be materially and adversely affected.

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.

Not applicable.

Item 6. Exhibits.

| | |
|---------|--|
| 10.1 | Amendment Agreements, dated March 30, 2022, relating to Power Purchase Agreement, Ground Lease and Data Facilities Service Agreement at Hardin, Montana Facility |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.ins | XBRL Instance Document** |
| 101.sch | XBRL Taxonomy Schema Document** |
| 101.cal | XBRL Taxonomy Calculation Document** |
| 101.def | XBRL Taxonomy Linkbase Document** |
| 101.lab | XBRL Taxonomy Label Linkbase Document** |
| 101.pre | XBRL Taxonomy Presentation Linkbase Document** |

* Furnished herewith

** Filed herein

SIGNATURES

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

Date: May 6, 2022

MARATHON DIGITAL HOLDINGS, INC.

By: /s/ Fred Thiel
Name: Fred Thiel
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Hugh Gallagher
Name: Hugh Gallagher
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Execution Version

AMENDMENT
TO
POWER PURCHASE AGREEMENT

This AMENDMENT TO POWER PURCHASE AGREEMENT (“this “Amendment”), dated March 30, 2022 (the “Amendment Effective Date”), is made by and between Big Country Datalec LLC, a Delaware limited liability company (“Seller”) and Marathon Digital Holdings, Inc. (f/k/a Marathon Patent Group, Inc.), a Nevada corporation (“Purchaser”). Seller and Purchaser are sometimes referred to herein individually as a “Party” and collectively as the “Parties.” Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement (defined below).

Recitals

A. Seller and Buyer entered into that certain Power Purchase Agreement, dated October 6, 2020 (the “Agreement”).

B. The Parties desire to amend the Agreement pursuant to the terms and conditions of this Amendment.

Agreement

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Purchaser and Seller agree as follows:

1. Defined Terms.

The defined term “Contract Capacity” is hereby amended in its entirety as follows:

“Contract Capacity” means 40 MW of electrical energy; *provided*, that from the Amendment Effective Date until the Termination Date, Contract Capacity shall equal at least 60 MW and shall not exceed 100 MW in the aggregate. For the avoidance of doubt, as of the Termination Date, the Contract Capacity shall equal 0 MW.

A new defined term “Ground Lease” is hereby added to Section 1.1 of the Agreement as follows:

““Ground Lease” means that certain Ground Lease, dated as of October 6, 2020, by and between Rocky Mountain Power, LLC, known in Montana as Rocky Mountain Power – Hardin, LLC, a Delaware limited liability company, and Purchaser, as amended.”

The defined terms “Exercise Notice”, “Increased Capacity Amount”, “Option Expiration Date”, “Revised Capacity” and “Revised Capacity Effective Date” are deleted in their entirety.

2. Term. Section 2.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

“Section 2.1 Term. This Agreement shall begin on the Effective Date and shall continue in effect until August 15, 2022 (the “Term”), unless this Agreement is otherwise terminated earlier pursuant to the terms of this Agreement. The date on which this Agreement expires or terminates is the “Termination Date.”

3. Rights and Obligations Upon Termination. Section 2.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

“Section 2.2 Rights and Obligations Prior to and Upon Termination.

(a) Purchaser shall (i) not be entitled to remove any assets, equipment, or facilities (other than any Excluded Assets, as defined below) from the RMP Premises, including from any of Purchaser’s Facilities or Purchaser’s Interconnection Facilities (such assets, the “Retained Assets”) and (ii), effective as of the Termination Date, assign, transfer, and convey, without compensation to Purchaser, Purchaser’s right, title, and interest in and to the Retained Assets to Seller or its designee free and clear of all Liens and, in furtherance thereof, shall execute and deliver to Seller or its designee a bill of sale in substantially the form of **Exhibit F** (the “Bill of Sale”).

(b) Purchaser shall, before September 30, 2022, and in coordination with Seller and its Affiliates, remove the Excluded Assets from the RMP Premises in accordance with (A) Good Industry Practices, (B) applicable Law, and (C) Seller’s and its Affiliates’ rules and regulations for the RMP Premises, including safety protocols and guidelines and agreed upon timing and protocols, all as set forth on **Exhibit G** hereto (the “Excluded Assets Removal Plan”). The Excluded Assets shall become the property of Seller or its designee, without compensation to Purchaser, if Purchaser fails to timely remove the Excluded Assets from the RMP Premises in accordance with the immediately preceding sentence, subject to any delays directly caused by any act or failure to act by Seller (other than pursuant to Good Industry Practices) or by any Act of God.

(c) Effective as of the Termination Date, each Party, on behalf of itself and its respective Group (the “Releasers”), hereby unconditionally, irrevocably, and knowingly releases and forever discharges the other Party from any Losses which any such Releaser had or now has against such Party arising on or prior to the Termination Date or arising out of any matter, cause or event occurring on or prior to the Termination Date, in each case, under this Agreement (collectively, the “Releasing Parties Claims”); *provided*, however, that nothing contained herein shall operate to release any Losses against or other obligations of (A) Purchaser arising under or out of (1) the Bill of Sale, (2) Section 14.1(a)(ii) or Section 14.1(a)(iii), in each case, arising out of Purchaser’s failure to comply with this Section 2.2, (3) Section 14.1(a)(i), Section 14.1(a)(iv), Section 14.1(a)(v), or Section 14.1(a)(vi), or (4) Purchaser’s failure to pay any amounts incurred by Purchaser under this Agreement prior to the Termination Date, including any amounts due under Article 8 or (B) either Party to the extent relating to any claim outstanding under this Agreement, or of which a Party has notice, as of the Termination Date. Each Party represents and warrants to the other Party that such Party and the Releasers have not transferred, assigned, or

otherwise disposed of any part of or interest in any Releasing Parties Claim. For the avoidance of doubt, the releases set forth in this Section 2.2(c) do not apply to claims or obligations by either Party or their respective Groups under any other agreements entered into by members of the respective Groups, including the Data Facility Services Agreement dated as of October 6, 2020.

(d) The Parties shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Section 2.2."

4. Deletion of Section 5.4. Section 5.4 of the Agreement is hereby deleted in its entirety.

5. Indemnification. Section 14.1(a) of the Agreement is hereby amended by deleting the word "or" immediately prior to "(v)" and inserting the following at the end of Section 14.1(a):

" or (vi) Purchaser's removal of the Excluded Assets from the RMP Premises following the expiration or earlier termination of this Agreement, including Purchaser's failure to comply with the standard set forth in Section 2.2(b)."

6. Excluded Assets. A new defined term "Excluded Assets" is hereby added to Section 1.1 of the Agreement as follows:

"Excluded Assets" means thirty thousand, six hundred and ten (30,610) Bitmain S19 model miners made up of twenty-three thousand, eight hundred and forty-eight (23,848) "S19 Pro" model units, and six thousand, seven hundred and sixty two (6,762) "S19" model units, including the miners' PSUs (power supply units). In addition, this includes all non-functioning S19 model miners, parts removed from the S19 model miners and spare parts purchased for repair purposes.

7. Form of Bill of Sale. The Agreement is hereby amended by the addition of **Exhibit F** ("Form of Bill of Sale") attached hereto.

8. Excluded Assets Removal Plan. The Agreement is hereby amended by the addition of **Exhibit G** ("Excluded Assets Removal Plan") attached hereto.

9. No Further Amendment. Except as specifically amended by this Amendment, the Agreement shall continue in full force and effect in accordance with its provisions as in existence on the Amendment Effective Date and is ratified and confirmed in all respects.

10. Authority. Each Party represents and warrants to the other Party that the individual signing on behalf of such Party in a representative capacity has full power and authority, on behalf of such Party, to execute this Amendment, and such Party has taken such action as is necessary and proper to authorize the execution of this Amendment on behalf of such Party.

11. Governing Law; Waiver of Jury Trial. The provisions of Section 18.4 and Section 18.5 of the Agreement are incorporated by reference herein.

12. Amendment. This Amendment may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each of the Parties.

13. Entire Agreement. This Amendment contains the entire understanding of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and commitments with respect thereto.

14. Counterparts. This Amendment may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument. A "PDF" or electronic signature of this Amendment shall be deemed an original and binding upon the Party against whom enforcement is sought.

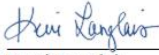
15. Further Assurances. The Parties shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Amendment.

[Signature Page Follows]

The Parties have executed this Amendment to be effective as of the Amendment Effective Date.

Seller:

BIG COUNTRY DATALEC LLC

By: 
Name: Kerri Langlais
Title: Chief Financial Officer

Purchaser:

MARATHON DIGITAL HOLDINGS, INC.

By: 
Name: Fred Thiel
Title: CEO

*Signature Page to
Amendment to Power Purchase Agreement*

**Exhibit F to
Amendment to Power Purchase Agreement
dated March 30, 2022
by and between
Big Country Datalec LLC
and
Marathon Digital Holdings, Inc.**

Form of Bill of Sale

See attached.

Exhibit F

BILL OF SALE

THIS BILL OF SALE (“**Bill of Sale**”) is made this [____] day of [____], 2022 by MARATHON DIGITAL HOLDINGS, INC., a Nevada corporation (“**Seller**”), in favor of [____], a [____] (“**Buyer**”).

Seller and Big Country Datalec LLC entered into that certain Power Purchase Agreement, dated as of October 6, 2020, as amended by that certain Amendment to Power Purchase Agreement, dated as of March 30, 2022 (as amended, the “**PPA**”). Any capitalized term used, but not otherwise defined herein, shall have the meaning set forth in the PPA.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller does hereby absolutely and unconditionally give, grant, bargain, sell, transfer, set over, assign, convey, release, confirm and deliver to Buyer all of the personal property described on Exhibit A attached hereto (the “**Personal Property**”) which are located on, in, or about, or used in connection with, the RMP Premises, including the Purchaser’s Interconnection Facilities and Purchaser’s Facilities but excluding the Excluded Assets. Seller makes no representation or warranty regarding the Personal Property, except as set forth in, and subject to the terms of, this Bill of Sale.

Seller hereby covenants and agrees to and with Buyer that (i) Seller is the lawful owner of the Personal Property and has good right and title to sell the same to Buyer, (ii) the Personal Property is free and clear of all Liens, and (iii) Seller will defend the same against the lawful claims and demands as to title of all Persons claiming any interest thereto.

This Bill of Sale shall be binding upon and inure to the benefit of the successors and permitted assigns of Buyer and Seller.

This Bill of Sale shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of Montana.

[Remainder of page intentionally left blank.]

The undersigned has executed this Bill of Sale as of the day and year first written above.

Seller:

MARATHON DIGITAL HOLDINGS, INC.,
a Nevada corporation

By: 
Name: Fred Thiel
Title: CEO

*Signature Page to
Bill of Sale*

EXHIBIT A

DESCRIPTION OF PERSONAL PROPERTY

All personal property currently located in, on, under or upon the RMP Premises, including, without limitation, all fixtures, equipment, and personal property used in the ownership and operation of the Purchaser's Facilities, including, without limitation, the following, other than the Excluded Assets (as defined in the Amendment to Power Purchase Agreement being executed in connection herewith):

- any Power Distribution Equipment, including, without limitation, the 13.8kV distribution system consisting of a 13.8kV isophase bus, the 13.8kV main breaker, 13.8kV feeder breakers, 13.8kV to 480-volt transformers, and 4160 to 480 volt transformer;
- any Purchaser Interconnection Equipment, including, without limitation, interconnection equipment located on Seller's side of the Points of Delivery;
- all Construction and Site Work (as defined in the Ground Lease);
- any foundations, buildings and containers, including, without limitation, any fans, racking equipment, and louvers contained in such buildings and containers; and
- any low voltage and high voltage infrastructure, wiring, cabling (including network cables), network switches, core switches, firewalls, PDU's (power distribution units) and related equipment.

Exhibit A to
Bill of Sale

EXHIBIT G

EXCLUDED ASSETS REMOVAL PLAN

1. Following the Amendment Effective Date until September 30, 2022, Purchaser and its agents shall have access to the Purchaser's Facilities with three (3) business days' prior written notice to Seller in order to coordinate planning and training with Purchaser's agents, followed by removal of Purchaser's miners, subject to the following terms and conditions:
 - o No later than three (3) business days prior to their scheduled arrival at Purchaser's Facilities, Purchaser shall provide to Seller a list of insured third party commercial operator(s) or, if not employed by such an operator, the first and last names and the total number of individuals for whom it is requesting access to the Purchaser's Facilities (the "Access List").
 - o Those included on the Access List, and solely those included on the Access List, shall have access to the Purchaser's Facilities Monday through Friday during business hours (8am – 5pm) in accordance with (A) Good Industry Practices, (B) applicable Law, and (C) Seller's and its Affiliates' rules and regulations for the RMP Premises, including all applicable safety protocols and guidelines, in each case to facilitate the removal of the Excluded Assets.
 - For the avoidance of doubt, access to any high voltage area will be restricted as outlined in the safety protocols and guidelines.
 - o Purchaser may continue to remove its miners for forty-six (46) days after the Termination Date, that is, until and including September 30, 2022.
 - For the avoidance of doubt, after September 30, 2022, Purchaser will not have access to Purchaser's Facilities in any capacity.
 2. Following the Amendment Effective Date until September 30, 2022, Seller agrees to provide reasonable storage space in the building where the Excluded Assets are currently housed (the "Miner Building") for materials required by Purchaser for the removal of the Excluded Assets, as long as such space is readily available.
 - o If and to the extent such storage space in the Miner Building is not readily available, Purchaser will provide its own temporary storage facilities.
 3. Following the Amendment Effective Date until September 30, 2022, Seller will provide adequate overnight storage to house all of Purchaser's trailers then on-site that are awaiting loading or pickup in connection with the removal of the Excluded Assets.
 - o Purchaser shall provide Seller with an estimate of the number of trailers that require overnight storage as soon as reasonably practicable, but no later than 48 hours in advance.
 4. Following the Amendment Effective Date until September 30, 2022, Seller shall allow reasonable access to the IT building's office facilities for Purchaser and its agents for meal breaks, restroom usage, parking and conference room usage, and internet access for up to ten (10) users.
-

5. Following the Amendment Effective Date until September 30, 2022, Seller shall coordinate the de-energization of containers with Purchaser and its agents as they are scheduled to be unloaded.
 6. Following the Amendment Effective Date until September 30, 2022, Purchaser shall provide Seller with the details for the Excluded Assets' removal and the related execution plan (the "Schedule"). The Schedule shall include an Access List and details of any labor or equipment usage that needs to be coordinated between the Purchaser and Seller.
 - o Purchaser may use Seller's labor and equipment to aid with Purchaser's miner removal. Should Purchaser use any of Seller's labor or equipment, Purchaser shall reimburse Seller for any such labor or additional equipment used at the prevailing market rate.
 - For safety reasons, except to the extent that the Purchaser uses the services of an insured third-party commercial operator approved by Seller (such approval to not be unreasonably withheld or delayed), Purchaser shall use Seller's forklift and forklift operator to remove Purchaser's miners. Purchaser shall reimburse Seller for the use of the forklift and associated labor at the prevailing market rate.
-

AMENDMENT
TO
DATA FACILITY SERVICES AGREEMENT

This AMENDMENT, (this "Amendment") dated March 30, 2022 (the "Amendment Effective Date"), to the Data Facility Services Agreement (the "Services Agreement") is made by and among Marathon Digital Holdings, Inc. (f/k/a Marathon Patent Group, Inc.), a Nevada corporation ("Marathon"), Liefem LLC, a Delaware limited liability company ("Beowulf OPCO") and TWO POINT ONE, LLC, a Delaware limited liability company ("2P1" and, together with Beowulf OPCO, "Operators" and together with the Marathon, the "Parties"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Services Agreement.

WHEREAS, Section 15.4 of the Services Agreement provides that "no amendment, alteration, modification or interpretation of this Agreement shall be binding unless in writing and signed by all Parties;" and

WHEREAS, the Parties to this Amendment, being all of the Parties to the Services Agreement, desire to amend the Services Agreement as set forth herein.

NOW THEREFORE, in consideration of, and reliance upon, the foregoing recitals and mutual covenants and agreements set forth herein, the Parties hereby amend the Services Agreement as set forth here:

1. Amendments to Article 4 of the Services Agreement. Article 4 of the Services Agreement is hereby amended as follows:

(a) Amendment to Section 4.1. Section 4.1(b) of the Services Agreement is hereby amended by adding the following sentence at the end of Section 4.1(b):

"The Parties agree and acknowledge that as of January 25, 2022, Beowulf OPCO has earned all Incremental Management Fees under this Section, and of the date of this Amendment, all Incremental Management Fees have been paid in full, including the registration of all securities issued as Incremental Management Fees."

2. Amendments to Article 5 of the Services Agreement. Article 5 of the Services Agreement is hereby amended as follows:

(a) Amendment to Section 5.1. Section 5.1 of the Services Agreement is hereby deleted in its entirety and replaced with the following:

"Section 5.1. Term of Agreement. Subject to the provisions of this Article, this Agreement shall begin on the Effective Date and shall continue in effect until August 15, 2022 (the "Term")."

(b) Amendment to Section 5.2. Section 5.2 is hereby deleted in its entirety and replaced with the following:

“Section 5.2 Progress Payments.

(a) Prior to the end of the Term, Marathon shall have paid in full (A) all Services Payments earned by Beowulf OPCO in accordance with the terms hereof and (B) all progress payments invoiced to Marathon by Colorado Energy Management, LLC for the Facility (the “Facility Progress Payments”).”

(c) Article 5 is hereby further amended by adding a new Section 5.3, which new section shall read as follows:

“Section 5.3 Survival: Following termination of this Agreement in accordance with the foregoing Section 5.1 and 5.2, Section 9.3 (as amended), Article 14 and Article 15 shall survive the termination of this Agreement.”

3. Amendments to Article 9 of the Services Agreement. Article 9 of the Services Agreement is hereby amended as follows:

(a) Section 9.3 of the Services Agreement is hereby deleted in its entirety and replaced with the following:

“Duties of Each Party Upon Termination. Upon termination of this Agreement pursuant to and in accordance with Article 5:

Section 9.3.1: Releases Upon Termination. Each Party, on behalf of itself and its Affiliates, and the directors, officers, shareholders and employees of such Party and its Affiliates and the successors and assigns of the foregoing (in such capacity, the “Releasers”), unconditionally, irrevocably, and knowingly releases and forever discharges each other Party and its Affiliates and the directors, officers, shareholders and employees of such Party and its Affiliates (in such capacity, the “Releasees”) from any and all claims, actions, causes of action, liabilities, damages, judgements and demands of any kind, whether known or unknown that the such Releasers had, has, may have or ever claim to have against such Releasees among, under or directly or indirectly related to the Service Agreement arising on or prior to the termination of this Agreement; *provided*, however, that nothing herein shall operate to release any obligations of Marathon from (i) the payment in full for all Services Payments earned by Beowulf OPCO in accordance with the terms hereof prior to the termination of this Agreement, including, for the avoidance of doubt, amounts billed by Beowulf OPCO prior to the end of the Term and (ii) the payment in full for all Facility Progress Payments. For the avoidance of doubt, the releases set forth in this Section 9.3 do not apply to claims or obligations by either Party or their affiliates under any other agreements entered into by their affiliates, including the Power Purchase Agreement or Ground Lease.”

Section 9.3.2: Press Releases. From and after the termination of this Agreement in accordance with Article 5, no Party nor any of its Affiliates may issue any press release, make web postings or other public announcement, whether filed with the Securities Exchange Commission or otherwise released to public view, in connection with the termination of this Agreement or otherwise, other than in the form attached hereto as Exhibit A, unless otherwise consented to by the Parties' in writing, which shall not be unreasonably withheld or delayed; *provided*, that Marathon shall only issue an 8-K at the time of signing this Agreement and any other agreements signed in conjunction with the signing of this Agreement, and shall not issue any press release; *provided*, that Marathon may reuse any language used in such 8-K in subsequent SEC filings, if required; *provided further*, that Marathon shall issue a press release at the end of the Term substantially in the form attached hereto as Exhibit A; *provided further*, that in the event any public announcement is required pursuant to applicable law, such Party shall provide the other Parties with at least five (5) Business Day's advance notice and the Parties shall reasonably cooperate with each other to agree to such announcement.

4. No Further Amendment. Except as specifically amended by this Amendment, the Services Agreement shall continue in full force and effect in accordance with its provisions as in existence on the date of this Amendment.

5. Authority. Each Party represents and warrants to the other Parties that the individual signing on behalf of such Party in a representative capacity has full power and authority, on behalf of such Party, to execute this Amendment, and such Party has taken such action as is necessary and proper to authorize the execution of this Amendment on behalf of such Party.

6. Counterparts. This Amendment may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument. A "PDF" or electronic signature of this Amendment shall be deemed an original and binding upon the Party against whom enforcement is sought.

7. Further Assurances. The Parties shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Amendment.

[Signature Page Follows]

The Parties have executed this Amendment to be effective as of the date set forth above.

MARATHON DIGITAL HOLDINGS, INC.

DocuSigned by:
By: Fred Thiel
Name: Fred Thiel
Title: CEO

LIEFERN LLC

By: Mila Barrett
Name: Mila Barrett
Title: Secretary

TWO POINT ONE, LLC

By: _____
Name:
Title:

Exhibit A

Public Announcement

Issued via press release at end of the Term

Marathon has made a commitment for our mining operations to be 100% carbon neutral by the end of 2022. To achieve that goal, we have endeavored to ensure our miners are as sustainably powered as possible. With the majority of our fleet already scheduled to be deployed at renewable power facilities and deployments currently underway, we believe it is an appropriate time to transition our legacy operations away from fossil fuel generation and towards more sustainable sources of power. We will therefore be moving our miners from Hardin, Montana to new locations that are more in line with our current strategy of deploying behind the meter at sustainable power stations. We'd like to thank the team at Beowulf and Hardin for the integral role they played in helping Marathon through the early stages of our journey to become one of the leading Bitcoin miners in North America.

AMENDMENT
TO
GROUND LEASE

This AMENDMENT TO GROUND LEASE (“this “Amendment”), dated March 30, 2022 (the “Amendment Effective Date”), is made by and between Rocky Mountain Power – Hardin, LLC, a Delaware limited liability company (“Landlord”) and Marathon Digital Holdings, Inc. (f/k/a Marathon Patent Group, Inc.), a Nevada corporation (“Tenant”). Landlord and Tenant are sometimes referred to herein individually as a “Party” and collectively as the “Parties.” Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Lease (defined below).

Recitals

- A. Landlord and Tenant entered into that certain Ground Lease, dated October 6, 2020 (the “Lease”).
- B. The Parties desire to amend the Lease pursuant to the terms and conditions of this Amendment.

Agreement

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. PPA. The third recital to the Lease is hereby deleted in its entirety and replaced with the following:

“WHEREAS, Seller and Tenant entered into a Power Purchase Agreement, dated as of the Effective Date, as amended by that certain Amendment to Power Purchase Agreement dated as of March 30, 2022 (as amended, the “PPA”); and”

2. Term. Section 3 of the Lease is hereby deleted in its entirety and replaced with the following:

“3. **TERM**

The term of this Lease shall begin on the Effective Date and end on the date the PPA terminates (the “Term”). The date on which this Lease expires or terminates is the “Termination Date.””

3. Taxes and Assessments. Section 5 of the Lease is hereby deleted in its entirety and replaced with the following:

“5. TAXES AND ASSESSMENTS

Tenant will pay the taxes and assessments measured by, or reasonably attributable to (i) the cost or value of Tenant’s Property and (ii) the cost or value of any leasehold improvements made in or to the Premises by or for Tenant assessed, levied, confirmed, or imposed with respect to any period during the Term and until the earlier of (x) Landlord and a new tenant entering into a lease for the Premises following the Termination Date and (y) December 31, 2022 (collectively, “Tenant Taxes”). Except as provided in the immediately preceding sentence, Landlord will pay all taxes and assessments upon, measured by or attributable to the Premises (the “Landlord Taxes”). As used herein, “Tenant’s Property” shall mean all equipment, furniture, fixtures, and other personal property located on the Premises, such as (i) any power distribution equipment, including, without limitation, the 13.8kV distribution system consisting of a 13.8kV isophase bus, the 13.8kV main breaker, 13.8kV feeder breakers, 13.8kV to 480-volt transformers, and 4160 to 480 volt transformer; (ii) any purchaser interconnection equipment, including, without limitation, interconnection equipment located on Landlord’s side of the “Points of Delivery”, that is, the physical points at which electrical interconnection is made between the Tenant’s interconnection facilities and the Plant and the points at which Big Country Datalec LLC makes available and delivers the contracted energy to Tenant; (iii) all Construction and Site Work; (iv) any foundations, buildings and containers, including, without limitation, any fans, racking equipment, and louvers contained in such buildings and containers; and (v) any low voltage and high voltage infrastructure, wiring, cabling (including network cables), network switches, core switches, firewalls, PDU’s (power distribution units) and related equipment.

Tenant shall pay all Tenant Taxes directly to the Montana Department of Revenue or other applicable taxing authority (the “Taxing Authority”), and Landlord shall pay all Landlord Taxes directly to the Taxing Authority. Tenant further agrees to indemnify and hold Landlord harmless for any Tenant Taxes imposed on Landlord.

Tenant’s obligations under this Section 5 shall survive the expiration or earlier termination of this Lease.

4. Utilities / Services. Section 6 of the Lease is hereby deleted in its entirety and replaced with the following:

“6. UTILITIES / SERVICES

Except as provided under the PPA, Tenant will pay directly for all charges for electricity, natural gas, water, and sewer service, telephone or other communication service, cable television service, ground maintenance service and any other services or utilities used by Tenant on the Premises during the Term (collectively, the “Tenant Utility Charges”). Landlord shall not be liable for the failure of any such services, unless caused by the negligence or willful misconduct of Landlord. Tenant shall pay for all charges associated with the installation and monthly use charges, connection charges, and monitoring charges for Tenant’s systems and services, if any (collectively, the “Tenant

System Charges”). Tenant’s obligations under this Section 6 shall survive the expiration or earlier termination of this Lease. On or prior to the Termination Date, Tenant shall (a) pay all Tenant Utility Charges and Tenant System Charges incurred up to and including the Termination Date, and (b) provide Landlord with evidence reasonably satisfactory to Landlord that such Tenant Utility Charges and Tenant System Charges have been paid.”

5. Landlord’s Indemnity. The first sentence of Section 13.2 of the Lease is hereby deleted in its entirety and replaced with the following:

“Neither Tenant, its Affiliates, or any of its or their respective Representatives (collectively, the “Tenant Group”) shall be liable for any injury to or death of any person, or damage to property, sustained or alleged to have been sustained by any member of Landlord Group as a result of any condition (including future conditions) in the Premises, or by any other reason, unless caused by the gross negligence or willful misconduct of Tenant Group or otherwise covered by Tenant’s indemnification obligations in Section 22.4.”

6. Purchaser’s Interconnection Facilities. Section 22.2 of the Lease is hereby deleted in its entirety and replaced with the following:

“22.2 Tenant may not remove the Purchaser’s Interconnection Facilities from the Premises. Effective upon the Termination Date, the Purchaser’s Interconnection Facilities shall be assigned to Seller or its designee in accordance with Section 2.2 of the PPA.”

7. Purchaser’s Facilities. Section 22.3 of the Lease is hereby deleted in its entirety and replaced with the following:

“22.3 Tenant may not remove the Purchaser’s Facilities from the Premises, including any computer equipment and other data processing equipment and personal property (collectively, “Movable Equipment”) but, subject to this Section 22.3, excluding any Excluded Assets. Effective upon the Termination Date, (i) the Purchaser’s Facilities, including any Movable Equipment but excluding any Excluded Assets, shall be assigned to Seller or its designee in accordance with Section 2.2 of the PPA, and (ii) Tenant shall only be entitled to remove the Excluded Assets from the Premises in accordance with Section 2.2 of the PPA.”

8. Purchaser Removal. A new Section 22.4 is hereby added to the Lease as follows:

“22.4 Subject to Section 22.3, Tenant agrees to indemnify, defend, and hold Landlord Group harmless from any and all claims, liabilities, losses, causes of action, damages, judgments, fines, payments (including amounts paid in settlement), penalties, administrative proceedings, administrative investigations, costs, expenses, fees (including reasonable attorneys’ fees), court costs, and other costs of suit (collectively, “Losses”) arising from Tenant’s removal of the Excluded Assets from the Premises.”

9. No Further Amendment. Except as specifically amended by this Amendment, the Lease shall continue in full force and effect in accordance with its provisions as in existence on the Amendment Effective Date and is ratified and confirmed in all respects.

10. Authority. Each Party represents and warrants to the other Party that the individual signing on behalf of such Party in a representative capacity has full power and authority, on behalf of such Party, to execute this Amendment, and such Party has taken such action as is necessary and proper to authorize the execution of this Amendment on behalf of such Party.

11. Governing Law; Waiver of Jury Trial. The provisions of Section 35 and Section 36 of the Lease are incorporated by reference herein.

12. Amendment. This Amendment may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each of the Parties.

13. Entire Agreement. This Amendment contains the entire understanding of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and commitments with respect thereto.

14. Counterparts. This Amendment may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument. A "PDF" or electronic signature of this Amendment shall be deemed an original and binding upon the Party against whom enforcement is sought.

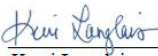
15. Further Assurances. The Parties shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Amendment.

[Signature Page Follows]

The Parties have executed this Amendment to be effective as of the Amendment Effective Date.

Landlord:

**ROCKY MOUNTAIN POWER, LLC, KNOWN IN
MONTANA AS ROCKY MOUNTAIN POWER –
HARDIN, LLC**

By: 
Name: Kerri Langlais
Title: Chief Financial Officer

Tenant:

MARATHON DIGITAL HOLDINGS, INC.

By: 
Name: Fred Thiel
Title: CEO

*Signature Page to
Amendment to Ground Lease*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Fred Thiel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Digital Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 6, 2022

By: */s/ Fred Thiel*

Fred Thiel

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Hugh Gallagher certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Digital Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 6, 2022

By: */s/ Hugh Gallagher*

Hugh Gallagher
Chief Financial Officer (Principal Financial and Accounting Officer)

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

About the Quarterly Report of Marathon Digital Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Fred Thiel, Chief Executive Officer (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

By: */s/ Fred Thiel*

Fred Thiel

Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Marathon Digital Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Hugh Gallagher, Chief Financial Officer, Secretary and Director (Principal Financial and Accounting Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

By: */s/ Hugh Gallagher*

Hugh Gallagher

Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
