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

FORM 10-K

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

For the fiscal year ended December 31, 2024

OR

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

Commission file number 001-39096

GRYPHON DIGITAL MINING, INC.
(Exact name of registrant as specified in its charter)

Delaware	83-2242651
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1180 N. Town Center Drive, Suite 100 Las Vegas, NV	89144
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (702) 945-2700

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	GRYP	The Nasdaq Stock Market LLC

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common stock of Gryphon Digital Mining, Inc. held by non-affiliates was approximately $37.6 million based upon the closing price per share of $1.19 on June 28, 2024.

As of March 31, 2025, there were 69,982,876 shares of common stock, par value $0.0001 per share of the registrant issued and outstanding.

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EXPLANATORY NOTE

On February 9, 2024 (the "Closing Date"), Gryphon Digital Mining, Inc., a Delaware corporation f/k/a Akerna Corp. ("Gryphon," the "Company," "we," "us" or "our"), consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger by and between the Company, Akerna Merger Co., a wholly-owned subsidiary of the Company ("Merger Sub"), and Ivy Crypto, Inc. (formerly known as Gryphon Digital Mining, Inc.) ("Legacy Gryphon"), dated January 27, 2023, as amended (the "Merger Agreement"), following approval thereof at a special meeting of the Company's stockholders held on January 29, 2024 (the "Special Meeting").

Pursuant to the terms of the Merger Agreement, a business combination between the Company and Legacy Gryphon was effected through the merger of Merger Sub with and into Legacy Gryphon, with Legacy Gryphon as the surviving company in the Merger, and after giving effect to such merger, continuing as a wholly owned subsidiary of the Company (the "Merger" and, together with the other transactions contemplated by the Merger Agreement, the "Business Combination"). On the date of the closing (the "Closing") of the Business Combination (the "Closing Date"), the registrant changed its name from Akerna Corp. to Gryphon Digital Mining, Inc. Additionally, on the Closing Date, immediately following the Closing, the Company sold its legacy business to MJ Acquisition Corp. pursuant to that certain securities purchase agreement dated April 28, 2023, as amended (the "SPA") by and among the Company, Akerna Canada Ample Exchange Inc. and MJ Acquisition Corp.

Unless the context requires otherwise, references to "Akerna" are to the Company prior to the Business Combination.

The Company's common stock, par value $0.0001 per share (the "Common Stock"), is listed on the Nasdaq Capital Market ("Nasdaq") under the symbol "GRYP."

The audited financial statements for the year ended December 31, 2023 included herein are those of Legacy Gryphon and its consolidated subsidiaries, which is considered the Company's account predecessor, prior to the Business Combination and the name change.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report (as defined below), including, without limitation, statements under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act (as defined below) and Section 21E of the Exchange Act (as defined below). These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continue," or "should," or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. Such statements include, but are not limited to, any statements relating to our ability to consummate any acquisition or other Business Combination (as defined below) and any other statements that are not statements of current or historical facts. These statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our need to, and difficulty in, raising additional capital;
- downturns in the Cryptocurrency industry;
- our ability to close anticipated acquisitions, develop acquired assets and businesses, and achieve expected results of such acquisitions; he Cryptocurrency industry;
- inflation;
- increased interest rates;
- the inability to procure needed hardware;
- the failure or breakdown of mining equipment, or internet connection failure;
- access to reliable and reasonably priced electricity sources;
- cyber-security threats;
- our ability to obtain proper insurance;
- construction risks;
- banks and other financial institutions ceasing to provide services to our industry;
- changes to the Bitcoin network's protocols and software;
- the impact of artificial intelligence on the economy, our industry and our business;
- the unpredictable and volatile nature of the market for artificial intelligence, as a result of rapid technological advancements, shifting regulatory landscapes and fluctuating market expectations;
- our ability to regain and maintain compliance with the continued listing standards of the Nasdaq Capital Market;
- the decrease in the incentive to mine Bitcoin;
- the increase of transaction fees related to digital assets;
- the fraud or security failures of large digital asset exchanges;
- future digital asset, technological and digital currency development;
- the regulation and taxation of digital assets like Bitcoin; and
- the other risks and uncertainties discussed in "Item 1A. Risk Factors" below.

The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

SUMMARY OF RISK FACTORS

The following is a summary of the principal risks described below in *Part I, Item 1A "Risk Factors"* in this Annual Report on Form 10-K. We believe that the risks described in the "*Risk Factors*" section are material to investors, but other factors not presently known to us or that we currently believe are immaterial may also adversely affect us. The following summary should not be considered an exhaustive summary of the material risks facing us, and it should be read in conjunction with the "*Risk Factors*" section and the other information contained in this Annual Report on Form 10-K.

Risks Related to Our Business

- Gryphon's success depends upon the value of Bitcoin; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.
- Gryphon may face several risks due to disruptions in the crypto asset markets, including but not limited to the risk from depreciation in Gryphon's stock price, financing risk, risk of increased losses or impairments in its investments or other assets, risks of legal proceedings and government investigations, and risks from price declines or price volatility of crypto assets.
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- The lack of regulation of digital asset exchanges which Bitcoin, and other cryptocurrencies, are traded on, may expose Gryphon to the effects of negative publicity resulting from fraudulent actors in the cryptocurrency space, and can adversely affect an investment in Gryphon.
- The Bitcoin market is exposed to financially troubled cryptocurrency-based companies.
- There is a lack of liquid markets for, and possible manipulation of, blockchain/cryptocurrency-based assets.
- Acceptance and/or widespread use of Bitcoin are uncertain.
- Cryptocurrencies, including Bitcoin, face significant scaling obstacles that can lead to high fees or slow transaction settlement times.
- The development of other cryptocurrencies and/or digital currencies may adversely affect the value of Bitcoin.
- Gryphon faces risks of Internet disruptions, which could have an adverse effect on the price of Bitcoin.

Risks Related to Operations

- Gryphon is an early-stage company and has a limited history of generating profits.
- Gryphon's independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about Gryphon's ability continue as a "going concern."
- Gryphon's bitcoin may be subject to loss, theft or restriction on access.
- Gryphon's ability to adopt technology in response to changing security needs or trends and reliance on third parties for custody poses a challenge to the safekeeping of its digital assets.
- Gryphon may be affected by price fluctuations in the wholesale and retail power markets.
- If Gryphon is unable to secure and maintain its power supply at prices or on terms acceptable to it, a material adverse effect on Gryphon's business, prospects, financial condition, and operating results would occur.
- Gryphon's business is dependent on a small number of digital asset mining equipment suppliers.
- Mining machines rely on components and raw materials that may be subject to price fluctuations or shortages, including ASIC chips that have been subject to an ongoing significant shortage.
- Gryphon's reliance primarily on a single model of miner may subject its operations to increased risk of design flaws.
- Gryphon relies on hosting arrangements to conduct its business, and the availability of such hosting arrangements is uncertain and competitive and may be affected by changes in regulation in one or more countries.
- Gryphon's operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in Bitcoin.
- The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.
- Gryphon may not adequately respond to price fluctuations and rapidly changing technology, which may negatively affect Gryphon's business.
- Restrictive covenants in Gryphon's loan agreement with Anchorage Lending CA, LLC ("Anchorage") and its outstanding secured convertible notes may limit its operating flexibility and ability to engage in certain transactions that may be in our long-term best interest.

Risks Related to Governmental Regulation and Enforcement

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

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

- There is no one unifying principle governing the regulatory status of cryptocurrency nor whether cryptocurrency is a security in each context in which it is viewed. Regulatory changes or actions in one or more countries may alter the nature of an investment in Gryphon or restrict the use of digital assets, such as cryptocurrencies, in a manner that adversely affects Gryphon's business, prospects or operations.

- Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in Bitcoin-related activities or that accept bitcoin as payment, including financial institutions of investors in Gryphon's common stock.

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

- Gryphon's management and compliance personnel have limited experience handling a listed cryptocurrency mining-related services company.

Risks Related to Pending Acquisitions

- If completed, the Captus Acquisition (as hereinafter defined) may not achieve its intended results and may result in us assuming unanticipated liabilities.

- The reserve estimates with respect to the properties to be acquired in the Captus Acquisition may differ materially from the actual amounts.

- The transactions contemplated by the Captus Agreement are subject to conditions that may not be satisfied on a timely basis or at all. Failure to complete the transactions contemplated by the Captus Agreement could have material and adverse effects on us.

- We will be subject to business uncertainties while the Captus Acquisition is pending, which could adversely affect our business.

- We expect to incur significant transaction costs in connection with the Captus Acquisition.

PART I

Item 1. Business.

Corporate History and Background

Overview

Traditionally, Gryphon's revenue model was to mine and hold bitcoin, and then sell only the bitcoin necessary to pay its operating expenses and to reinvest in operational expansion. Since September 2024, Gryphon has vigorously pursued a new strategy of acquiring and developing energy assets for AI and high-performance computing ("HPC") data center infrastructure. Gryphon's strategy is to acquire power assets, and then add electrification, infrastructure and computing power to those assets. See "—*Pending Acquisitions*" below.

Founded in October 2020, Gryphon is based in Las Vegas, Nevada. Gryphon commenced its digital assets mining operations in September 2021.

Gryphon operates approximately 9,660 bitcoin ASIC mining computers, referred to as "miners," from Bitmain Technologies Limited ("Bitmain") that Gryphon has installed at third-party hosted mining data centers located in New York and Pennsylvania. Revenue generated by the mining of bitcoin is measured on a dollar per megawatt-hour ("MWh") basis and is variable based on the price of Bitcoin, the measure of difficulty, transaction volume and global hash rates.

Material Agreements

Blockfusion Agreement

On December 1, 2024, Gryphon entered into a Co-Location Mining Services Agreement (the "Blockfusion Agreement"), with Blockfusion USA, Inc. ("Blockfusion") for hosting 3,780 of its bitcoin miners at Blockfusion's facility in Niagara Falls, New York. Pursuant to the Blockfusion Agreement, the Company is entitled to 12 MW of power at a cost of $156,000 per month, as well as certain other fees set forth in the agreement. At signing, the Company paid an initial $156,000 facility fee. In addition, the Company will be required to (i) by January 31, 2025, maintain a cash deposit or (ii) by January 27, 2025, an irrevocable standby letter of credit with Blockfusion's energy provider, in each case in the amount of $1,200,000. As of the filing date, the Company has not completed this payment and the amount is currently outstanding. The Blockfusion Agreement has a term of twelve months and automatically renews for subsequent one-month terms, until terminated on thirty days' notice. Subsequent to December 31, 2024, the Company has delivered 3,996 bitcoin miners to Blockfusion.

Mawson Agreement

On January 3, 2025, Gryphon entered into a Master Co-Location Agreement (the "Mawson Agreement") with Mawson Hosting LLC ("Mawson") with a right to host up to 5,880 miners in Mawson's facility in Midland, Pennsylvania. Pursuant to the Mawson Agreement, the Company is entitled to 20 MW of power at a cost of approximately $23.50 per MW/hour paid monthly with a minimum fee of approximately $165,521 per month, as well as certain other fees set forth in the agreement. The Mawson Agreement has an initial term of one year and may be terminated on sixty days' notice. Subsequent to December 31, 2024, the Company has delivered 6,719 bitcoin miners to Mawson.

BitGo Custodial Services Agreement

Pursuant to the BitGo Custodial Services Agreement between BitGo Trust and Gryphon, dated October 1, 2021, BitGo Trust, through its custodial services enables Gryphon to create one or more custody accounts, controlled and secured by BitGo Trust to store certain supported digital currencies and digital tokens or certain fiat currencies such as dollars or euros. BitGo Trust also provides Gryphon with the option to create non-custodial wallets that support certain digital assets via an API and web interface. Gryphon may also elect to store fiat currency with BitGo Trust.

The BitGo Custodial Services Agreement had an initial term of one year. After the initial term, it automatically renews for successive one-year periods, unless either party notifies the other of its intention not to renew at least 60 days prior to the expiration of the then-current term. Gryphon may terminate the BitGo Custodial Services Agreement at any time for any reason upon 30 days' prior written notice.

BitGo Trust's cold wallets are supported by a $250 million policy issued by Lloyd's of London. Specifically, the policy covers: copying and theft of private keys; insider theft or dishonest acts by BitGo employees or executives; and loss of keys. Any theft of assets directly related to BitGo Trust's custody of key would be covered by the policy. The policy does not cover cases where the client or a third party holds some of the keys themselves (e.g. hot wallets), since BitGo Trust would not be solely responsible for protecting the keys.

BitGo Trust has established a comprehensive set of controls governing the business processes and technology systems using industry standards and frameworks such as NIST, CCSS,CIS, and FFIEC. In addition, these controls have been independently tested as part of our SOC 1 & SOC 2 (Type 2) reports. Customers will decide upon which specific wallets are required based on their use case and they determine the portion of assets held in hot or cold wallets. BitGo Trust holds keys to cold wallets in undisclosed locations. BitGo's cold storage solution is housed at undisclosed secure facilities. Any facilities that are co-located are secured by human guards and video surveillance, with 24x7 coverage. All BitGo vaults and manned facilities are located within the United States.

BitGo vaults are restricted from public access. BitGo follows role-based access controls and the principle of least privilege. Only individuals who have a specific business need to complete their job function are granted access to client information. Insurance providers rely on our BitGo's external auditors to ensure that there is sufficient controls in place for accessing the vault and key material. BitGo maintains $250 million of insurance coverage against loss, theft, and misuse in situations where BitGo holds all keys. As part of this coverage, BitGo's insurance underwriters have inspection rights associated with the crypto assets held in storage. All of the Company's digital assets (100%) are held in cold wallets. The Company does not utilize any hot wallets from BitGo.

BitGo has private key procedures as well as the security and procedures in place for securing assets and in withdrawing and transferring assets. The BitGo ecosystem and architecture for private key management includes the BitGo Platform, HSMs and modular services. The BitGo cold custody solution is built on BitGo's world class security to manage keys on behalf of our clients. BitGo only signs transactions that have been authorized by its clients and follow the policies set by the account administrators. BitGo engages an external third-party auditor to verify the digital assets it holds on a periodic basis. In addition, in the course of performing its annual audit of Gryphon's financial statements, Gryphon's independent registered public accounting firm sends annual confirmation requests to BitGo to confirm Gryphon's digital assets held by BitGo. While neither Gryphon nor its insurance providers have any independent inspection rights associated with the digital assets held by BitGo, BitGo's insurer, Lloyd's of London, does have inspection rights with respect to the digital assets that BitGo holds.

Anchorage Loan Agreement

On May 25, 2022, Anchorage entered into an Equipment Loan and Security Agreement (as amended on March 27, 2023, the "Anchorage Loan Agreement") with Gryphon Opco I LLC ("Gryphon Opco"), an indirect wholly owned subsidiary of the Company, pursuant to which Anchorage loaned Gryphon Opco the principal amount of 933.333333 bitcoin (the "Anchorage Loan"). Gryphon Opco's obligations under the Anchorage Loan Agreement were secured by certain equipment and software rights of Gryphon Opco and were guaranteed by Gryphon.

On October 25, 2024, Gryphon, its direct and indirect subsidiaries, as applicable, and Anchorage entered into the Debt Repayment and Exchange Agreement (the ("DPE Agreement"), Loan, Guaranty and Security Agreement (the "New Loan Agreement"), Form of Pre-Funded Warrant and Form of $1.50 Warrant (together, the "New Anchorage Agreements") to restructure the Anchorage Loan (the "Restructuring") and terminate the existing the Anchorage Loan Agreement. Pursuant to the New Anchorage Agreements, (i) approximately $9.1 million of the Anchorage Loan was converted into shares of Common Stock, at an ascribed value of $1.10 per share, resulting in the issuance of 8,287,984 shares of Common Stock to Anchorage in a private placement pursuant to Section 4(a)(2) of the Securities Act, (ii) approximately $3.9 million of the Anchorage Loan was converted into warrants to purchase 3,530,198 shares of Common Stock, which warrants are exercisable immediately, have an unlimited term and an exercise price of $0.01 per share (the "Pre-Funded Warrants"), in a private placement pursuant to Section 4(a)(2) of the Securities Act and (iii) the remaining $5 million of the Anchorage Loan was exchanged for a new $5 million loan (the "Restructured Loan") pursuant to the New Loan Agreement.

Pursuant to the New Loan Agreement:

- the outstanding principal and interest are denominated in dollars;
- the interest rate is 4.25% payable monthly;
- Anchorage has been given a first priority lien on all of Gryphon and its subsidiaries' assets;
- covenants related to mining machine locations and covenant ratios in the Anchorage Loan Agreement have been removed; and
- Anchorage may convert half of the outstanding principal at a price of $1.10 per share of Common Stock and the remaining half at a price of $1.50 per share of Common Stock.

The New Loan Agreement contains customary representations, warranties and agreements by Gryphon, customary conditions to closing, indemnification obligations of the Company and the purchasers, including for liabilities arising under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Loan Agreement were made only for the purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements, and may be subject to limitations agreed upon by the contracting parties.

Pursuant to the New Anchorage Agreements, Gryphon also issued Anchorage warrants to purchase 2,000,000 shares of Common Stock, which warrants are exercisable immediately, will expire five years from the date of issuance and have an exercise price of $1.50 per share (the "$1.50 Warrants" and, together with the Pre-Funded Warrants, the "Warrants")). The $1.50 Warrants were issued in a private placement pursuant to Section 4(a)(2) of the Securities Act.

The Restructured Loan and the Warrants cannot be converted or exercised, respectively, if Anchorage (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of Common Stock outstanding as of the date of the New Anchorage Agreements after giving effect to such conversion or exercise without the approval of Gryphon's stockholders. Gryphon has agreed to seek such approval at its next annual meeting of stockholders.

ATM Agreement

On April 19, 2024, the Company entered into an At Market Issuance Sales Agreement (the "ATM Agreement") with Ladenburg Thalmann& Co. Inc., Kingswood Investments, a division of Kingswood Capital Partners, LLC, PI Financial (US) Corp. and ATB Capital Markets USA Inc. as agents (the "Sales Agents"), a Terms Agreement with Ladenburg Thalmann & Co. Inc. (the "Terms Agreement" and together with the ATM Agreement, the "Sales Agreement"), pursuant to which the Company may issue and sell shares of its common stock, $0.0001 par value per share, having an aggregate offering price of up to $70,000,000 (the "Shares"), from time to time through or to the Sales Agents (the "Offering"). The Sales Agreement also included B. Riley Securities, Inc. ("B. Riley Securities") as a Sales Agent thereunder, and pursuant to the existing terms of the Sales Agreement, the Company and B. Riley Securities, mutually agreed pursuant to a notice of termination, dated May 30, 2024, that B. Riley Securities would no longer participate as agent or principal in the offering thereunder.

Sales of the Shares under the Sales Agreement can be made by any method, whether on an agency or principal basis, that is deemed an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The Company has the right, but not the obligation, from time to time at its sole discretion to direct Ladenburg Thalmann & Co. Inc. on any trading day to act on a principal basis and purchase up to an aggregate maximum of $20,000,000 of shares of our common stock over the term of the Sales Agreement, provided, however, that such amount may be increased up to $40,000,000 at the sole discretion of Ladenburg, as set forth in the Terms Agreement. However, only one principal sale, up to a total of $2,000,000, may be requested in either a calendar week or every five trading days, whichever is longer, unless otherwise agreed to by Ladenburg. All shares sold to Ladenburg Thalmann & Co. Inc. on a principal basis shall be distributed to them by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act. During any period that Ladenburg Thalmann & Co. Inc. is holding shares as principal, the Company will not make any other sales under the Sales Agreement (including under any Terms Agreement).

The Company will pay each Sales Agent a commission for their services in acting as sales agents in the sale of the Shares at a commission rate equal to 3.0% of the gross proceeds from each sale of the Shares. The Company has agreed to provide the Sales Agents with customary indemnification and contribution rights. The Company will also reimburse the Sales Agents for certain specified expenses as set forth in the Sales Agreement.

The Company is not obligated to make any sales of the Shares under the Sales Agreement. The offering of Shares pursuant to the Sales Agreement will terminate upon the earlier of (a) the sale of all of the Shares subject to the Sales Agreement or (b) the termination of the Sales Agreement as permitted therein. The termination of the Sales Agreement by, or with respect to, one Sales Agent shall not affect the rights and obligations of any other Sales Agent under the Sales Agreement.

Pending Acquisitions

Captus

On January 8, 2025, the Company and 2670786 Alberta Ltd., a Canadian corporation and a wholly-owned subsidiary of the Company, entered into a Share and Unit Purchase Agreement (the "Captus Agreement") with BTG Energy Corp., a Canadian corporation ("BTG Energy"), BTG Power Corp., a Canadian corporation ("BTG Power") and West Lake Energy Corp., a Canadian corporation ("West Lake," and together with BTG Energy and BTG Power, the "Vendors"). Pursuant to the Captus Agreement, the Company will acquire from the Vendors all of the issued and outstanding shares or units, as applicable, of (i) Captus Generation Ltd. ("Captus GP") and BowArk Energy Ltd., each a Canadian corporation, and (ii) Captus General Limited Partnership, a Canadian limited partnership (collectively "Captus Energy," and the transactions contemplated by the Captus Agreement, the "Captus Acquisition").

Captus GP owns 850 acres in Pincher Creek, Alberta (the "Captus Site"). The acreage contains characteristics management considers to be highly suitable for the development of AI HPC. These characteristics include: 1) redundant natural gas lines, 2) grid connectivity, 3) a deplete reservoir that can be used for onsite carbon sequestration, 4) access to non-potable water and 5) proximity to telecom connectivity. Gryphon intends to develop the site for revenue producing activities. See "*—Strategy—Captus and AI HPC*."

The aggregate consideration payable by the Company to the Vendors is CAD $24.0 million (the "Cash Consideration"), subject to adjustment in accordance with the terms of the Captus Agreement. In November 2024, the Company paid a cash deposit of CAD $200,000 to Captus GP for the benefit of the Vendors (the "LOI Cash Deposit"). Within two business days of the date of the Captus Agreement, the Company paid a cash deposit of CAD $1.0 million to Captus GP for the benefit of the Vendors (the "Signing Cash Deposit," and together with the LOI Cash Deposit, the "Cash Deposits"). The Cash Deposits may be applied towards the payment of the Cash Consideration in accordance with the terms of the Captus Agreement, and the remainder of the Cash Consideration will be paid by the Company upon closing.

The transaction remains subject to certain conditions, including the transfer and assignment of certain agreements from the Vendors to the Company. Pending approval by the Alberta Energy Regulator, BTG Energy and West Lake will hold certain well, pipeline and facility licenses in trust for an agreed fee.

In connection with the Captus Agreement, on January 8, 2025, as a material inducement to their agreeing to become employees of the Company, the Company granted a restricted stock award to each of Harry Andersen, Paul Connolly, Mark Taylor and Steve Giacomin (collectively, the "Restricted Stock Awards"). The Restricted Stock Awards were intended to constitute "employment inducement awards" under the Nasdaq Stock Market Rules.

Each of the Restricted Stock Awards vests in three equal installments on the first three anniversaries of the grant date subject to the grantee's continued engagement with the Company through each applicable vesting date, provided however, that the Restricted Stock Awards will accelerate and vest immediately upon the grantee's death, disability, termination by the Company without "cause" (as defined in each Restricted Stock Award agreement), or the consummation of a change in control of the Company.

Giga

On August 16, 2024, Giga Caddo, LLC, a Delaware limited liability company ("Seller"), and the Company entered into an Asset Purchase Agreement (the "Giga Purchase Agreement"), pursuant to which Seller agreed to sell: (i) four (4) natural gas generators with a combined gas standby rating of 1,900 kW, (ii) five hundred and sixty-six (566) bitcoin ASIC mining computers with a combined hashrate capacity of approximately 57,120 TH/s, (iii) six (6) Giga Box Air modular data center units with a combined power capacity of 2,900 kW and (iv) certain other crypto mining equipment and related assets to be agreed by the parties.

On August 29, 2024 the Company entered into an amendment to the Giga Purchase Agreement with the Seller (the "Amendment"). The Amendment amended the deadline for the closing date of the Transaction from August 31, 2024 to September 30, 2024. In connection with the extension of the closing date, the Company agreed to make an additional advance payment of $250,000 to the Seller. As a result of this additional advance payment, the parties agreed that the Third Payment and Final Payment (as defined in the Giga Purchase Agreement) will each be reduced to $575,000. For the avoidance of doubt, the total purchase price remains $1,500,000. The parties further agreed that out of the pre-paid amounts in connection with the Transaction, $100,000 will not be refundable to the Company if the Giga Purchase Agreement is terminated prior to the closing date, except to the extent such termination is the result of the Seller's breach of the Giga Purchase Agreement, in which case all pre-paid amounts shall be refunded to the Company. As of December 31, 2024, the Giga Acquisition was not completed.

Competition

In digital asset mining, companies and individuals use computing power to solve cryptographic algorithms to record and publish transactions to blockchain ledgers or provide transaction verification services to the Bitcoin network in exchange for digital asset rewards. Miners can range from individual enthusiasts to professional mining operations with dedicated data centers. Miners may organize themselves in mining pools. We compete or may in the future compete with other companies that focus all or a portion of their activities on owning or operating digital asset exchanges, developing programming for the blockchain, and mining activities. Currently, the information concerning the activities of these enterprises is not readily available as the vast majority of the participants in this sector do not publish information publicly or the information may be unreliable. While there is limited available information regarding non-public competitors, several public companies (traded in the United States or internationally), such as the following, are considered our competitors:

- Marathon Digital Holdings Inc.;
- Riot Blockchain Inc.,
- Hive Blockchain Technologies Ltd.,

- Hut 8 Mining Corp.,
- BitDigital, and
- Bitfarms Ltd.

The digital asset mining industry is a highly competitive and evolving industry and new competitors and/or emerging technologies could enter the market and affect our competitiveness in the future.

Competitive Advantages

Gryphon believes its primary competitive advantage is its ability to identify market trends and move quickly and opportunistically. In 2024 and early 2025, the Company:

1) entered into New Anchorage Loan;
2) raised equity round in a registered direct offering;
3) signed the Captus Agreement; and
4) closed $16 million secured convertible debt offering to fund Captus Acquisition.

The Company will continue to evaluate market opportunities and move opportunistically.

Strategy

Mining

Traditionally, Gryphon has used a hosting strategy that allows the company to concentrate the deployment of its capital towards bitcoin mining activities as opposed to building its own datacenters. Gryphon has partnered with host providers that provide power for its bitcoin mining.

On December 1, 2024, the Company entered into a cohosting location agreement with Blockfusion, located in Niagara Falls, New York. The Company's agreement with Blockfusion provides for direct cost pass through of electricity costs and other operating costs at this facility. Gryphon uses approximately 12MW of electricity at this site to host approximately 3,780 bitcoin mining machines.

Subsequent to December 31, 2024, on January 3, 2025, the Company entered into a cohosting location agreement with Mawson, located in Midland, Pennsylvania. The Company's agreement with Mawson provides for direct cost pass through of electricity costs and other operating costs at this facility. Gryphon uses approximately 20MW of electricity at this site to host approximately 5,880 bitcoin mining machines.

As of December 31, 2024, Gryphon's miner fleet is composed of 7,128 S19j Pro Antminers, 552 S19k Pro Antminers, 276 S21 Antminers and 878 S19j Pro + Antminers. The S19j Pro Antminers have a hashrate capacity of approximately 100 TH/s per miner and power consumption of approximately 3,050 watts per miner. The S19k Pro Antminers have a hashrate capacity of approximately 120 TH/s per miner and power consumption of approximately 2,760 watts per miner. The S21 Antminers have a hashrate capacity of 200 TH/s and power consumption of 3,500 watts per miner. The S19j Pro + Antminers have a hashrate capacity of 120 TH/s and power consumption of 3,355 watts per miner. The Company's operations will continue to expand as it acquires additional miners to the extent that opportunities for such acquisitions arise.

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

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

Regardless of the pool's success, the Company will receive consistent rewards based on the number of valid shares it contributes. The transaction consideration the Company receives is non-cash consideration, in the form of bitcoin. The Company measures the bitcoin at fair value on the date earned using the average price (calculated by averaging the daily open price and the daily close price) quoted by its Principal Market at the date the Company completed the service of performing hash computations for the mining pool operator. There are no deferred revenues or other liability obligations recorded by the Company since there are no payments in advance of the performance. At the end of each 24 hour period (00:00:00 UTC and 23:59:59 UTC), there are no remaining performance obligations. By utilizing the average daily price of bitcoin on the date earned, the Company eliminates any differences that may arise due to the volatility in trading price between bitcoin and fiat currency during the period where the Company establishes and completes the contract. The consideration is all variable. There is no significant financing component in these transactions. Foundry charged Gryphon a fee of 0.43%, based on its deployed hashrate from April 19, 2023 to January 8, 2024. The fee then increased from 0.43% to 0.61%, based on its deployed hashrate from January 9, 2024 through December 31, 2024. Subsequent to December 31, 2024, on February 28, 2025, Gryphon was notified Foundry will be adjusting their pool fees effective on April 1, 2025 based on the contributed hashrate. Based on Gryphon's contributed hashrate, the new fee Gryphon would be charged effective on April 1, 2025 would be 0.50%, a decrease of approximately 18%.

Gryphon contributes 100% of its Bitcoin hashing power to Foundry USA Pool. The total hashing power of Foundry USA Pool was approximately 32.5% of the global network hashrate (860.46 EH/s) contributed of all miners or approximately 274 EH/S (per *https://hashrateindex.com/hashrate/pools*), as of March 29, 2025, of which Gryphon provides approximately 0.3%. Because cryptocurrency is considered non-cash consideration, fair value of the cryptocurrency award received is determined using the average daily quoted price of the related cryptocurrency in Gryphon's principal market at the time of contract inception, which is deemed daily. Revenue is recognized when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. After every 24-hour term, the mining pool transfers the cryptocurrency consideration to our designated cryptocurrency wallet. Gryphon has no knowledge of whether Foundry USA Pool maintains insurance for theft or loss and the risks associated with transferring crypto assets. See "Risk Factors - Incorrect or fraudulent cryptocurrency transactions may be irreversible" for details related to the risks associated with transferring crypto assets.

Gryphon does not have visibility into how Foundry USA Pool holds Gryphon's proportion of mining rewards prior to transfer as they are a private company. Gryphon obtains comfort on the bitcoin received from Foundry USA Pool as management completes an estimated revenue analysis whereas it calculates its percentage of hashrate contributed on a daily basis as a percentage of the global hashrate to identify expected rewards. Gryphon then compares that amount to the actual bitcoin received from Foundry USA Pool for variances. Foundry USA operates its pool on the Full Pay Per Share (FPPS) payout method. FPPS is a variant of the Pay Per Share (PPS) method, where miners receive a fixed payout for each valid share submitted, regardless of whether the pool finds a block. Daily Earnings are calculated from midnight-to-midnight UTC time, and the sub-account balance is credited one hour later at 1 AM UTC time. Earnings accrued in the balance would be withdrawn to the selected whitelisted wallet address, once a day, during 9 AM to 5 PM UTC time. According to the Foundry USA Pool's FAQ page, the minimum payout threshold for Bitcoin (BTC) is 0.001 bitcoin. Under the FPPS method, Foundry USA provides Gryphon with a stable and predictable payout for their mining efforts. Regardless of the pool's success, Gryphon will receive consistent rewards based on the number of valid shares (hash rate) they contribute.

While Gryphon may expand its operations beyond the mining of bitcoin in the future, Gryphon has no plans to pursue the acquisition or mining of digital assets other than bitcoin. However, Gryphon has acquired in the past digital assets other than bitcoin as in-kind investments or payments.

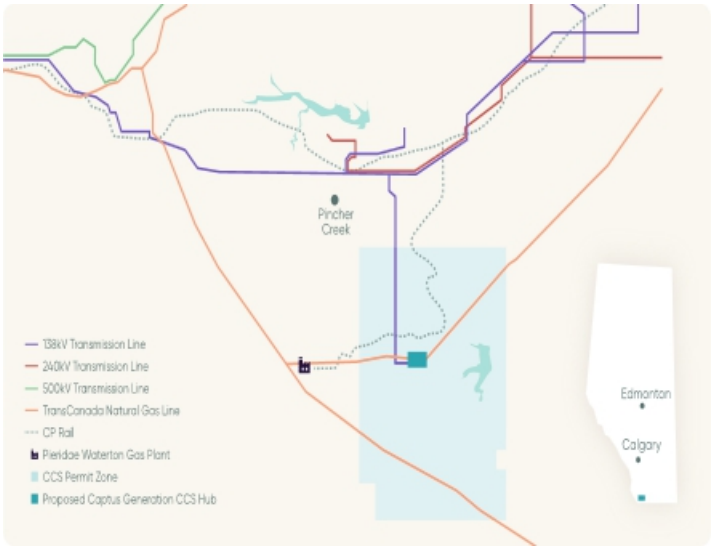
Gryphon's traditional revenue model has been to mine and hold bitcoin, and then sell only the bitcoin that is necessary to pay its operating expenses and to reinvest in operational expansion. For the year ended December 31, 2024, the average holding period was 30 days. For the year ended December 31, 2023, the average holding period was 25 days. The bitcoin that is sold to pay operating expenses and to reinvest in operational expansion is sold within a 24 hour time frame of receipt. Gryphon converts mined bitcoin into fiat currency through BitGo Prime LLC ("BitGo Prime"), under the terms of the Electronic Trading Agreement entered into between BitGo Prime and Gryphon as of October 5, 2021. Under such agreement, BitGo Prime and Gryphon may purchase from and sell digital assets to each other, each for its own benefit and account. To facilitate such trading services, BitGo Prime may provide Gryphon online access to its proprietary electronic trading system, with access to and use of the trading system being subject to the terms and conditions of the Agreement. BitGo Prime charges Gryphon no fees for such conversion other than a nominal wire transfer fee associated with the wire of fiat currency to Gryphon's account. Gryphon will also not pay any commissions and transaction, processing and other fees, including federal, state, and local taxes.

An affiliate of BitGo Prime, BitGo Trust Company Inc., ("BitGo Trust") serves as the custodian for Gryphon's digital currency holdings in consideration of nominal fees paid for custodial, transaction, and settlement services provided pursuant to the agreement between Gryphon and BitGo Trust. Gryphon's CEO, President and CFO each hold Gryphon side private keys that are protected with two-factor authentication. Custodial side keys are held by BitGo Trust who verifies requests with two factor authentication and video reviews. Additionally, as custodian of Gryphon's digital assets, BitGo Trust has implemented certain security measures with regard to Gryphon's digital asset holdings. Any liquidation, conversion, or transfer of the digital assets held in custody by BitGo Trust requires authorizations by two Gryphon executives and requires 24 hours prior to the effectiveness of any such transaction. In addition, the digital assets held in custody by BitGo Trust are insured up to $100 million. There can be no assurances that these procedures will be effective, and Gryphon could suffer a loss of its bitcoin due to an adverse software or cybersecurity event. While Gryphon is confident in the security of its digital assets, Gryphon continues to evaluate additional protective measures. See "*Risk Factors - Gryphon's bitcoin may be subject to loss, theft or restriction on access" for Gryphon's risks and challenges related to custody*."

Captus and AI HPC

Subsequent to December 31, 2024, on January 10, 2025, the Company entered into a definitive agreement to acquire the Captus Site, which, following the closing, the Company believes will enable a substantial expansion into AI and HPC data center infrastructure. Management believes the acquired asset has the potential to scale to 4 gigawatts (GW) of reliable, sustainable power generation capacity through gas to power generation and carbon sequestration on site. The closing of this agreement is expected to occur in or before April 2025.

The Captus Site is located in Pincher Creek, Alberta, approximately one hour outside of Calgary.



The Company believes that the site is an ideal location for the development of an HPC AI data center, with the following advantages:

- **Strategic Location:** Industrial zoned 850 acres located in Southern Alberta. Close to existing infrastructure of power, gas supply, non-potable water, fiber, cooler climate and carbon capture on site.
  .
- **Power Redundancy:** Access to two ample supplies of natural gas.
- **Green Power on Site:** Combination of saline aquifer plus depleted gas reservoir provides compelling sequestration of CO2.
- **Scalable to 4GW:** Management believes that the Captus Site has compelling scalability with up to ~130MW by the end of 2026, followed by 200MW by YE 2029 and 100MW every 6 months following.

Moving forward, the Company intends to focus on the development of an AI HPC center at the Captus Site. The Company's plan is to bring on power generation in phases, beginning in or before 2026. The Company's full time workforce has increased as well, as the Captus Energy team has joined the Company and will be leading the development of the site.

Intellectual Property

Gryphon holds no patents, copyrights, trademarks, or licenses.

Employees and Advisors

Gryphon currently has three full-time employees, its Chief Executive Officer, Chief Financial Officer and Senior Vice President.

Government Regulation

Government regulation of blockchain technology and Bitcoin specifically is being actively considered by the United States federal government via a number of agencies and regulatory bodies, as well as similar entities in other countries. State government regulations also may apply to Gryphon's bitcoin mining activities and other related activities in which Gryphon participates or may participate in the future. Certain regulatory bodies have shown an interest in regulating or investigating companies engaged in the blockchain technology or Bitcoin business.

In addition, because transactions in bitcoin provide a reasonable degree of pseudo anonymity, they are susceptible to misuse for criminal activities, such as money laundering. This misuse, or the perception of such misuse (even if untrue), could lead to greater regulatory oversight of Bitcoin platforms, and there is the possibility that law enforcement agencies could close Bitcoin platforms or other Bitcoin-related infrastructure with little or no notice and prevent users from accessing or retrieving bitcoin held via such platforms or infrastructure.

Multiple United States federal agencies and regulators have been active in rulemaking, issuing guidance and regulating various actors in the blockchain technology industry, including the CFTC, SEC, FINRA, OCC, CFPB, Financial Crimes Enforcement Network ("FinCEN"), OFAC, IRS, FDIC, and Federal Reserve. In March 2022, the United States announced plans to establish a unified federal regulatory regime for cryptocurrency, and in January 2023, the House of Representatives announced its first ever Financial Services Subcommittee on Digital Assets and its intention to develop a regulatory framework for the digital asset industry. In February 2023, Bipartisan leadership of the Senate Banking Committee announced a similar goal. Regulations may substantially change in the future and it is presently not possible to know how regulations will apply to Gryphon's businesses, or when they will be effective. As the regulatory and legal environment evolves, Gryphon may become subject to new laws, further regulation by the SEC, and other federal or state agencies, which may affect Gryphon's bitcoin mining and other related activities. Certain state and local authorities have introduced and passed legislation that may affect Gryphon's business and the business of bitcoin mining. New York enacted a 2-year ban on new cryptocurrency mining conducted at fossil fuel-burning plants in 2022. It is possible that other states may likewise create laws that specifically impact Gryphon's business.

In 2022, FTX Trading Ltd. and several other major cryptocurrency exchanges declared bankruptcy. The U.S. Department of Justice brought criminal charges, including charges of fraud, violations of federal securities laws, money laundering, and campaign finance offenses against FTX's former CEO and others. FTX is also under investigation by the SEC, the Justice Department, and the Commodity Futures Trading Commission, as well as by various regulatory authorities in the Bahamas, Europe and other jurisdictions. In response to these events, the digital asset markets have experienced extreme price volatility and declines in liquidity, and regulatory and enforcement scrutiny has increased, including from the DOJ, the SEC, the CFTC, the White House and Congress. These events continue to develop rapidly, and it is not possible to predict at this time all of the risks that they may pose to Gryphon or on the digital asset industry as a whole.

For additional discussion regarding Gryphon's belief about the potential risks existing and future regulation pose to Gryphon's business, see "*Risk Factors*" herein.

Item 1A. Risk Factors.

Described below are certain risks to our business and the industry in which we operate. You should carefully consider the risks described below, together with the financial and other information contained in this Annual Report on Form 10-K and in our other public disclosures. If any of the following risks actually occurs, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. As a result, our future results could differ materially from historical results and from guidance we may provide regarding our expectations of our future financial performance, and the trading price of our common stock could decline.

Risks Related to Our Business

Bitcoin price volatility may affect our ability to effectively manage our growth plans and profitability.

The market price of bitcoin is extremely volatile, and in fiscal 2024 the price range of bitcoin was between approximately $39,000 and $106,000. The cost to mine a bitcoin is independent of the then current price of bitcoin, so when bitcoin prices are low, the cost per coin to mine may consume much of our available cash, limiting our ability to invest in expansion, upgrade mining equipment and infrastructure or fund other strategic initiatives. Additionally, because our revenue is primarily derived from mining bitcoin, our profitability fluctuates in direct correlation with bitcoin price movements. A decrease in bitcoin's price results in a corresponding decrease in the value of the bitcoin we mine, reducing our revenues and profitability on a dollar-for-dollar basis. Given the volatility of bitcoin prices, we are unable to accurately predict our future growth trajectory or reliably forecast our revenue and profitability for any given reporting period. Our ability to expand our operations depends on our assumptions regarding bitcoin's future price. If those assumptions are incorrect, and bitcoin prices fail to reach or sustain levels high enough to justify our capital expenditures, we may be unable to generate sufficient revenue to maintain profitability or execute our growth strategy, which could materially and adversely impact our business, financial condition and results of operations.

Gryphon's success depends upon the value of Bitcoin; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.

Gryphon's operating results depend on the value of Bitcoin because it is the only cryptocurrency that Gryphon mines. Specifically, Gryphon's revenues from its bitcoin mining operations are based on two factors: (1) the number of bitcoin rewards Gryphon successfully mines and (2) the value of Bitcoin. In addition, Gryphon's operating results are directly impacted by changes in the value of Bitcoin, because under the value measurement model, impairment of Bitcoin and realized gains will be reflected in Gryphon's statement of operations (i.e., Gryphon will be marking bitcoin to fair value each closing period). This means that Gryphon's operating results will be subject to swings based upon increases or decreases in the value of Bitcoin. Further, Gryphon's current application-specific integrated circuit, or ASIC, machines (which Gryphon refers to as "miners") are principally utilized for mining bitcoin and cannot mine other cryptocurrencies, such as ether, that are not mined utilizing the "SHA-256 algorithm." If other cryptocurrencies were to achieve acceptance at the expense of Bitcoin causing the value of Bitcoin to decline, or if Bitcoin were to switch its proof of work algorithm from SHA-256 to another algorithm for which Gryphon's miners are not specialized, or the value of Bitcoin were to decline for other reasons, particularly if such decline were significant or over an extended period of time, Gryphon's operating results would be adversely affected, and there could be a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations, and harm investors.

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

Regulatory, commercial and technical uncertainties may influence bitcoin prices.

The market price of bitcoin is subject to numerous uncertainties, including evolving regulatory frameworks, commercial adoption trends and technical risks, any of which could negatively impact its value. Regulatory treatment of digital assets remains uncertain in various jurisdictions, and new regulations, enforcement actions, or interpretations by governmental authorities could diminish bitcoin's appeal, restrict its use or otherwise depress its market price.

Beyond regulation, bitcoin's price is influenced by factors such as:

- public perception and media coverage of bitcoin and digital assets;
- accessibility and convenience of purchasing, holding and transacting with bitcoin;
- institutional demand for bitcoin as an asset class;
- consumer adoption of bitcoin for everyday transactions; and
- emergence of competing digital assets with potentially superior functionality, scalability or regulatory compliance.

Even if bitcoin adoption increases in the short term, there is no guarantee that this growth will be sustained. Since bitcoin exists solely as digital records on the Bitcoin blockchain, its value is also susceptible to technical risks, including:

- a decrease in miner incentives due to declining block rewards and transaction fees;
- security vulnerabilities, such as potential network attacks or software exploits;
- forks or changes to the Bitcoin protocol that may split the network or cause instability; and
- developments in mathematics or technology, including in digital computing, algebraic geometry and quantum computing, that could result in the cryptography used by the Bitcoin blockchain becoming insecure or ineffective.

Additionally, bitcoin's liquidity could be adversely affected if financial institutions, payment processors or market makers withdraw their support for bitcoin-related services due to regulatory pressure, reputational concerns or operational risks. If any of these risks materialize, they could negatively impact bitcoin's market price, which, in turn, would adversely affect our business and financial condition.

Failure to increase our hashrate may reduce our competitiveness and negatively impact our financial performance.

Our ability to earn bitcoin rewards is directly proportional to our mining power, or hashrate, relative to the total hashrate of the Bitcoin network. As more miners enter the network and deploy more powerful mining equipment, the global hashrate increases, making it more difficult to successfully mine bitcoin. To remain competitive, we must continuously invest in expanding our hashrate by acquiring new, more efficient mining hardware. However, as demand for mining equipment grows, the cost of acquiring and deploying new miners increases, which could limit our ability to scale. If we are unable to access capital to acquire additional miners, our hashrate may stagnate and we may fall behind our competitors. If we fail to increase our hashrate at a pace that keeps up with network difficulty growth, our share of total bitcoin mining rewards will decline, reducing our revenue and negatively impacting our financial performance.

Gryphon may face several risks due to disruptions in the crypto asset markets, including but not limited to the risk from depreciation in Gryphon's stock price, financing risk, risk of increased losses or impairments in its investments or other assets, risks of legal proceedings and government investigations, and risks from price declines or price volatility of crypto assets.

The use of crypto assets to, among other things, buy and sell goods and services and complete other transactions is part of a new and rapidly evolving industry that employs crypto assets based upon a computer generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of crypto assets in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Gryphon's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of crypto assets;
- Governmental and quasi-governmental regulation of crypto assets and their use, or restrictions on or regulation of access to and operation of the network or similar crypto asset systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to crypto assets; and
- Consumer sentiment and perception of Bitcoin specifically and crypto assets generally.

Many crypto asset exchanges currently do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, crypto asset exchanges, which may cause the price of Bitcoin to decline. For example, in the first half of 2022, each of Celsius Network LLC, et al. ("Celsius"), Voyager Digital Ltd., et al. ("Voyager"), and Three Arrows Capital ("Three Arrows") declared bankruptcy, resulting in a loss of confidence among participants in the crypto asset ecosystem and negative publicity surrounding crypto assets more broadly. In November 2022, BlockFi Inc. ("BlockFi") and FTX Trading Ltd. ("FTX"), the third largest crypto asset exchange by volume at the time, halted customer withdrawals and shortly thereafter, FTX and its subsidiaries filed for bankruptcy. In December 2022, Core Scientific Inc. ("Core"), one of the largest publicly traded crypto mining companies in the U.S., filed for bankruptcy. In January 2023, Genesis Global Holdco, LLC, et al. ("Genesis") filed for bankruptcy.

In response to these events, the crypto asset markets, including the market for Bitcoin specifically, have experienced extreme price volatility and several other entities in the crypto asset industry have been, and may continue to be, negatively affected, further undermining confidence in the crypto asset market and in Bitcoin. These events have also negatively impacted the liquidity of the crypto asset market as certain entities affiliated with FTX engaged in significant trading activity. If the liquidity of the crypto asset market continues to be negatively impacted by these events, crypto asset prices, including the price of Bitcoin, may continue to experience significant volatility and confidence in the crypto asset markets may be further undermined. A perceived lack of stability in the crypto asset exchange market and the closure or temporary shutdown of crypto asset exchanges due to business failure, hackers or malware, government-mandated regulation or fraud, may reduce confidence at least in part in crypto asset networks and result in greater volatility in Bitcoin's value. Because the value of Bitcoin is derived from the continued willingness of market participants to exchange government-issued currency that is designated as legal tender in its country of issuance through government decree, regulation or law for Bitcoin, should the marketplace for Bitcoin be jeopardized or disappear entirely, permanent and total loss of the value of Bitcoin may result. Such a decrease in Bitcoin price may have a material and adverse effect on Gryphon's results of operations and financial condition as the results of Gryphon's operations are significantly tied to the price of Bitcoin.

The failure or insolvency of large exchanges like FTX may cause the price of Bitcoin to fall and decrease confidence in the ecosystem, which could adversely affect an investment in Gryphon. Such market volatility and decrease in Bitcoin price may have a material and adverse effect on Gryphon's results of operations and financial condition as the results of Gryphon's operations are significantly tied to the price of Bitcoin.

As of the date hereof, Gryphon has not experienced any material impact resulting from the bankruptcy filings of FTX, Three Arrows, Celsius, Voyager, BlockFi, and Genesis and the attendant disruptions in the crypto asset markets. Genesis is owned by Digital Currency Group Inc. ("DCG"), which also owns Foundry Digital LLC ("Foundry"), one of Gryphon's mining pool providers. However, at this time, Gryphon believes it is not subject to any material risks arising from its previous exposure to Genesis. Other than the Genesis entities, Gryphon (i) has no direct exposure to any crypto asset entities that have recently filed for bankruptcy; (ii) has no assets that may not be recovered due to these bankruptcies; and (iii) has no exposure to any other counterparties, customers, custodians or other crypto asset market third parties known to Gryphon to have (x) experienced material excessive redemptions or withdrawals or suspended redemptions or withdrawals of crypto assets, (y) the crypto assets of their customers unaccounted for, or (z) experienced material compliance failures.

The adoption and long-term viability of digital asset networks is uncertain, and a decline in their growth or acceptance could negatively impact our business and the value of our stock.

Bitcoin and other digital assets are part of a new and rapidly evolving industry. The long-term growth and viability of digital assets depend on multiple factors, including:

- continued global adoption and usage of bitcoin and other digital assets;
- government regulations that impact digital asset transactions and network operations;
- the development and maintenance of Bitcoin's open-source software protocol;
- shifting consumer demographics, preferences and payment habits;
- the availability and popularity of alternative payment methods, including improved fiat currency solutions;
- economic conditions and the regulatory environment for digital assets; and
- regulatory scrutiny and associated compliance costs.

If bitcoin adoption stagnates or declines, demand for bitcoin could weaken, which could negatively affect our business. A prolonged lack of growth in bitcoin adoption could reduce market confidence, leading to lower trading volumes and diminished liquidity. Additionally, bitcoin's price volatility undermines its role as a medium of exchange, as retailers are less likely to accept it as a form of payment. Marketplace acceptance of bitcoin as a medium of exchange and payment method may remain low. The relative lack of acceptance of bitcoin in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use bitcoin to pay for goods and services.

Further, as block rewards decrease, higher transaction fees may be required to incentivize miners, potentially reducing bitcoin adoption and value. In order to incentivize miners to continue to contribute processing power to any digital asset network, such network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record in the blocks they solve only those transactions that include payment of a transaction fee or by the digital asset network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for digital asset transactions become too high, the marketplace may be reluctant to accept digital assets as a means of payment and existing users may be motivated to switch from one digital asset to another digital asset or back to fiat currency. A decline in bitcoin transactions and adoption could reduce demand, negatively impacting bitcoin's price and affecting the value of our bitcoin holdings.

Geopolitical and economic crises could lead to increased uncertainty, large-scale selloffs of digital assets and a decline in bitcoin's value, negatively impacting our business and stock price.

Bitcoin is an alternative to fiat currencies that are backed by central governments, but its value is highly dependent on supply and demand. It is unclear how global geopolitical and economic crises will affect the adoption and valuation of digital assets. However, such crises may lead to large-scale acquisitions or sales of digital assets, causing significant price volatility. A large-scale selloff of bitcoin could decrease its value, directly affecting our business and the price of our common stock. Additionally, broader macroeconomic instability, inflation and regulatory uncertainty could impact our ability to conduct business efficiently and profitably. A significant decline in bitcoin's value due to economic or geopolitical factors could negatively affect our financial condition.

We face risks related to technological obsolescence, vulnerability of the global supply chain for cryptocurrency hardware, potential trade restrictions and difficulty in obtaining new hardware, which may have a material adverse effect on our business.

Bitcoin mining hardware experiences wear and tear over time, requiring periodic repairs or replacement to maintain efficiency. Additionally, as mining technology evolves, we must invest in newer, more efficient mining equipment to remain competitive, which requires significant capital expenditures.

Further, we have faced complications related to the import of mining equipment in the past and may face such complications in the future. The global supply of miners is unpredictable and presently heavily dependent on manufacturers based in China. Geopolitical matters, including the relationship between the United States and other countries and trade restrictions and tariffs (or the threat of trade restrictions or tariffs), may impact our ability to import miners or other equipment necessary for our operations. Restrictions or bans on mining equipment from China, whether due to trade restrictions, national security concerns or geopolitical tensions, could disrupt our supply chain, increase equipment costs and delay our growth plans.

In addition, officials of the U.S. Customs and Border Protection agency ("CBP") have broad discretion regarding products imported into the United States, and the CBP has on occasion detained or seized imported miners and other equipment necessary to the operation of our miners, which has resulted in significant costs to us. If our imported mining equipment is detained or seized in the future, we may not be able to obtain adequate replacement parts for our existing miners and other equipment or obtain additional miners and other equipment from manufacturers on a timely basis or at all, which could have a material adverse effect on our results of operations and financial condition.

Bitcoin network forks, where the blockchain splits into two separate networks, could cause disruptions and negatively impact our business.

Since the Bitcoin network is an open-source project, any individual can download the Bitcoin network software and make any desired modifications, which are proposed to users and miners on the Bitcoin network through software downloads and upgrades and typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes. Otherwise, the changes do not become a part of the Bitcoin network.

Since the Bitcoin network's inception, changes to the network have been accepted by the vast majority of users and miners, ensuring that the network remains a coherent economic system. However, a developer or group of developers could propose a modification to the Bitcoin network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin network. In such a case, and if the modification is material or not compatible with the prior version of Bitcoin network software, a fork in the blockchain could develop and two separate Bitcoin networks could result with one running the pre-modification software program and the other running the modified version (i.e., a second "Bitcoin" network).

Historically, the Bitcoin community has worked to merge forked blockchains, but a prolonged or unresolved split could create confusion, disrupt the network and affect bitcoin's stability. A fork could decrease confidence in bitcoin, negatively impacting its price and, in turn, our business and stock value.

A 51% attack on the Bitcoin network could undermine security and market confidence.

The security of the Bitcoin network relies on its decentralized nature, which makes it difficult for any single entity to control a majority of the network's mining power. However, if a malicious actor or coordinated group were to gain control of more than 50% of the total hashrate, a scenario known as a "51% attack," they could theoretically manipulate the network by:

- reversing previously confirmed transactions, enabling double-spending of bitcoin;
- preventing new transactions from being confirmed, effectively halting the network; and
- excluding or modifying transactions, undermining the trustworthiness of the blockchain.

A 51% attack could occur through several mechanisms, including large-scale mining operations, through which a single entity invests in expansive mining facilities with enough computing power to control the majority of the network; mining pool dominance, in which mining pool becomes so large that it collectively controls more than 50% of the network's hashrate; or botnet-based attacks, in which botnets (volunteers or hacked collections of computers controlled by networked software coordinating the actions of the computers) are used to hijack computing resources and direct them toward mining, effectively amassing enough power to launch an attack.

If a 51% attack were successfully executed, it could lead to a loss of confidence in bitcoin's security and reliability, causing its price to drop significantly. Such an event could also prompt regulatory restrictions on cryptocurrency mining and trading, further exacerbating the negative impact on our business.

Even if a 51% attack does not occur, the mere perception that such an attack is possible could damage bitcoin's credibility and discourage institutional adoption. Given our dependence on bitcoin mining, any loss of trust in the security of the Bitcoin network could materially and adversely affect our business, financial condition and results of operations.

Noise generated by our mining operations poses regulatory, legal, operational and reputational risks.

Our mining operations involve the use of a large number of high-powered miners and cooling systems that generate substantial noise. This noise poses risks to our business, including community complaints, reputational damage, litigation risk, regulatory risk, operational constraints, increased costs and opposition to expansion. These risks could lead to fines or penalties imposed by local governments, requirements to implement costly noise mitigation measures, restrictions on our operating hours, reduction of scale of our operations, stricter noise controls regulations on our operations, potential shutdown of data centers that cannot meet local noise regulations, damages resulting from lawsuits and difficulty obtaining necessary permits and approvals for expanding existing data centers or establishing new site operations. These risks may negatively affect our financial condition and results of operations.

We may experience liquidity constraints and need additional capital, which may not be available to us on favorable terms, or at all.

Liquidity risk is the possibility that we will be unable to meet our financial obligations as they come due. We will need to raise additional capital to expand our operations, pursue our growth strategy in AI and HPC and respond to competitive pressures or unanticipated working capital requirements. We may seek but fail to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. Raising capital through equity financing could dilute existing stockholders and reduce the value of their investment. Debt financing, on the other hand, could impose restrictive terms, prioritize creditors over stockholders or require us to maintain liquidity levels or financial ratios that may not align with our business needs or be in the best interest of our stockholders.

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

The digital asset exchanges on which Bitcoin is traded are relatively new and largely unregulated. Many digital asset exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices, or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, such digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. In 2022, FTX and a number of other digital asset exchanges filed for bankruptcy proceedings after failing to solve financial issues caused by the falling prices of Bitcoin and other cryptocurrencies. FTX and others became the subjects of investigations by various governmental agencies for, among other things, fraud, which caused a loss of confidence in cryptocurrency market participants and an increase in negative publicity for the digital asset ecosystem. As a result, many digital asset markets, including the market for Bitcoin, did and continue to experience increased price volatility. The Bitcoin ecosystem may continue to be negatively impacted and experience long term volatility if public confidence cannot rebound or decreases again due similar future events.

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

The U.S. political and economic environment could materially impact our business operations and financial performance, and uncertainty surrounding the potential legal, regulatory and policy changes by the new U.S. presidential administration may directly affect us and the global economy.

Changes in U.S. political leadership and economic policies may create uncertainty that materially affects our business and financial performance. Shifts in legal, regulatory, and trade policies, particularly under a new presidential administration, could disrupt our operations and long-term strategy.

For example, if the U.S. government establishes a strategic bitcoin reserve, large-scale purchases could create price volatility or artificial price suppression, making our mining operations less profitable. Conversely, slow or no action in creating such a reserve could limit institutional adoption and negatively impact bitcoin's value, which could also harm our financial condition. Additionally, increased government influence over the Bitcoin network could affect mining difficulty, transaction processing, and other technical aspects, further impacting our business.

We also face risks from trade policy changes, including tariffs and restrictions on imports of mining equipment. The current administration has imposed, and may continue to impose, tariffs on imports from key manufacturing regions, increasing costs and disrupting supply chains.

The scope and timing of potential policy changes remain uncertain, making it difficult to plan for or mitigate these risks. Any such changes could materially and adversely affect our business, financial condition, and results of operations.

We have engaged in, and may continue to engage in, strategic acquisitions and other transactions that could disrupt our business, dilute our stockholders, strain our financial resources and harm our operating results.

As part of our growth strategy, we have pursued strategic transactions, including the Captus Acquisition, miners and data centers. In the future, we may seek additional opportunities to expand our mining operations, including purchasing energy assets, HPC and AI assets, miners, data centers and other facilities, potentially from companies in financial distress. Our ability to grow through acquisitions depends on several factors, including the availability of suitable opportunities at acceptable costs, our ability to compete effectively to attract those opportunities and access to financing.

Acquisitions may require us to issue common stock, thereby diluting existing stockholders, or take on liabilities from acquired businesses. They may also result in recording goodwill and intangible assets that require regular impairment testing, which could lead to periodic write-downs. Additionally, acquisitions often involve significant costs, including integration expenses, restructuring charges and potential litigation risks.

Even when successful, acquisitions and expansions may take considerable time to deliver anticipated benefits, if at all. Integrating new businesses, technologies, and personnel can be complex and may divert management's attention from daily operations. We may also face liabilities related to a target company's past operations. Entering new markets where we have little experience could pose additional challenges, particularly if competitors have stronger market positions. Furthermore, we may struggle to generate sufficient revenue to justify acquisition costs, and the integration process could disrupt relationships with employees, suppliers and other stakeholders.

Further, we may not be able to pursue our current acquisition strategy in the future. Beyond energy assets, HPC and AI assets, bitcoin mining and related acquisitions, we have explored, and may continue to explore, opportunities in adjacent or complementary businesses as market conditions allow. These ventures may carry similar risks, including operational and financial challenges, and there is no guarantee they will provide the expected benefits in a timely manner, if at all.

The Bitcoin market is exposed to financially troubled cryptocurrency-based companies.

The failure of several cryptocurrency platforms has impacted and may continue to impact the broader cryptocurrency economy; the full extent of these impacts may not yet be known. Bitcoin is part of the cryptocurrency environment and is subject to price volatility resulting from financial instability, poor business practices, and fraudulent activities of players in the cryptocurrency market. When investors in cryptocurrency and cryptocurrency-based companies experience financial difficulty as a result of price volatility, poor business practices, and/or fraud, it has caused, and may continue to cause, loss of confidence in the cryptocurrency space, reputational harm to cryptocurrency assets, heightened scrutiny by regulatory authorities and law makers, and a steep decline in the value of Bitcoin, among other material impacts. Such adverse effects have affected, and may in the future continue to affect, the profitability of Gryphon's bitcoin mining operations.

The lack of legal recourse and insurance for our digital assets increases the risk of total loss in the event of theft or destruction.

Our digital assets are not insured against theft, loss or destruction. If an event occurs where we lose our digital assets, whether due to cyberattacks, fraud or other malicious activities, we may not have any viable legal recourse or ability to recover the lost assets. Unlike funds held in insured banking institutions, our digital assets are not protected by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. If our digital assets are lost under circumstances that render another party liable, there is no guarantee that the responsible party will have the financial resources to compensate us. As a result, we and our stockholders could face significant financial losses.

There is a lack of liquid markets for, and possible manipulation of, blockchain/cryptocurrency-based assets.

Cryptocurrencies that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The more relaxed a distributed ledger platform is about vetting issuers of cryptocurrency assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of the ledger due to a control event. These factors may decrease liquidity or volume or may otherwise increase volatility of investment securities or other assets trading on a ledger-based system. Such circumstances could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue its strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for its own account, which in turn could harm investors.

Acceptance and/or widespread use of Bitcoin are uncertain.

Currently, there is a relatively limited use of Bitcoin in the retail and commercial marketplace. Banks and other established financial institutions may refuse to process funds for Bitcoin transactions, process wire transfers to or from Bitcoin exchanges, Bitcoin-related companies or service providers, or maintain accounts for persons or entities transacting in Bitcoin. Conversely, a significant portion of Bitcoin demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines Bitcoin's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Market capitalization for Bitcoin as a medium of exchange and payment method may always be low.

The relative lack of acceptance of Bitcoin in the retail and commercial marketplace limits the ability of end users to use bitcoin to pay for goods and services. Such lack of acceptance could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of Bitcoin Gryphon mines or otherwise acquires or holds for its own account.

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

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

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

The outcome of these factors could have negative effects on Gryphon's ability to continue as a going concern or to pursue Gryphon's business strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations as well as a potentially negative effect on the value of any bitcoin that Gryphon mines or otherwise acquires or holds for Gryphon's own account, which would harm investors.

The bitcoin reward for successfully uncovering a block will halve several times in the future and Bitcoin value may not adjust to compensate Gryphon for the reduction in the rewards Gryphon receives from its mining efforts.

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." For Bitcoin, the reward was initially set at 50 bitcoin currency rewards per block. This was cut in half to 25 on November 28, 2012 at block 210,000, and then again to 12.5 on July 9, 2016 at block 420,000. The most recent halving for Bitcoin happened on April 19, 2024, and the reward reduced to 3.125. This process will reoccur until the total amount of bitcoin currency rewards issued reaches 21 million, which is expected around 2140.

While Bitcoin prices have historically increased around these halving events, which increases in price have correspondingly mitigated the decrease in mining reward, there is no guarantee that the price change would be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of Bitcoin or a proportionate decrease in mining difficulty does not follow these anticipated halving events, the revenue Gryphon earns from its bitcoin mining operations would see a corresponding decrease, which would have a material adverse effect on Gryphon's business and the economics of Gryphon's mining operations.

Gryphon aims to mitigate the impacts of halving by maintaining a breakeven profitability floor far below the network average. To do so, Gryphon has developed and implemented a curtailment agreement with its hosting partners to maximize the marginal profitability of its machines.

Gryphon's partners have also implemented standard operating procedures to maximize the operational efficiency of its sites, such as preventative maintenance and cleaning of equipment. Gryphon believes that these steps can enable it to maintain survivability above its competitors and mitigate the downside risk of decreased rewards.

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

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

Transaction fees may decrease demand for Bitcoin and prevent expansion that could adversely impact an investment in Gryphon.

As the number of bitcoins awarded for solving a block in a blockchain decreases, the incentive for miners to continue to contribute to the Bitcoin network may transition from a set reward to transaction fees. In order to incentivize miners to continue to contribute to the Bitcoin network, the Bitcoin network may either formally or informally transition from a set reward to transaction fees earned upon solving a block. This transition could be accomplished by miners independently electing to record in the blocks they solve only those transactions that include payment of a transaction fee. If transaction fees paid for Bitcoin transactions become too high, the marketplace may be reluctant to accept Bitcoin as a means of payment and existing users may be motivated to switch from Bitcoin to another cryptocurrency or to fiat currency. Either the requirement from miners of higher transaction fees in exchange for recording transactions in a blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for Bitcoin and prevent the expansion of the Bitcoin network to retail merchants and commercial businesses, resulting in a reduction in the price of Bitcoin that could adversely impact Gryphon's business. Decreased use and demand for bitcoins that Gryphon has accumulated may adversely affect their value and may adversely impact an investment in Gryphon.

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

The global market for Bitcoin is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which Bitcoin is mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in Bitcoin or tracking Bitcoin markets form and come to represent a significant proportion of the demand for Bitcoin, large redemptions of the securities of those vehicles and the subsequent sale of Bitcoin by such vehicles could negatively affect Bitcoin prices and therefore affect the value of the Bitcoin holdings Gryphon holds. Such events could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's new strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for its own account.

The development of other cryptocurrencies and/or digital currencies may adversely affect the value of Bitcoin.

To the extent that other cryptocurrencies are introduced into the market, gain traction and are supported by the deployment of significant resources, the success of any such cryptocurrency could lead to a decrease in demand and the potential exclusion of existing cryptocurrencies, such as Bitcoin.

In addition, central banks in some countries have started to introduce digital forms of legal tender. Whether or not they incorporate blockchain or similar technology, central bank digital currencies as legal tender in the issuing jurisdiction could have an advantage in competing with, or replacing, Bitcoin and other cryptocurrencies as a medium of exchange or store of value. As a result, the value of Bitcoin could decrease, which could have a material adverse effect on Gryphon's business, prospects, financial condition, and operating results.

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

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

For example, in late May and early June 2014, a mining pool known as GHash.io approached and, during a 24- to 48-hour period may have exceeded, the threshold of 50% of the processing power on the Bitcoin network. To the extent that GHash.io did exceed 50% of the processing power on the network, reports indicate that such threshold was surpassed for only a short period, and there are no reports of any malicious activity or control of the blockchain performed by GHash.io. Furthermore, the processing power in the mining pool appears to have been redirected to other pools on a voluntary basis by participants in the GHash.io pool, as had been done in prior instances when a mining pool exceeded 40% of the processing power on the Bitcoin network.

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

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

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

The open-source structure of the Bitcoin network protocol means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage the Bitcoin network and an investment in Gryphon.

The Bitcoin network operates based on an open-source protocol maintained by contributors, largely on the Bitcoin Core project on GitHub. As an open-source project, Bitcoin is not represented by an official organization or authority. As the Bitcoin network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the Bitcoin network protocol. The lack of guaranteed financial incentive for contributors to maintain or develop the Bitcoin network and the lack of guaranteed resources to adequately address emerging issues with the Bitcoin network may reduce incentives to address the issues adequately or in a timely manner. Changes to a digital asset network that Gryphon is mining on may adversely affect an investment in Gryphon.

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

Geopolitical crises may motivate large-scale purchases of Bitcoin and other cryptocurrencies, which could increase the price of Bitcoin and other cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, which would adversely affect the value of Gryphon's Bitcoin value following such downward adjustment. Such risks are similar to the risks of purchasing commodities in uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturns may discourage investment in Bitcoin as investors focus their investments on less volatile asset classes as a means of hedging their investment risks.

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

Gryphon faces risks of Internet disruptions, which could have an adverse effect on the price of Bitcoin.

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

Fluctuations in the price of bitcoin may significantly influence the market price of our bitcoin holdings and therefore, the price of our common stock.

To the extent investors view the value of our common stock as linked to the value or change in the value of our bitcoin, fluctuations in the price of bitcoin may significantly influence the market price of our common stock.

If we fail to grow our hash rate, we may be unable to compete, and our results of operations could suffer.

Generally, a bitcoin miner's chance of solving a block on the Bitcoin blockchain and earning a bitcoin reward is a function of the miner's hash rate (i.e., the amount of computing power devoted to supporting the Bitcoin blockchain), relative to the global network hash rate. As greater adoption of Bitcoin occurs, we expect the demand for Bitcoin will increase further, drawing more mining companies into the industry and thereby increasing the global network hash rate. As new and more powerful miners are deployed, the global network hash rate will continue to increase, meaning a miner's chance of earning bitcoin rewards will decline unless it deploys additional hash rate at pace with the industry. Accordingly, to maintain our chances of earning new bitcoin rewards and remaining competitive in our industry, we must seek to continually add new miners to grow our hash rate at pace with the growth in the Bitcoin global network hash rate. However, as demand has increased and scarcity in the supply of new miners has resulted, the price of new miners has increased sharply, and we expect this process to continue in the future as demand for bitcoin increases. Therefore, if the price of bitcoin is not sufficiently high to allow us to fund our hash rate growth through new miner acquisitions and if we are otherwise unable to access additional capital to acquire these miners, our hash rate may stagnate and we may fall behind our competitors. If this happens, our chances of earning new bitcoin rewards would decline and, as such, our results of operations and financial condition may suffer.

Risks Related to Operations

Gryphon is an early-stage company and has a limited history of generating profits.

Gryphon was formed in October 2020 and has a limited history upon which an evaluation of Gryphon's performance and future prospects can be made. Gryphon began mining operations in September 2021, and had no previous existing operations. Gryphon's current and proposed operations are subject to all of the business risks associated with new enterprises. These include likely fluctuations in operating results as Gryphon reacts to developments in its market, manages its growth and operations, and responds to the entry of competitors into the market. Further, there is no assurance that Gryphon can successfully execute its business plan. Gryphon has had limited revenues generated since its bitcoin miners became operational in September 2021, and consequently recorded losses in 2024, 2023, 2021 and 2020. Gryphon generated minimal profits in 2022 and may not be able to sustain profitability in the future.

Gryphon may be unable to access sufficient additional capital to fund its operations or for future strategic growth initiatives.

Gryphon's purchase of miners is a capital intensive, and Gryphon anticipates that future strategic growth initiatives will likewise be capital-intensive. Gryphon expects to raise additional capital to fund its operations and future strategic growth initiatives. If Gryphon raises additional capital through public or private equity offerings, the ownership interest of Gryphon's existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect Gryphon's stockholders' rights. If Gryphon raises additional capital through debt financing, Gryphon may be subject to covenants limiting or restricting Gryphon's ability to take specific actions, such as incurring additional debt or liens, making capital expenditures or declaring dividends. Further, Gryphon may be unable to raise capital in a timely manner, in sufficient quantities, or on terms acceptable to Gryphon, if at all. If Gryphon is unable to raise the additional capital needed to fund its operations or execute future strategic growth initiatives, Gryphon may be less competitive in its industry and its results of operations and financial condition may suffer. The value of its securities may also be materially and adversely affected.

Gryphon's independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about Gryphon's ability continue as a "going concern."

Gryphon's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate the continuation of Gryphon as a going concern and the realization of assets and satisfaction of liabilities in the ordinary course of business.

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

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

Gryphon's loss of any of its management or advisory team, its inability to execute an effective succession plan, or its inability to attract and retain qualified personnel, could adversely affect Gryphon's business.

Gryphon's success and future growth will depend to a significant degree on the skills and services of its management and advisors, including Steve Gutterman, Gryphon's Chief Executive Officer and Sim Salzman, Gryphon's Chief Financial Officer. Gryphon will need to continue to grow its management in order to alleviate pressure on its existing team and in order to continue to develop its business. If Gryphon's management, including any new hires that Gryphon may make, fail to work together effectively and to execute Gryphon's plans and strategies on a timely basis, Gryphon's business could be harmed. Furthermore, if Gryphon fails to execute an effective contingency or succession plan with the loss of any member of management, the loss of such management personnel may significantly disrupt its business.

The loss of key members of management or advisory team could inhibit Gryphon's growth prospects. Gryphon's future success also depends in large part on its ability to attract, retain and motivate key management and operating personnel. As Gryphon continues to develop and expand its operations and pursue new strategies, it may require personnel with different skills and experiences, and who have sound understandings of Gryphon's business and both the Bitcoin network industry and the AI and HPC industry. The market for highly qualified personnel in these industries is very competitive, and Gryphon may be unable to attract such personnel. If Gryphon is unable to attract such personnel, its business could be harmed.

Gryphon's bitcoin may be subject to loss, theft or restriction on access.

There is a risk that some or all of Gryphon's bitcoin could be lost or stolen. Cryptocurrencies are stored in cryptocurrency sites commonly referred to as "wallets" by holders of cryptocurrencies, which may be accessed to exchange a holder's cryptocurrency assets. Access to Gryphon's bitcoin assets could also be restricted by cybercrime (such as a denial of service attack) against a service at which Gryphon maintains a hosted hot wallet. A hot wallet refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access than wallets in cold storage, but they are also more susceptible to hackers and other technical vulnerabilities. Cold storage refers to any cryptocurrency wallet that is not connected to the Internet. Gryphon holds its bitcoin solely in cold custodial wallets with keys managed by BitGo Trust. Cold storage is generally more secure than hot storage, but is not ideal for quick or regular transactions, and Gryphon may experience lag time in its ability to respond to market fluctuations in the price of Gryphon's bitcoin assets.

Hackers or malicious actors may launch attacks to steal, compromise or secure bitcoin, such as by attacking the Bitcoin network source code, exchange miners, third-party platforms, cold and hot storage locations or software, through phishing schemes or by other means. Several errors and defects in such codes have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitations of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite Gryphon's efforts and processes to prevent breaches, Gryphon's devices, as well as Gryphon's miners, computer systems and those of third parties that Gryphon uses in its operations, are vulnerable to cybersecurity risks, including cyberattacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with Gryphon's miners and computer systems or those of third parties that Gryphon uses in its operations. Any of these events may adversely affect Gryphon's operations and, consequently, Gryphon's investments and profitability. The loss or destruction of a private key required to access Gryphon's digital wallets may be irreversible and Gryphon may be denied access for all time to its bitcoin holdings or the holdings of others held in those compromised wallets. Gryphon's loss of access to its private keys or a data loss relating to Gryphon's digital wallets could adversely affect Gryphon's investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. Gryphon will publish the public key relating to digital wallets in use when Gryphon verifies the receipt of transfers and disseminates such information into the network, but Gryphon will need to safeguard the private keys relating to such digital wallets. We safeguard and keep private the private keys relating to our digital assets by relying on BitGo Trust's (as defined herein) 100% cold storage custody solution held in a purpose-built physically-secure environment based on established, industry best practices to safeguard our digital assets from theft, loss, destruction or other issues relating to hackers and technological attack. Gryphon's CEO holds Gryphon side private keys that are protected with two-factor authentication. Gryphon confirms transactional validity and data for revenue recognition through a daily review and reconciliation of BitGo reports. Custodial side keys are held by BitGo Trust who verifies requests with two factor authentication and video reviews. To the extent such private keys are lost, destroyed or otherwise compromised, Gryphon will be unable to access its bitcoin rewards and such private keys may not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store Gryphon's bitcoin could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue its new strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for its own account.

Our ability to adopt technology in response to changing security needs or trends and reliance on third party, Bitgo Prime, for custody poses a challenge to the safekeeping of our digital assets.

The history of digital asset exchanges has shown that exchanges and large holders of digital assets must adapt to technological change in order to secure and safeguard their digital assets. We rely on Bitgo Trust's 100% cold storage custody solution held in a purpose-built physically-secure environment based on established, industry best practices to safeguard our digital assets from theft, loss, destruction or other issues relating to hackers and technological attack. We believe that it may become a more appealing target of security threats as the size of our bitcoin holdings grow. To the extent that either BitGo Trust or we are unable to identify and mitigate or stop new security threats, our digital assets may be subject to theft, loss, destruction or other attack, which could adversely affect an investment in us. To the extent that BitGo Trust is no longer, due to the current banking crisis, able to safeguard our assets, we would be at risk of loss if safeguarding protocols fail.

Incorrect or fraudulent cryptocurrency transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent Bitcoin transactions could adversely affect Gryphon's investments and assets. Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the cryptocurrency from the transaction. In theory, Bitcoin transactions may be reversible with the control or consent of a majority of processing power on the Bitcoin network; however, Gryphon does not now, nor is it feasible that Gryphon could in the future, possess sufficient processing power to effect such a reversal. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a cryptocurrency or a theft thereof generally will not be reversible and Gryphon may not have sufficient recourse to recover its losses from any such transfer or theft. It is possible that, through computer or human error, or through theft, fraud, phishing schemes or other criminal action, Gryphon's cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties or uncontrolled accounts. Further, at this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen cryptocurrency. In the event of a loss, Gryphon would be reliant on existing private investigative entities to investigate any such loss of Gryphon's bitcoin assets. These third-party service providers rely on data analysis and compliance of Internet service providers with traditional court orders to reveal information such as the IP addresses of any attackers who may have targeted Gryphon. To the extent that Gryphon is unable to recover its losses from such action, error, theft or other criminal action, such events could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's new strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations of and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for its own account.

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

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

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

If Gryphon is unable to secure and maintain its power supply at prices or on terms acceptable to it, a material adverse effect on Gryphon's business, prospects, financial condition, and operating results would occur.

To remain competitive in Gryphon's industry, Gryphon seeks to grow its hash rate to match the growing network hash rate and increasing network difficulty of the Bitcoin blockchain, and if Gryphon is unable to grow its hash rate at pace with the network hash rate, Gryphon's chance of earning bitcoin from its mining operations would decline.

As the adoption of Bitcoin has increased, the price of Bitcoin has generally appreciated, causing the demand for new bitcoin rewards for successfully solving blocks on the Bitcoin blockchain to likewise increase. This has encouraged more miners to attempt to mine bitcoin, which increases the global network hash rate deployed in support of the Bitcoin blockchain.

Because a miner's relative chance of successfully solving a block and earning a new bitcoin reward is generally a function of the ratio the miner's individual hash rate bears to the global network hash rate, as the global network hash rate increases, a miner must increase its individual hash rate to maintain its chances of earning new bitcoin rewards. Therefore, as new miners enter the industry and as miners deploy greater and greater numbers of increasingly powerful machines, existing miners must seek to continually increase their hash rates to remain competitive. Thus, a feedback loop is created: as Bitcoin gains popularity and its relative market price increases, more miners attempt to mine bitcoin and the Bitcoin network hash rate is increased; in response, existing miners and new miners devote more and more hash rate to the Bitcoin blockchain by deploying greater numbers of increasingly powerful machines in an attempt to ensure their abilities to earn additional bitcoin rewards do not decrease. Compounding this feedback loop, the network difficulty of the Bitcoin network (i.e., the amount of work (measured in hashes) necessary to solve a block) is periodically adjusted to maintain the pace of new block additions (with one new block added to the blockchain approximately every ten minutes), and thereby control the supply of Bitcoin. As miners deploy more hash rate and the Bitcoin network hash rate is increased, the Bitcoin network difficulty is adjusted upwards by requiring more hash rate to be deployed to solve a block. Thus, miners are further incentivized to grow their hash rates to maintain their chances of earning new bitcoin rewards. In theory, these dual processes should continually replicate themselves until the supply of available bitcoin is exhausted. In response, miners have attempted to achieve greater hash rates by deploying increasingly sophisticated and expensive miners in ever greater quantities. This has become the Bitcoin mining industry's great "arms race." Moreover, because there are very few manufacturers of miners capable of producing a sufficient number of miners of adequate quality to meet this need, scarcity results and miner prices increase. Compounding this phenomenon, it has been observed that some manufacturers of bitcoin miners may increase their prices for new miners as the market price of Bitcoin increases.

Accordingly, for Gryphon to maintain its chances of earning new bitcoin rewards and remaining competitive in its industry, Gryphon must seek to continually add new miners to grow its hash rate at pace with the growth in the Bitcoin network hash rate. However, as demand has increased and scarcity in the supply of new miners has resulted, the price of new miners has increased, and Gryphon expects this process to continue in the future as demand for bitcoin increases. Therefore, if the price of Bitcoin is not sufficiently high to allow Gryphon to fund its hash rate growth through new miner acquisitions, and if Gryphon is otherwise unable to access additional capital to acquire these miners, Gryphon's hash rate may stagnate and Gryphon may fall behind its competitors. If this happens, Gryphon's chances of earning new bitcoin rewards would decline and, as such, its results of operations and financial condition may suffer.

Gryphon's business is dependent on a small number of digital asset mining equipment suppliers.

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

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

In order to build and sustain Gryphon's self-mining operations, Gryphon will depend on third parties to provide it with ASIC chips and other critical components for its mining equipment, which may be subject to price fluctuations or shortages. For example, the ASIC chip is the key component of a mining machine as it determines the efficiency of the device. The production of ASIC chips typically requires highly sophisticated silicon wafers, which currently only a small number of fabrication facilities, or wafer foundries, in the world are capable of producing. ASIC chips were recently subject to significant price increases and shortages that may occur again in the future.

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

Gryphon's reliance primarily on a single model of miner may subject its operations to increased risk of design flaws.

The performance and reliability of Gryphon's miners and its technology is critical to Gryphon's reputation and its operations. Because Gryphon currently only uses Bitmain Antminer type miners, if there are issues with those machines, such as a design flaw in the ASIC chips they employ, Gryphon's entire system could be affected. Any system error or failure may significantly delay response times or even cause Gryphon's system to fail. Any disruption in Gryphon's ability to continue mining could result in lower yields and harm its reputation and business. Any exploitable weakness, flaw, or error common to Bitmain miners could affect all of Gryphon's miners; therefore, if a defect or other flaw exists and is exploited, Gryphon's entire miner fleet could be adversely impacted. Any interruption, delay or system failure could result in financial losses, a decrease in the value of Gryphon's stock and damage to Gryphon's reputation.

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

Gryphon's mining operations can only be successful and profitable if the costs of mining Bitcoin, including hardware and electricity costs, associated with mining Bitcoin are lower than the price of a bitcoin. As Gryphon's mining facility operates, Gryphon's miners experience ordinary wear and tear, and may also face more significant malfunctions caused by a number of extraneous factors beyond Gryphon's control. The physical degradation of Gryphon's miners will require Gryphon to, over time, replace those miners which are no longer functional. Additionally, as the technology evolves, Gryphon may be required to acquire newer models of miners to remain competitive in the market. Also, because Gryphon expects to depreciate all new miners, Gryphon's reported operating results will be negatively affected.

Gryphon's use of third-party mining pools exposes it to additional risks.

Gryphon receives bitcoin rewards from its mining activity through a third-party mining pool operator. Mining pools allow miners to combine their processing power, which increases miners' chances of solving blocks and receiving bitcoin rewards from the network. The rewards are distributed by the pool operator, proportionally to Gryphon's contribution to the pool's overall mining power, after deducting the applicable pool fee, if any, used to solve a particular block on the Bitcoin blockchain. Should the pool operator's system suffer downtime due to a cyber-attack, software malfunction or other issue, Gryphon's ability to mine and receive revenue will be negatively impacted.

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

Gryphon relies on its hosting arrangements with Blockfusion and Mawson, to provide mining data centers and host its mining equipment. If these mining data centers fail to perform their obligations under their agreements with Gryphon, Gryphon may be forced to look for alternative mining data centers to host its mining equipment, which may not be available on favorable terms or at all. Additionally, if the mining data centers shut down or cannot accommodate additional miners as Gryphon expands its fleet, Gryphon may be forced to look for alternative centers.

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

Significant competition for suitable mining data centers is expected to continue, and other government regulators, including local permitting officials, may potentially restrict the ability of potential mining data centers to begin or continue operations in certain locations. They can also restrict the ability of electricity suppliers to provide electricity to mining operations in times of electricity shortage, or may otherwise potentially restrict or prohibit the provision of electricity to mining operations. While Gryphon is not aware of the existence of any such restrictions in New York and Pennsylvania, the jurisdictions in which the mining data centers that Gryphon is currently maintaining its machines at are located, new ordinances and other regulations at the federal, state and local levels can be introduced at any time and can be triggered by certain adverse weather conditions or natural disasters, among other reasons.

The mining data centers at which Gryphon maintains its mining equipment may experience damages, including damages that are not covered by insurance.

Gryphon maintains its mining equipment at mining data centers in New York and Pennsylvania. The mining data centers at which Gryphon maintains its mining equipment, and any future mining data centers at which Gryphon maintains its mining equipment will be, subject to a variety of risks relating to physical condition and operation, including:

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

For example, the mining data centers at which Gryphon maintains its mining equipment could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the facilities where Gryphon's mining equipment is located. The security and other measures Gryphon takes to protect against these risks may not be sufficient. Any property insurance Gryphon obtained in the future may not be adequate to cover the losses Gryphon suffers as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mining data centers at which Gryphon maintains its mining equipment, such mining data centers may not be adequately repaired in a timely manner or at all and Gryphon may lose some or all of the future revenues anticipated to be derived from Gryphon's equipment located at such mining data centers. Additionally, Gryphon is exposed to regulatory risk in New York and Pennsylvania . The recent regulatory changes in New York have not impacted Gryphon's operations due the scope of the changes being limited to carbon-based electricity. However, Gryphon is acutely aware that further regulatory changes could impact its ability to operate in the state and is prepared to shift its operations to alternative jurisdictions should it be required. Such a shift could be costly, which could have a material adverse effect on Gryphon's business, financial condition and results of operations.

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

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

Gryphon's operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in Bitcoin.

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

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Gryphon's business utilizes presently existent digital ledgers and blockchains and Gryphon could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto. This may adversely affect Gryphon and Gryphon's exposure to various blockchain technologies and prevent Gryphon from realizing the anticipated profits from its investments. Such circumstances could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's strategy at all, which could have a material adverse effect on its business, prospects or operations and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for Gryphon's own account, which could in turn harm investors.

Gryphon may not adequately respond to price fluctuations and rapidly changing technology, which may negatively affect Gryphon's business.

Competitive conditions within the AI, HPC and Bitcoin industries require that Gryphon use sophisticated technology in the operation of Gryphon's business. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies Gryphon currently utilizes, and Gryphon may have to manage transitions to these new technologies to remain competitive. Gryphon may not be successful, generally or relative to Gryphon's competitors in the AI, HPC and Bitcoin industries, in timely implementing new technology into Gryphon's systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into Gryphon's operations, Gryphon may experience system interruptions and failures during such implementation. Furthermore, there can be no assurances that Gryphon will recognize, in a timely manner or at all, the benefits that Gryphon may expect as a result of implementing new technology into its operations. As a result, Gryphon's business and operations may suffer.

There is a possibility of Bitcoin mining algorithms transitioning to proof of stake validation and other mining related risks, which could make Gryphon less competitive and ultimately adversely affect Gryphon's business.

Proof of stake is an alternative method in validating Bitcoin transactions. Should the algorithm shift from a proof of work validation method to a proof of stake method, mining would require less energy and may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. Gryphon, as a result of its efforts to optimize and improve the efficiency of its bitcoin mining operations, may be exposed to the risk in the future of losing the benefit of Gryphon's capital investments and the competitive advantage Gryphon hopes to gain from this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. Such events could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue its new strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of any bitcoin that Gryphon mines or otherwise acquires or holds for its own account.

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

To the extent that a significant majority of users and miners on a cryptocurrency network install software that changes the cryptocurrency network or properties of a cryptocurrency, including the irreversibility of transactions and limitations on the mining of new cryptocurrency, the cryptocurrency network would be subject to new protocols and software. However, if less than a significant majority of users and miners on the cryptocurrency network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "fork" of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the cryptocurrency running in parallel, yet lacking interchangeability and necessitating exchange-type transactions to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a cryptocurrency, blockchains with the greatest amount of hashing power contributed by miners or validators, or blockchains with the longest chain. A fork in the Bitcoin network could adversely affect Gryphon's ability to operate.

Gryphon may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect Gryphon's business. If Gryphon holds bitcoin at the time of a hard fork into two cryptocurrencies, industry standards would dictate that Gryphon would be expected to hold an equivalent amount of the old and new assets following the fork. However, Gryphon may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, Gryphon may determine that there is no safe or practical way to custody the new asset, that trying to do so may pose an unacceptable risk to Gryphon's holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new cryptocurrency exceed the benefits of owning the new cryptocurrency. Additionally, laws, regulations or other factors may prevent Gryphon from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset.

The impacts of climate change may result in additional costs or risks.

The physical risks of climate change may impact the availability and cost of materials and natural resources, sources and supply of energy, demand for AI, HPC, Bitcoin and other cryptocurrencies, and other operating costs. If environmental laws or regulations or industry standards are either changed or adopted and impose significant operational restrictions and compliance requirements on Gryphon's operations, or if Gryphon's operations are disrupted due to physical impacts of climate change, Gryphon's business, capital expenditures, results of operations, financial condition and competitive position could be negatively impacted.

Terminations of agreements with hosting partners may materially our operations, financial condition, and results of operations.

On October 31, 2024, we terminated our hosting agreement with Coinmint, with effect on January 1, 2025. On December 1, 2024, we entered into the Blockfusion Agreement with Blockfusion for hosting 3,780 of our bitcoin miners at Blockfusion's facility in Niagara Falls, New York. The Blockfusion Agreement has a term of twelve months and automatically renews for subsequent one-month terms until terminated on thirty days' notice. Additionally, on January 3, 2025, we entered into the Mawson Agreement with Mawson for hosting the remaining 635 of our bitcoin miners at Mawson's facility in Midland, Pennsylvania, with the right to host up to 5,880 miners. The Mawson Agreement has an initial term of one year and may be terminated on sixty days' notice.

The termination of agreements with hosting partners exposes us to numerous risks, including the potential for a decline in our market position, reduced operational efficiency, and the likelihood of increased operational costs if we are required to secure emergency or short-term hosting solutions at unfavorable terms. In addition, we may need to devote significant resources to identify and secure a new hosting arrangement. There can be no assurance that we will find a suitable or economically viable replacement in a timely manner, if at all, in the event of a termination.

Restrictive covenants in the New Loan Agreement and Notes may limit our operating flexibility and ability to engage in certain transactions that may be in our long-term best interest.

The New Loan Agreement and the Notes contain certain covenants that limit Gryphon's ability to engage in certain transactions that may be in Gryphon's long-term best interest. Subject to certain limited exceptions, these covenants do or may limit Gryphon's ability to or prohibit Gryphon from permitting any of its subsidiaries to, as applicable, among other things:

- make any conveyance, sale, lease, division, sale and leaseback, assignment, transfer or other disposition of assets, subject to certain exceptions;
- create, incur, assume, or be liable for any additional indebtedness, or create, incur, allow, or permit to exist any additional liens, subject to certain exceptions;
- make any dividend or other distribution on Gryphon shares, or any payment (whether in cash, securities or other property) on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Gryphon shares, or on account of any return of capital to Gryphon's shareholders in respect of their shares; or
- merge or consolidate with another entity.

While Gryphon has not previously breached and is currently in compliance with the covenants contained in the New Loan Agreement and Notes, Gryphon may breach these covenants in the future. Gryphon's ability to comply with these covenants may be affected by events and factors beyond its control. In the event that Gryphon breaches one or more covenants, Anchorage or the holders of the Notes, as applicable, may choose to declare an event of default and require that Gryphon immediately repay all amounts outstanding under the New Loan Agreement or the Notes, as applicable, and terminate any commitment to extend further credit and foreclose on collateral. The occurrence of any of these events could have a material adverse effect on Gryphon's business, financial condition and results of operations.

Risks Related to Governmental Regulation and Enforcement

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

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

As a result of Gryphon's investments and its mining activities, including investments in which it does not have a controlling interest, the investment securities Gryphon holds could exceed 40% of Gryphon's total assets, exclusive of cash items and, accordingly, Gryphon could determine that it has become an inadvertent investment company. The bitcoin that Gryphon owns, acquires or mines may be deemed an investment security by the SEC, although Gryphon does not believe any of the bitcoin it owns, acquires or mines are securities. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of the date of this Report, Gryphon does not believe it is an inadvertent investment company. Gryphon may take actions to cause the investment securities held by it to be less than 40% of its total assets, which may include acquiring assets with Gryphon's cash and bitcoin on hand or liquidating Gryphon's investment securities or bitcoin or seeking a no-action letter from the SEC if Gryphon is unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

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

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

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

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

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

Such additional federal or state regulatory obligations may cause Gryphon to incur extraordinary expenses, which could affect Gryphon's business in a material and adverse manner. Furthermore, Gryphon and its service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money service businesses and money transmitters. If Gryphon is deemed to be subject to and determined not to comply with such additional regulatory and registration requirements, Gryphon may act to dissolve and liquidate Gryphon. Any such action may adversely affect an investment in Gryphon.

Gryphon is subject to an extensive, highly evolving and uncertain regulatory and business landscape and any adverse changes to, or its failure to comply with, any laws and regulations, and adverse business reactions from counterparties could adversely affect its brand, reputation, business, operating results, and financial condition.

Gryphon's business is subject to extensive laws, rules, regulations, policies, orders, determinations, directives, treaties, and legal and regulatory interpretations and guidance, as well as counterparty risk in the markets in which it operates, including regulatory aspects from financial services, federal energy and other regulators, the SEC, the CFTC, credit, crypto asset custody, exchange, and transfer, cross-border and domestic money and crypto asset transmission, consumer and commercial lending, usury, foreign currency exchange, privacy, data governance, data protection, cybersecurity, fraud detection, antitrust and competition, bankruptcy, tax, anti-bribery, economic and trade sanctions, anti-money laundering, and counter-terrorist financing, as well as the same regulatory risks applicable to counterparties, most notably hosting businesses, as well as the recent economic issues and bankruptcies befalling some in this industry. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, crypto assets, and related technologies. As a result, some applicable laws and regulations do not contemplate or address unique issues associated with the crypto economy, are subject to significant uncertainty, and vary widely across U.S. federal, state, and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules, and regulations thereunder, evolve frequently and may be modified, interpreted, and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of Gryphon's business and the significant uncertainty surrounding the regulation of the crypto economy requires Gryphon to exercise its judgment as to whether certain laws, rules, and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with Gryphon's conclusions. To the extent Gryphon has not complied with such laws, rules, and regulations, it could be subject to significant fines, revocation of licenses, limitations on its products and services, reputational harm, and other regulatory consequences, each of which may be significant and could adversely affect its business, operating results, and financial condition.

Additionally, various governmental and regulatory bodies, including legislative and executive bodies, in the United States and in other countries may adopt new laws and regulations, the direction and timing of which may be influenced by changes in the governing administrations and major events in the crypto economy. The collapse of TerraUSD and Luna and the bankruptcy filings of FTX and its subsidiaries, Three Arrows, Celsius, Voyager, Genesis and BlockFi have resulted in calls for heightened scrutiny and regulation of the digital asset industry, with a specific focus on digital asset exchanges, platforms, and custodians. Federal and state legislatures and regulatory agencies are expected to introduce and enact new laws and regulations to regulate digital asset intermediaries, such as digital asset exchanges and custodians. The U.S. regulatory regime - namely the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the SEC, the CFTC, FinCEN, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation ("FDIC"), and the Federal Bureau of Investigation) as well as the White House have issued reports and releases concerning digital assets, including Bitcoin and digital asset markets. In the near future, various governmental and regulatory bodies, including in the United States, may introduce new policies, laws, and regulations relating to crypto assets and the crypto economy generally, and crypto asset platforms in particular. However, the extent and content of any forthcoming laws and regulations are not yet ascertainable with certainty, and it may not be ascertainable in the near future. The failures of risk management and other control functions at other companies that played a role in these events could accelerate an existing regulatory trend toward stricter oversight of crypto asset platforms and the crypto economy.

Although Gryphon is not directly connected to the recent cryptocurrency market events, Gryphon may still suffer reputational harm due to its association with the cryptocurrency industry in light of the recent disruption in the crypto asset markets. Due to its business activities, Gryphon may be subject to ongoing examinations, oversight, and reviews and currently are, and expect in the future, to be subject to investigations and inquiries, by U.S. federal and state regulators, many of which have broad discretion to audit and examine its business. Moreover, new laws, regulations, or interpretations may result in additional litigation, regulatory investigations, and enforcement or other actions, including preventing or delaying Gryphon from offering certain products or services offered by its competitors or could impact how it offers such products and services. Adverse changes to, or its failure to comply with, any laws and regulations have had, and may continue to have, an adverse effect on its reputation and brand and its business, operating results, and financial condition.

There is no one unifying principle governing the regulatory status of cryptocurrency nor whether cryptocurrency is a security in each context in which it is viewed. Regulatory changes or actions in one or more countries may alter the nature of an investment in Gryphon or restrict the use of digital assets, such as cryptocurrencies, in a manner that adversely affects Gryphon's business, prospects or operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently, with certain governments deeming cryptocurrencies illegal, and others allowing their use and trade without restriction. In some jurisdictions, such as in the U.S., digital assets, like cryptocurrencies, are subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. On March 8, 2022, President Biden announced an executive order on cryptocurrencies, which seeks to establish a unified federal regulatory regime for cryptocurrencies. In connection with FTX's collapse and bankruptcy filing, the U.S. Department of Justice brought criminal charges, including charges of fraud, violations of federal securities laws, money laundering, and campaign finance offenses against FTX's former CEO and others. FTX is also under investigation by the SEC, the Justice Department, and the Commodity Futures Trading Commission, as well as by various regulatory authorities in the Bahamas, Europe and other jurisdictions. Regulatory and enforcement scrutiny has also increased, including from the DOJ, the SEC, the CFTC, the White House and Congress. Gryphon is unable to predict the nature or extent of new and proposed legislation and regulation potentially stemming from the Biden Administration executive order and proceedings surrounding FTX.

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

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

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

Gryphon cannot be certain as to how future regulatory developments will impact the treatment of Bitcoin and other cryptocurrencies under the law. While Gryphon received crypto assets other than Bitcoin from the private placement of stock, Gryphon has long since sold these assets and currently does not hold any crypto assets other than Bitcoin. Additionally, Gryphon does not intend to expand its business by acquiring digital assets other than Bitcoin. Nonetheless, if Bitcoin becomes subject to additional regulatory and registration requirements, and Gryphon fails to comply with these, Gryphon may seek to cease certain of its operations or be subjected to fines, penalties and other governmental action. Such circumstances could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue its business model at all, which could have a material adverse effect on its business, prospects or operations and potentially the value of any cryptocurrencies Gryphon plans to hold or expect to acquire for its own account.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in Bitcoin-related activities or that accept bitcoin as payment, including financial institutions of investors in Gryphon's common stock.

A number of companies that engage in Bitcoin and/or other cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with Bitcoin may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. In January 2023, the Federal Reserve, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation issued a joint statement effectively discouraging banks from doing business with clients in crypto-asset industries. The Federal Reserve also issued a policy statement broadening its authority to cover state-chartered institutions. Moreover, in January 2023, the White House issued a statement cautioning deepening ties between crypto-assets and the broader financial system. Gryphon also may be unable to obtain or maintain these financial services for Gryphon's business. The difficulty that many businesses that provide Bitcoin and/or derivatives on other cryptocurrency-related activities have and may continue to have in finding banks and financial institutions willing to provide them services could decrease their usefulness and harm their public perception in the future and may be decreasing the usefulness of Bitcoin as a payment system and harming public perception of Bitcoin.

The usefulness of Bitcoin as a payment system and the public perception of Bitcoin could be damaged if banks or financial institutions were to close the accounts of businesses engaging in Bitcoin and/or other cryptocurrency-related activities. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock exchanges and commodities derivatives exchanges, the over-the-counter market, and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect Gryphon's relationships with financial institutions and impede Gryphon's ability to convert bitcoin to fiat currencies. Such factors could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue its strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and harm investors.

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

As Bitcoin has grown in both popularity and market size, governments around the world have reacted differently to Bitcoin; certain governments have deemed them illegal, and others have allowed their use and trade without restriction, while in some jurisdictions, such as in the U.S., subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. Until recently, little or no regulatory attention has been directed toward Bitcoin and the Bitcoin network by U.S. federal and state governments, foreign governments and self-regulatory agencies. As Bitcoin has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, FinCEN and the Federal Bureau of Investigation) have begun to examine the operations of the Bitcoin network, Bitcoin users and the Bitcoin exchange market.

One or more countries such as China and Russia, which have taken harsh regulatory action in the past, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these cryptocurrency assets or to exchange for fiat currency. In many nations, particularly in China and Russia, it is illegal to accept payment in Bitcoin and other cryptocurrencies for consumer transactions and banking institutions are barred from accepting deposits of Bitcoin. Such restrictions may adversely affect Gryphon as the large-scale use of Bitcoin as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on Gryphon's ability to continue as a going concern or to pursue Gryphon's strategy at all, which could have a material adverse effect on Gryphon's business, prospects or operations and potentially the value of any Bitcoin that Gryphon mines or otherwise acquires or holds for its own account, and harm investors.

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

The Office of Financial Assets Control of the U.S. Department of Treasury ("OFAC") requires Gryphon to comply with its sanction program and not conduct business with persons named on its specially designated nationals list. However, because of the pseudonymous nature of blockchain transactions, Gryphon may inadvertently and without Gryphon's knowledge engage in transactions with persons named on OFAC's specially designated nationals list. Gryphon's policy prohibits any transactions with such specially designated national individuals, but Gryphon may not be adequately capable of determining the ultimate identity of the individual with whom Gryphon transacts with respect to selling bitcoin assets. Moreover, federal law prohibits any U.S. person from knowingly or unknowingly possessing any visual depiction commonly known as child pornography. Recent media reports have suggested that persons have imbedded such depictions on one or more blockchains. Because Gryphon's business requires it to download and retain one or more blockchains to effectuate Gryphon's ongoing business, it is possible that such digital ledgers contain prohibited depictions without Gryphon's knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, Gryphon may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm Gryphon's reputation.

Increased scrutiny and changing expectations from stockholders with respect to our environmental, social and governance ("ESG") practices and the impacts of climate change may result in additional costs or risks.

Companies across many industries are facing increasing scrutiny related to their ESG practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the non-financial impacts of their investments. Conversely, so-called "anti-ESG" and "anti-DEI" sentiment has also gained momentum across the United States, with several state and federal authorities having enacted or proposed "anti-ESG" policies or legislation, issued executive orders and legal opinions and engaged in related investigations and litigation. If our policies or practices are viewed as being in contradiction of such "anti-ESG" or "anti-DEI" policies, legislation executive orders or legal opinions, our reputation may be harmed and our business or financial condition may be adversely affected.

The SEC adopted a rule that requires climate disclosures in periodic and other filings with the SEC covering fiscal years beginning in 2025, which rule has been stayed pending the completion of a judicial review. To comply with this SEC rule, if the rule goes into effect in its current form, we will be required to establish additional internal controls, engage additional consultants and incur additional costs related to evaluating, managing and reporting on our environmental impact and climate-related risks and opportunities. If we fail to implement sufficient oversight or accurately capture and disclose on environmental matters, our reputation, business, operating results and financial condition may be materially adversely affected. Furthermore, increased public awareness and concern regarding environmental risks, including global climate change, may result in increased public scrutiny of our business and our industry, and our management team may divert significant time and energy away from our operations and towards responding to such scrutiny.

In addition, the physical risks of climate change may impact the availability and cost of materials and natural resources, sources and supplies of energy, and demand for bitcoin and other cryptocurrencies, and could increase our insurance and other operating costs, including, potentially, to repair damage incurred as a result of extreme weather events or to renovate or retrofit facilities to better withstand extreme weather events. If environmental laws or regulations or industry standards are either changed or adopted and impose significant operational restrictions and compliance requirements on our operations, or if our operations are disrupted due to physical impacts of climate change, our business, capital expenditures, results of operations, financial condition and competitive position could be negatively impacted.

Targeted energy regulations and taxes could increase our costs and adversely affect our business.

Bitcoin mining requires significant energy consumption, and our operations could be negatively impacted by government regulations or taxes specifically targeting energy usage in digital asset mining. Federal, state or local authorities may impose restrictions on energy consumption, mandate the use of renewable energy sources or implement higher electricity rates for mining operations, increasing our operating costs. Additionally, governments may introduce taxes on energy usage or carbon emissions that disproportionately affect bitcoin miners, further reducing our profitability. If regulatory or tax burdens make mining economically unviable in certain jurisdictions, we may be forced to relocate operations, secure alternative power sources at higher costs or scale back our mining activities, all of which could materially and adversely affect our business, financial condition, and results of operations.

Gryphon's management and compliance personnel have limited experience handling a listed cryptocurrency mining-related services company.

Gryphon's management and compliance personnel have limited experience in handling regulatory and compliance matters relating to a listed cryptocurrency mining-related services company. Gryphon's key compliance documents and compliance programs, such as AML and KYC procedures, also have a recent history only. Gryphon believes that its measures designed to limit its counterparty risks are appropriate. While Gryphon has been devoting a substantial amount of time and resources to various compliance initiatives and risk management measures, including but not limited to, developing a dedicated internal compliance function, Gryphon cannot assure you the practical application and effectiveness of its compliance program and risk management measures, nor that there will not be a failure in detecting regulatory compliance issues or managing risk exposure, which may adversely affect its reputation, business, financial condition and results of operations

Risks Related to Pending Acquisitions

If completed, the Captus Acquisition may not achieve its intended results and may result in us assuming unanticipated liabilities.

We entered into the Captus Agreement with the expectation that the Captus Acquisition would result in various benefits and growth opportunities. Achieving the anticipated benefits of the transaction is subject to a large number of risks and uncertainties, including our ability to raise the substantial capital required to begin operations at the site and risks related to construction, contracting, insurance, management, community, environmental, operations, foreign relations and others highlighted in this *Risk Factors* section. . Additionally, the success of the Captus Acquisition depends on, among other things, the accuracy of our assessment of the assets associated with the acquired properties, operating costs and various other factors. These assessments are necessarily inexact. As a result, we may not recover the purchase price for the acquisition or recognize an acceptable return on sales.

The transactions contemplated by the Captus Agreement are subject to conditions that may not be satisfied on a timely basis or at all. Failure to complete the transactions contemplated by the Captus Agreement could have material and adverse effects on us.

Completion of the Captus Acquisition is subject to a number of conditions, including the accuracy of the parties' representations in the Captus Agreement and the receipt of certain governmental approvals. Such conditions, some of which are beyond our control, may not be satisfied or waived in a timely manner or at all and therefore make the completion and timing of the completion of the Captus Acquisition uncertain. In addition, the Captus Agreement contains certain termination rights for both the Vendors and us, which if exercised will also result in the Captus Acquisition not being consummated. Furthermore, the governmental authorities from which regulatory approvals are required may impose conditions on the completion of the Captus Acquisition or require changes to the terms of the acquisition or the Captus Agreement.

If the transactions contemplated by the Captus Agreement are not completed, our business may be adversely affected and, without realizing any of the benefits of having completed the Captus Acquisition, we will be required to pay our costs relating to the Captus Acquisition, such as legal, accounting, and financial advisory fees. In addition, time and resources committed by our management to matters relating to the Captus Acquisition could otherwise have been devoted to pursuing other beneficial opportunities; and the market price of our common stock could be impacted to the extent that the current market price reflects a market assumption that the Captus Acquisition will be completed.

We will be subject to business uncertainties while the Captus Acquisition is pending, which could adversely affect our business.

It is possible that certain persons with whom we have a business relationship may delay certain business decisions relating to us, or seek to terminate, change or renegotiate their relationships with us, in connection with the pendency of the Captus Acquisition. This could negatively affect our revenues, earnings and cash flows, as well as the market price of our common stock, regardless of whether the Captus Acquisition is completed.

We expect to incur significant transaction costs in connection with the Captus Acquisition.

We expect to incur a number of non-recurring costs associated with negotiating and completing the Captus Acquisition. These fees and costs have been, and will continue to be, substantial and, in many cases, will be borne by us whether or not the Captus Acquisition is completed. A substantial majority of our non-recurring expenses will consist of transaction costs related to the Captus Acquisition and include, among others, fees paid to financial, legal, accounting and other advisors. We will continue to assess the magnitude of these costs, and we may incur additional unanticipated costs. The costs described above and any unanticipated costs and expenses, many of which will be borne by us even if the Captus Acquisition is not completed, could have an adverse effect on our financial condition and operating results.

Risks Related to Gryphon's Securities

Our stock price is volatile and subject to significant fluctuations.

The market price of our common stock is highly volatile and may fluctuate widely due to factors beyond our control, including:

- changes in our industry, particularly those affecting bitcoin and other digital assets;
- variability in bitcoin pricing;
- competitive pricing pressures;
- our ability to obtain working capital financing, including the closing of the Captus Acquisition;
- additions or departures of key personnel;
- sales of our common stock;

- our ability to execute our business plan effectively;
- operating results that fall below expectations;
- loss of strategic relationships;
- regulatory developments; and
- broader economic and external factors.

Additionally, securities markets have historically experienced substantial price and volume fluctuations unrelated to specific companies' performance. Such market fluctuations could materially and adversely affect the market price of our common stock.

The stock price of the Company's common stock may be volatile or may decline regardless of its operating performance and you may not be able to resell your shares at or above the purchase price.

An active trading market for Gryphon's common stock may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair Gryphon's ability to raise capital by selling shares of common stock and may impair Gryphon's ability to acquire other businesses or technologies using Gryphon's shares of common stock as consideration, which, in turn, could materially adversely affect Gryphon's business. The market price of Gryphon's common stock may fluctuate significantly in response to numerous factors, many of which are beyond Gryphon's control, including:

- overall performance of the equity markets;
- Gryphon's operating performance and the performance of other similar companies;
- the published opinions and third-party valuations by banking and market analysts;
- changes in Gryphon's projected operating results that it provides to the public, Gryphon's failure to meet these projections or changes in recommendations by securities analysts that elect to follow Gryphon's common stock;
- regulatory or legal developments in the United States and other countries;
- the level of expenses related to operations;
- Gryphon's failure to achieve its goals in the timeframe it announces;
- announcements of acquisitions, strategic alliances or significant agreements by Gryphon;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in Gryphon's industry;
- trading activity by a limited number of stockholders who together beneficially own a majority of Gryphon's outstanding common stock;
- the size of Gryphon's market float;
- political uncertainty and/or instability in the United States;
- the ongoing and future impact of the COVID-19 pandemic and actions taken to slow its spread; and
- any other factors discussed in this Report.

In addition, the equity markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many data mining and cryptocurrency companies. Stock prices of many data mining and cryptocurrency companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. The trading prices for common stock of other cryptocurrency mining companies have also been highly volatile. In the past, stockholders have filed securities class action litigation following periods of market volatility. If Gryphon were to become involved in securities litigation, it could subject Gryphon to substantial costs, divert resources and the attention of management from Gryphon's business and adversely affect its business.

Gryphon's operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause the Company's stock price to fluctuate or decline.

Gryphon's operating results will be subject to annual and quarterly fluctuations. Gryphon's net income and other operating results will be affected by numerous factors, including:

- Gryphon's execution of any additional collaboration or similar arrangements, and the timing of payments Gryphon may make or receive under existing or future arrangements or the termination or modification of any such existing or future arrangements;
- additions and departures of key personnel;
- strategic decisions by Gryphon or its competitors, such as acquisitions, including the Captus Acquisition, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; and
- changes in general market and economic conditions.

If Gryphon's operating results fall below the expectations of investors or securities analysts, the price of Gryphon's common stock could decline substantially. Furthermore, any fluctuations in Gryphon's operating results may, in turn, cause the price of its stock to fluctuate substantially.

Gryphon's executive officers, directors and principal stockholders, if they choose to act together, will continue to control or significantly influence all matters submitted to stockholders for approval.

As of March 31, 2025, Gryphon's executive officers, directors and greater than 5% stockholders owned, in the aggregate, approximately 25.11% of the combined company's outstanding common stock (assuming no exercise of outstanding warrants). As a result, such persons acting together, have the ability to control or significantly influence all matters submitted to Gryphon's board of directors or stockholders for approval, including the appointment of Gryphon's management, the election and removal of directors and approval of any significant transaction, as well as Gryphon's management and business affairs. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving Gryphon, or discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of Gryphon's business, even if such a transaction would benefit other stockholders.

Current or future litigation may harm our financial condition or results of operations.

As described in the section entitled "*Gryphon's Business - Legal Proceedings*" in this Report, Gryphon is engaged in litigation, and such proceedings may be uncertain, and adverse rulings could occur, resulting in significant liabilities, penalties or damages. Such current or future substantial legal liabilities or regulatory actions could have a material adverse effect on our business, financial condition, cash flows and reputation.

We have received a civil investigative demand from the United States Department of Justice (the "DOJ") and a notice from the Small Business Administration (the "SBA") relating to our PPP Loan under the CARES Act related to COVID-19, that the DOJ is reviewing documents related to the PPP Loan and the SBA is reviewing their prior decision to forgive our PPP Loan and may reverse that determination, and a reversal of the determination that we are eligible for forgiveness of the PPP Loan could negatively impact the Company.

On April 21, 2020, the Company, while operating the business of Akerna, obtained a loan from KeyBank National Association ("Key Bank") in the principal aggregate amount of $2.2 million (the "PPP Loan") pursuant to the Paycheck Protection Program under the CARES Act. The PPP Loan had a two-year term bearing interest at a rate of 1% per annum with principal and interest payments to be paid monthly beginning seven months from the date of the PPP Loan. In August 2021, the Company submitted its application for forgiveness for repayment of the PPP Loan, and on September 3, 2021, repayment of the PPP Loan was forgiven, in full, by the SBA.

On February 5, 2024, the Company received a letter, dated January 25, 2024, from the SBA, on behalf of Key Bank, in which the SBA indicated that, notwithstanding its prior notification of forgiveness, in full, of repayment of the PPP Loan, it was reviewing its prior determination of forgiveness for potential reversal. Specifically, the SBA indicated that based on its preliminary findings, the SBA is considering a full denial of the previously received forgiven amount based on the purported ineligibility of the Company to have received the PPP Loan under the SBA loan programs because the Company, operating the business of Akerna at the time of the PPP Loan, provided software support to the cannabis industry. The Company responded to the SBA on February 6, 2024, providing reasons as to why it believes it was eligible for the PPP Loan, but has not received any further correspondence from the SBA, since that date, and the SBA has not made any financial demands. The Company plans to continue to cooperate with any further inquiry from the SBA.

In January 2024, the Company received a civil investigative demand from the DOJ seeking information and documents about the PPP Loan. The Company is cooperating with the inquiry. At this time, there has been no formal demand for return of the PPP Loan proceeds, and no formal claim or lawsuit has been initiated against the Company.

While no formal determination has been made regarding the SBA review of forgiveness of the PPP Loan, there currently exists a risk that the SBA or the DOJ could determine that we do not qualify in whole or in part for such forgiveness and demand repayment of the PPP Loan. In addition, it is unknown what type of penalties could be assessed against us, if any. Any obligation for us to repay the PPP Loan and any penalties in addition to such repayment could negatively impact our business, financial condition and results of operations and prospects.

The issuance of shares of our common stock pursuant to the New Loan Agreement, Notes and Advisory Agreement may result in significant dilution to our stockholders.

In addition to the Note Warrants, the Notes are convertible into shares of Common Stock at a price of $0.21 per share, subject to adjustments. Under the Advisory Agreement, in addition to the Advisory Warrants, within ten days of the closing of the Captus Acquisition, we will be required to issue the Advisor six million shares of Common Stock, Finally, in addition to the Anchorage Warrants, the New Loan Agreement includes a conversion provision whereby Anchorage may convert half of the outstanding principal at a price of $1.10 per share of Common Stock and the remaining half at a price of $1.50 per share of Common Stock. Sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could materially adversely affect the market price of the common stock and may make it more difficult for you to sell your securities at a time and price which you deem appropriate.

Sales of a substantial number of shares of Gryphon's common stock by Gryphon's stockholders in the public market could cause Gryphon's stock price to fall.

Sales of a substantial number of shares of Gryphon's common stock in the public market or the perception that these sales might occur could significantly reduce the market price of Gryphon's common stock and impair Gryphon's ability to raise adequate capital through the sale of additional equity securities.

As of March 31, 2025, Gryphon had outstanding a total of approximately 69,346,005 shares of common stock. Of these shares, approximately 51.3 million shares of common stock are freely tradable, without restriction, in the public market, unless they are purchased by one of Gryphon's affiliates.

Sales of these shares, or perceptions that they will be sold, could cause the trading price of Gryphon's common stock to decline.

Future sales and issuances of Gryphon's common stock or rights to purchase common stock, including in connection with pending acquisitions or pursuant to Gryphon's equity incentive plan, could result in dilution of the percentage ownership of its stockholders and could cause Gryphon's stock price to fall.

Additional capital will be needed in the future to continue Gryphon's planned operations, entry into the AI and HPC industries and to pursue pending acquisitions. To the extent Gryphon raises additional capital by issuing equity securities, its stockholders may experience substantial dilution. Gryphon may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner it determines from time to time. If Gryphon sells common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to Gryphon's existing stockholders, and new investors could gain rights superior to existing stockholders.

Pursuant to the 2024 Omnibus Incentive Plan (the "2024 Plan"), Gryphon's board of directors is authorized to grant stock options and other equity-based awards to its employees, directors and consultants, which equity-based awards would also cause dilution to its stockholders. The number of shares of Gryphon's common stock reserved for issuance under the 2024 Plan was originally set at 15% of the total number of the shares of common stock outstanding at the closing of the Merger, or 5,810,033 shares of common stock. If the board of directors of Gryphon elects to increase the number of shares available for future grant by the maximum amount each year, stockholders may experience additional dilution, which could cause Gryphon's stock price to fall.

Delaware law and provisions in Gryphon's amended and restated certificate of incorporation and bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of Gryphon's common stock.

Gryphon's amended and restated certificate of incorporation (as amended) and bylaws contain provisions that could depress the trading price of Gryphon's common stock by acting to discourage, delay or prevent a change of control of Gryphon or changes in its management that the stockholders of Gryphon may deem advantageous. These provisions include the following:

- establish a classified board of directors so that not all members of Gryphon's board of directors are elected at one time;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- provide that directors may only be removed for cause;
- require super-majority voting to amend some provisions in Gryphon's bylaws;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of Gryphon's stockholders;
- provide that the board of directors is expressly authorized to amend or repeal Gryphon's bylaws;
- restrict the forum for certain litigation against Gryphon to Delaware; and
- establish advance notice requirements for nominations for election to Gryphon's board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Any provision of Gryphon's amended and restated certificate of incorporation (as amended) or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for Gryphon's stockholders to receive a premium for their shares of Gryphon's common stock, and could also affect the price that some investors are willing to pay for Gryphon's common stock.

Gryphon's amended and restated certificate of incorporation designate a state or federal court located within the state of Delaware as the exclusive forum for substantially all disputes between Gryphon and its stockholders, which could limit Gryphon's stockholders' ability to choose the judicial forum for disputes with Gryphon or its directors, officers or employees.

Gryphon's amended and restated bylaws provide that, unless it consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Gryphon, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Gryphon to Gryphon or Gryphon's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or the amended and restated certificate of incorporation or amended and restated bylaws, or (iv) any action asserting a claim governed by the internal affairs doctrine will be the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. These exclusive forum provisions do not apply to claims under the Securities Act or the Exchange Act.

To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. However, Gryphon's amended and restated certificate of incorporation contains a federal forum provision which provides that unless Gryphon consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in any of Gryphon's securities will be deemed to have notice of and consented to this provision. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with Gryphon or its directors, officers or other employees, which may discourage lawsuits against Gryphon or its directors, officers and other employees. If a court were to find the exclusive forum provision in Gryphon's amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, Gryphon may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm Gryphon's results of operations.

Gryphon does not currently intend to pay dividends on its common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation, if any, in the price of Gryphon's common stock.

Gryphon has never declared or paid any cash dividend on Gryphon's common stock. The expectation is that Gryphon will retain future earnings for the development, operation and expansion of Gryphon's business and Gryphon does not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, the New Loan Agreement with Anchorage prohibits Gryphon from declaring or paying any cash dividends without Anchorage's prior written consent, and the terms of any future debt agreements may preclude Gryphon from paying dividends. Any return to stockholders will therefore be limited to the appreciation of their stock. There is no guarantee that shares of Gryphon's common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

There can be no assurance that we will continue to be able to comply with the continued listing standards of Nasdaq.

Our continued eligibility to maintain the listing of our Common Stock on Nasdaq depends on a number of factors, including the price of our Common Stock and the number of persons that hold our Common Stock. If Nasdaq delists our securities from trading on its exchange for failure to meet its listing standards, such as the corporate governance requirements or the minimum closing bid price requirement, and we are not able to list such securities on another national securities exchange, then our Common Stock could be quoted on an over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences, including:

- a limited availability of market quotations
- reduced liquidity for our securities;
- a determination that our common stock is a "penny stock," which will require brokers trading the common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of common stock;
- a limited amount of news and analyst coverage; and
- a decreased ability for us to issue additional securities or obtain additional financing in the future.

On September 5, 2024, we received written notice from Nasdaq indicating that the bid price for our common stock for the last 30 consecutive business days, had closed below the minimum $1.00 per share and, as a result, we are not in compliance with the $1.00 minimum bid price requirement for the continued listing on Nasdaq, as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we had a period of 180 calendar days, or until March 4, 2025, to regain compliance with the minimum bid price requirement. The Company was provided with an initial compliance period of 180 calendar days, or until March 4, 2025, to regain compliance with the Minimum Bid Price Rule. The Company did not regain compliance with the Minimum Bid Price Rule during the allotted time period. Accordingly, on March 5, 2025, the Company received a staff delist determination letter from the Nasdaq Listing Qualifications Department, as a result of its failure to regain compliance with the Minimum Bid Price Rule. The Company was not automatically eligible for a second 180-day compliance period because it did not meet the initial listing requirement of $5.0 million of stockholders' equity, or other listing alternatives, for Nasdaq Capital Market as set forth under Nasdaq Listing Rule 5505(b)(1).

On September 13, 2024, we received another notice from Nasdaq notifying us that we are not in compliance with Nasdaq Listing Rule 5550(b)(2) as a result of our Market Value of Listed Securities (the "MVLS") falling below the minimum of $35 million required for continued listing on Nasdaq (the "MVLS Requirement") from July 31, 2024 to September 12, 2024. The Company was provided with an initial compliance period of 180 calendar days, or until March 12, 2025, to regain compliance with the MVLS Requirement. The Company did not regain compliance with the MVLS Requirement during the allotted time period. Accordingly, on March 13, 2025, the Company received a letter from the Nasdaq Listing Qualifications Department, as a result of its failure to regain compliance with the Minimum Bid Price Rule, that this matter serves as an additional basis for delisting the Company's securities from Nasdaq.

The Company intends to timely request a hearing before a Nasdaq Hearings Panel (the "Panel"). This hearing request will stay Nasdaq's delisting of the Company's common stock pending the Panel's decision and any extension provided by the Panel. The Company intends to present its plan of compliance and will seek approval for an extension to execute and demonstrate compliance. The Company has retained Donohoe Advisory Associates LLC to assist the Company in its preparation for the hearing and developing its compliance plan. However, there can be no assurance that we will be able to regain compliance.

Uncertainty in accounting standards for bitcoin and other cryptocurrencies may lead to financial restatements and business disruptions.

Limited precedent exists for the financial accounting of bitcoin and other cryptocurrency assets. Future changes in regulatory or accounting standards could require us to alter our accounting practices and restate financial statements, potentially affecting how we account for newly mined cryptocurrency rewards. Such changes could materially and adversely impact our business, financial condition, and operating results. A restatement may also raise concerns about our ability to continue as a going concern, negatively affecting investor confidence and the value of cryptocurrencies we hold or acquire.

Gryphon's management is required to devote a substantial amount of time to comply with public company regulations.

As a public company, Gryphon incurs significant legal, accounting and other expenses that Gryphon did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as rules implemented by the SEC and Nasdaq, impose various requirements on public companies, including those related to corporate governance practices. Gryphon's management and other personnel will need to devote a substantial amount of time to these requirements. Certain members of Gryphon's management do not have significant experience in addressing these requirements. Moreover, these rules and regulations increase Gryphon's legal and financial compliance costs and will make some activities more time-consuming and costly.

Among other things, Gryphon's 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. Gryphon's compliance with these requirements requires that it incur substantial accounting and related expenses and expend significant management efforts. Gryphon will need to hire additional accounting and financial staff to comply with public company regulations. The costs of hiring such staff may be material and there can be no assurance that such staff will be immediately available to Gryphon.

Moreover, if Gryphon identifies deficiencies in its internal control over financial reporting that are deemed to be material weaknesses, investors could lose confidence in the accuracy and completeness of Gryphon's financial reports, the market price of Gryphon's common stock could decline and Gryphon could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. As of December 31, 2024, we and our independent registered public accounting firm identified two material weaknesses, as defined in the standards established by the Public Company Accounting Oversight Board of the United States. 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.

As of December 31, 2024, we identified the material weakness related to failure to ensure that (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure. We are in the process of developing a more comprehensive risk assessment process to identify emerging risks while working with outside counsel and third-party vendors. We have implemented dual authorization controls for high-value transactions. We are in the process of developing additional policies and procedures for key processes while hiring additional full time employees to mitigate any segregation of duties risks for critical functions. Measures that we implement may not fully address the material weakness in our internal control over financial reporting and we may not be able to conclude that the material weakness has been fully remedied.

Item 1B. Unresolved Staff Comments.

None noted.

Item 1C. Cybersecurity.

Information Security Program

The mission of our information security organization is to design, implement, and maintain an information security program that protects our systems, services, and data against unauthorized access, disclosure, modification, damage, and loss. The information security organization is comprised of internal and external security and technology professionals. We continue to make investments in information security resources to mature, expand, and adapt our capabilities to address emerging cybersecurity risks and threats.

Cybersecurity Risk Management and Strategy

Cybersecurity risk management is one component of our information security program that guides continuous improvement to, and evaluates the confidentiality, integrity, and availability of our critical systems, data, and operations.

Our approach to controls and risk management is based on guidance from the National Institute of Standards and Technology ("NIST") and the Crypto Currency Security Standard ("CCSS"). This does not mean that we meet any particular technical standards, specifications, or requirements, but rather that we use the NIST and CCSS as a guide to help us identify, assess, and manage cybersecurity controls and risks relevant to our business.

Our cybersecurity risk management program includes:

- Identifying cybersecurity risks that could impact our facilities, third-party vendors/partners, operations, critical systems, information, and broader enterprise IT environment. Risks are informed by threat intelligence, current and historical adversarial activity, and industry specify threats;
- Performing a cybersecurity risk assessment to evaluate our readiness if the risks were to materialize; and
- Ensuring risk is addressed and tracking any necessary remediation through an action plan.

While we face a number of ongoing cybersecurity risks in connection with our business, such risks have not materially affected us to date, including our business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated the oversight of cybersecurity and other information technology risks to the Board's Audit Committee as well as hiring a third party vendor that specializes in cybersecurity to oversee and provide an assessment on the Company's IT controls. The Audit Committee meets at least quarterly to discuss matters involving cybersecurity risks.

The Audit Committee ultimately provides information to our board members regarding its activities, including those related to cybersecurity risks. The Audit Committee also receives a briefing and continuing education from a member of the third party vendor relating to our cyber risk management program at least annually. The third party vendor is responsible for notifying the Audit Committee of material cybersecurity incidents.

Cybersecurity Incidents

In 2023, a threat actor representing to be the Sphere 3D Corp. ("Sphere 3D") CFO inserted themselves into an email exchange between the Sphere 3D CFO and the Company's former CEO, which also included Sphere 3D's CEO, regarding the transfer of Sphere 3D's BTC from the Company's wallet to Sphere 3D's wallet. The threat actor requested that the BTC be transferred to an alternate wallet. As a result, 26 BTC, with a value of approximately $560,000 at the time, was transferred to a wallet controlled by the threat actor. Via counsel, Gryphon engaged with US Federal law enforcement to recover the BTC. Despite these attempts by law enforcement to recover the BTC, recovery was not possible. Gryphon subsequently wired the commensurate amount in USD to Sphere 3D to make them whole for the stolen BTC. Gryphon also engaged a nationally recognized third-party firm to perform a forensic analysis. The analysis revealed that the threat actor did not enter the email exchange via Gryphon's IT systems. The Company has also subsequently modified its control systems to protect against any future attempted incursions. During the quarter ended June 30, 2023, the Company made a payment to Sphere 3D for $560,000, which was classified as a general and administrative expense on Gryphon's consolidated statement of operations.

Item 2. Properties.

The principal executive offices of Gryphon are located at 1180 N. Town Center Drive, Suite 100, Las Vegas, NV 89144, and its telephone number is (702) 945-2700. We consider our current office space adequate for our current operations.

Item 3. Legal Proceedings.

Sphere 3D Litigation

On April 7, 2023, Sphere 3D filed an action against Gryphon in the U.S. District Court for the Southern District of New York, alleging claims for breach of the Sphere MSA entered between the parties on August 19, 2021, and subsequently amended on December 29, 2021, as well as claims for breach of the implied covenant of good faith and fair dealing and breach of fiduciary duty.

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

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

On October 6, 2023, Sphere 3D delivered a purported termination notice to Gryphon (the "Sphere 3D MSA Termination") regarding the Master Service Agreement ("MSA") previously entered by the parties on August 19, 2021, and subsequently amended on December 29, 2021, largely on the basis of the deficient allegations made by Sphere 3D in the Sphere 3D Litigation. On January 17, 2024, Gryphon filed an amended answer with fourth amended counterclaims to Sphere 3D's second amended complaint, in which, among other things, Gryphon alleged that Sphere 3D's attempted termination of the Sphere MSA was wrongful and ineffective because it violated the express terms of the MSA. Gryphon is also seeking relief based on Sphere's repeated breaches of the exclusivity terms of the MSA. Gryphon intends to continue to vigorously defend against the Sphere 3D Litigation, which it believes is without merit, and to aggressively pursue its counterclaims against Sphere 3D for Sphere 3D's repeated violations of the MSA.

On February 1, 2024, Gryphon filed an amended answer and its own counterclaim against Sphere 3D. Gryphon's counterclaim alleges that Sphere 3D flagrantly and repeatedly breached the terms of the MSA, including, among other breaching conduct, entering into multiple bitcoin mining hosting agreements with third-parties in violation of the MSA's exclusivity clause and improperly terminating the MSA on October 6, 2023.

On March 25, 2024, Gryphon filed a pre-motion letter with the Court seeking pre-judgment attachment of the equity shares in Core that Sphere 3D received as a result of the Core Settlement (as defined below) to secure a judgment against Sphere 3D.

On June 27, 2024, during a discovery conference, Sphere 3D agreed that it was not seeking to impose any liability against Gryphon for events that occurred in late February 2023 whereby a hostile actor impersonated Sphere 3D's chief financial officer in an email sent to both Sphere 3D and Gryphon's personnel and requested the transfer of bitcoin (worth approximately $560,000) from a Sphere 3D wallet controlled by Gryphon.

Subsequent to December 31, 2024, on March 7, 2025, Gryphon and Sphere 3D entered into a settlement and release agreement on mutually acceptable terms. The Settlement Agreement fully resolved all pending litigation between Gryphon and Sphere, and each party fully released the other party from any known or unknown and unsuspected claims. The Settlement Agreement further provided that each party will bear its own costs in connection with the litigation.

PPP Loan

On April 21, 2020, the Company obtained a loan in the principal aggregate amount of $2.2 million (the "PPP Loan") pursuant to the Paycheck Protection Program under the CARES Act, which was forgiven in full, by the SBA, on September 3, 2021.

On February 5, 2024, the Company received a letter, dated January 25, 2024, from the SBA, on behalf of Key Bank, in which the SBA indicated that, notwithstanding its prior notification of forgiveness, in full, of repayment of the PPP Loan, it was reviewing its prior determination of forgiveness for potential reversal. Specifically, the SBA indicated that based on its preliminary findings, the SBA is considering a full denial of the previously received forgiven amount based on the purported ineligibility of the Company to have received the PPP Loan under the SBA loan programs because the Company, operating as Akerna at the time of the PPP Loan, provided software support to the cannabis industry. The Company responded to the SBA on February 6, 2024, providing reasons as to why it believes it was eligible for the PPP Loan, but has not received any further correspondence from the SBA, since that date, and the SBA has not made any financial demands. The Company plans to continue to cooperate with any further inquiry from the SBA.

In January 2024, the Company received a civil investigative demand from the DOJ seeking information and documents about the PPP Loan. The Company is cooperating with the inquiry. At this time, there has been no formal demand for return of the PPP Loan proceeds, and no formal claim or lawsuit has been initiated against the Company.

Former CEO Litigation

As previously disclosed, on September 17, 2024, Robby Chang was terminated as Chief Executive Officer and President of Gryphon for cause, with immediate effect, by the Board. Mr. Chang remains a member of the Board.

On October 21, 2024, the Company received notice that both it and Ivy Crypto, Inc., a wholly owned direct subsidiary of the Company, have been named as defendants in a complaint filed by Mr. Chang in the Ontario Superior Court of Justice in Canada, alleging wrongful termination. The Company intends to defend this matter vigorously.

On October 22, 2024, the Board created a special committee to oversee the Company's handling of the claim made by Mr. Chang, made up of Steve Gutterman, Jimmy Vaiopoulos, Dan Tolhurst and Jessica Billingsley. The Company and Ivy Crypto, Inc. have served their Statement of Defense and the parties have agreed to proceed with a mediation of the dispute to be held on May 5, 2025. The potential outcome cannot be determined at this time.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

(a) Market Information

Our shares of common stock are traded on the Nasdaq under the symbol "GRYP."

(b) Holders

On March 31, 2025, there were 285 holders of record of shares of our common stock.

(c) Dividends

As of the date of this Report, we have not paid any cash dividends to stockholders. The declaration of any future cash dividend will be at the discretion of our board of directors and will depend upon our earnings, if any, our capital requirements and financial position, the general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	**4,929,739**	**-**	**533,203**
Equity compensation plans not approved by security holders	**-**	**-**	-
Total	**4,929,739**	**-**	**533,203**

(e) Recent Sales of Unregistered Securities

There are no transactions that have not been previously disclosed in a Current Report on Form 8-K.

(f) Repurchase of Securities

None.

Item 6. [RESERVED]

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

Information regarding market and industry statistics contained in this Report is included based on information available to the Company that the Company believes is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. The Company has 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. The Company does 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 are intended as a review of significant factors affecting the Company's financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with the Company's 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. 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.

Business Overview

Founded in October 2020, Gryphon has traditionally been a bitcoin mining company based in Las Vegas, Nevada. Gryphon launched its mining operations in September 2021 upon the receipt of the first of 12 batches of 600 Bitmain S19j Pro Antminers. Gryphon's current revenue model is to mine and hold bitcoin, and then sell only the bitcoin that is necessary to pay its operating expenses and to reinvest in operational expansion. The bitcoin that is sold to pay operating expenses and to reinvest in operational expansion is typically sold within 24-hours of receipt.

Gryphon operates approximately 9,660 bitcoin ASIC mining computers, referred to as "miners," from Bitmain Technologies Limited ("Bitmain") that Gryphon has installed at third-party hosted mining data centers located in New York and Pennsylvania. Revenue generated by the mining of bitcoin is measured on a dollar per megawatt-hour ("MWh") basis and is variable based on the price of Bitcoin, the measure of difficulty, transaction volume and global hash rates.

For the year ended December 31, 2024 and 2023, Gryphon mined approximately 334 and 739 bitcoins, respectively. While Gryphon does not have any plans to acquire digital assets other than bitcoin, it may do so in the future.

Breakeven Analysis

Below is a breakeven analysis of Gryphon's mining operations for years ended December 31, 2024 and 2023:

	2024	2023
Mining revenues	$ 20,539,000	$ 21,052,000
Bitcoin mined	334	739
Value of one mined bitcoin	**$ 61,494**	**$ 28,487**
Cost of revenues (excluding depreciation)	$ 15,818,000	$ 13,462,000
Cost to mine one bitcoin	**$ 47,359**	**$ 18,217**
Total Bitcoin Equivalent Coins Generated (Total BTC Equivalent)*	334	771
Breakeven of Total BTC Equivalent	**$ 47,359**	**$ 17,460**

* Amount represents Bitcoin plus MSA BTC Equivalent listed below in table

	Bitcoin Mined	MSA BTC Equiv	Total BTC Equiv
23-Jan	80	2.8	83
23-Feb	64	2.8	67
23-Mar	68	3.2	71
23-Apr	60	3.8	64
23-May	69	5.5	74
23-Jun	58	3.8	62
23-Jul	61	3.8	65
23-Aug	61	2.8	64
23-Sep	54	2.2	56
23-Oct	47	0.4	47
23-Nov	57	0.6	58
23-Dec	60	0.0	60
24-Jan	52	0.0	52
24-Feb	45	0.0	45
24-Mar	45	0.0	45
24-Apr	40	0.0	40
24-May	22	0.0	22
24-Jun	22	0.0	22
24-Jul	21	0.0	21
24-Aug	21	0.0	21
24-Sept	19	0.0	19
24-Oct	20	0.0	20
24-Nov	17	0.0	17
24-Dec	10	0.0	10

The breakeven analysis is computed by taking the cost of revenues for the given period and dividing that sum by the number of Bitcoin Equivalent Coins Generated during the same period. For instance, in (2024 the $15,818,000 cost of revenues is divided by the 334 Bitcoin Equivalent Coins Generated, resulting in an average of $47,359 per coin). The BTC Equivalent calculation labeled as “Total BTC Equiv” in the table, is determined by combining Gryphon’s bitcoin-mined during the period with the bitcoin equivalent amount of revenue earned from the Sphere MSA. To calculate the latter, the revenue earned from the Sphere MSA during the period is divided by the average bitcoin price as quoted by the Principal Market for that same period (labeled as “MSA BTC Equiv” in the table). The breakeven analysis is an operational metric that does not take capital expenditures or financing mechanics into consideration. The calculation only considers direct operational costs, such as electricity and hosting. The mining equipment was originally financed primarily through equity capital raises and cash flows resulting from the sale of bitcoin generating by mining operations. As of December 31, 2024, there were no financing agreements outstanding related to financing of mining equipment.

The breakeven analysis is a non-GAAP measure, similar to the way the gold industry reports gold-equivalent ounces to provide uniform measure of various revenue streams from different commodities (such as gold, copper, nickel, etc.). Much like the gold industry, the purpose of this calculation is to offer the reader a bitcoin-equivalent datapoint for Gryphon’s two revenue streams within the context of its primary revenue stream. This enables readers to easily compare Gryphon’s operations with other bitcoin mining companies. By dividing the total cost of revenues by the number of bitcoin-equivalent coins generated, one arrives at the breakeven point for total BTC equiv. Therefore, if Gryphon sells a bitcoin at the same price, it would have achieved a breakeven.

The breakeven cost of mining bitcoin is influenced primarily by two factors. First, the cost of electricity sourced from Gryphon’s hosting providers, which encompasses a combination of pass-through market electricity prices and profit-sharing arrangements. Second, it is affected by the global hashrate of the Bitcoin network. Over the twelve-month period through the fourth quarter of 2024, the cost of electricity plus the profit-sharing arrangement in place with the hosting provider has fluctuated due to seasonality from $0.0720 per kilowatt hour in the fourth quarter of 2023 to $0.0447 per kilowatt hour in the fourth quarter of 2024, reaching a high of $0.0905 per kilowatt hour during Q1 of 2024. In addition, the global hashrate of the Bitcoin network has shown a consistent upward trend, with sequential increases of 21.6%, 19.0%, 6.8% and 4.3% over the last four quarters ending December 31, 2024. This increase in the global hashrate has led to fewer bitcoins being mined for the same amount of energy consumption. The combined effect of these changes in the two key cost drivers has resulted in an increase in the overall breakeven level as of December 31, 2024 compared to December 31, 2023.

Recent Developments

Blockfusion Agreement

On December 1, 2024, Gryphon entered into a Co-Location Mining Services Agreement (the “Blockfusion Agreement”), with Blockfusion USA, Inc. (“Blockfusion”) for hosting 3,780 of its bitcoin miners at Blockfusion’s facility in Niagara Falls, New York. Pursuant to the Blockfusion Agreement, the Company is entitled to 12 MW of power at a cost of $156,000 per month, as well as certain other fees set forth in the agreement. At signing, the Company paid an initial $156,000 facility fee. In addition, the Company will be required to (i) by January 31, 2025, maintain a cash deposit or (ii) by January 27, 2025, an irrevocable standby letter of credit with Blockfusion’s energy provider, in each case in the amount of $1,200,000. As of the filing date, the Company has not completed this payment and the amount is currently outstanding. The Blockfusion Agreement has a term of twelve months and automatically renews for subsequent one-month terms, until terminated on thirty days’ notice. Subsequent to December 31, 2024, the Company has delivered 3,996 bitcoin miners to Blockfusion.

Mawson Agreement

On January 3, 2025, Gryphon entered into a Master Co-Location Agreement (the "Mawson Agreement") with Mawson Hosting LLC ("Mawson") with a right to host up to 5,880 miners in Mawson's facility in Midland, Pennsylvania. Pursuant to the Mawson Agreement, the Company is entitled to 20 MW of power at a cost of approximately $23.50 per MW/hour paid monthly with a minimum fee of approximately $165,521 per month, as well as certain other fees set forth in the agreement. The Mawson Agreement has an initial term of one year and may be terminated on sixty days' notice. Subsequent to December 31, 2024, the Company has delivered 6,719 bitcoin miners to Mawson.

Anchorage Loan Agreement

On May 25, 2022, Anchorage entered into the Anchorage Loan Agreement with Gryphon Opco, an indirect wholly owned subsidiary of the Company, pursuant to which Anchorage loaned Gryphon Opco the principal amount of 933.333333 bitcoin. Gryphon Opco's obligations under the Anchorage Loan Agreement were secured by certain equipment and software rights of Gryphon Opco and were guaranteed by Gryphon.

On October 25, 2024, Gryphon, its direct and indirect subsidiaries, as applicable, and Anchorage entered into the New Anchorage Agreements to restructure the Anchorage Loan and terminate the existing the Anchorage Loan Agreement. Pursuant to the New Anchorage Agreements, (i) approximately $9.1 million of the Anchorage Loan was converted into shares of Common Stock, at an ascribed value of $1.10 per share, resulting in the issuance of 8,287,984 shares of Common Stock to Anchorage in a private placement pursuant to Section 4(a)(2) of the Securities Act, (ii) approximately $3.9 million of the Anchorage Loan was converted into warrants to purchase 3,530,198 shares of Common Stock, which warrants are exercisable immediately, have an unlimited term and an exercise price of $0.01 per shar e(the "Pre-Funded Warrants"), in a private placement pursuant to Section 4(a)(2) of the Securities Act and (iii) the remaining $5 million of the Anchorage Loan was exchanged for a new $5 million loan (the "Restructured Loan") pursuant to the New Loan Agreement.

Pursuant to the New Loan Agreement:

- the outstanding principal and interest are denominated in dollars;
- the interest rate is 4.25% payable monthly;
- Anchorage has been given a first priority lien on all of Gryphon and its subsidiaries' assets;
- covenants related to mining machine locations and covenant ratios in the Anchorage Loan Agreement have been removed; and
- Anchorage may convert half of the outstanding principal at a price of $1.10 per share of Common Stock and the remaining half at a price of $1.50 per share of Common Stock.

The New Loan Agreement contains customary representations, warranties and agreements by Gryphon, customary conditions to closing, indemnification obligations of the Company and the purchasers, including for liabilities arising under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Loan Agreement were made only for the purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements, and may be subject to limitations agreed upon by the contracting parties.

Pursuant to the New Anchorage Agreements, Gryphon also issued Anchorage the Warrants.

The Restructured Loan and the Warrants cannot be converted or exercised, respectively, if Anchorage (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of Common Stock outstanding as of the date of the New Anchorage Agreements after giving effect to such conversion or exercise without the approval of Gryphon's stockholders. Gryphon has agreed to seek such approval at its next annual meeting of stockholders.

Results of Operations

Year ended December 31, 2024 compared to the year ended December 31, 2023

The following table shows the Company's results of operations for the year ended December 31:

			Change	
	2024	2023	Dollar	Percentage
Revenues				
Mining revenues	$ 20,539,000	$ 21,052,000	$ (513,000)	(2.4)%
Management services	-	873,000	(873,000)	(100.0)
Total revenues	20,539,000	21,925,000	(1,386,000)	(6.3)
Operating cost				
Cost of revenues (excluding depreciation)	15,818,000	13,462,000	2,356,000	17.5
General and administrative expenses	11,267,000	4,760,000	6,507,000	136.7
Stock-based compensation expense (benefit)	1,588,000	(152,000)	1,740,000	1,144.7
Depreciation expense	11,179,000	14,958,000	(3,779,000)	(25.3)
Impairment of digital assets	-	275,000	(275,000)	(100.0)
Impairment of miners	-	8,335,000	(8,335,000)	(100.0)
Unrealized gain on digital assets	(1,566,000)	-	(1,566,000)	(100.0)
Realized gain on sale of digital assets	-	(535,000)	(535,000)	(100.0)
Total operating expenses	38,286,000	41,103,000	(2,817,000)	(6.8)
Loss from operations	(17,747,000)	(19,178,000)	(1,431,000)	(7.5)
Other expenses	(3,553,000)	(9,597,000)	(6,044,000)	(63.0)
Loss before provision for income taxes	$ (21,300,000)	$ (28,775,000)	$ (7,475,000)	(26.0)%

Mining revenues

Mining revenues decreased to $20,539,000 for the year ended December 31, 2024 from $21,052,000 for the year ended December 31, 2023. The decrease in mining revenues of $513,000 is due to a combination of factors. The average value of bitcoin mined for the year ended December 31, 2024 was $66,000 compared to $29,000 for the year ended December 31, 2023, an increase of $37,000, or 128%. As of December 31, 2024, the Company had approximately 8,800 miners compared to approximately 8,300 as of December 31, 2023. However, these increases in operational miners and revenue recognized per bitcoin earned were offset by the increase in global hashrate as well as the 50% reduction in block rewards due to the halving event in April 2024. .

During the years ended December 31, 2024 and 2023, the average daily global hashrate was 633.4 exahash and 381.4 exahash, respectively, an increase of 66%.

Management services

Management services revenue decreased to $0 for the year ended December 31, 2024, from $873,000 for the year ended December 31, 2023. Management services revenue relates to the Sphere MSA, regarding which Sphere 3D delivered a termination notice to the Company on October 6, 2023. See Note 8 - Commitments and Contingencies.

Cost of revenues

Cost of revenues increased to $15,818,000 for the year ended December 31, 2024, from $13,462,000 for the year ended December 31, 2023. The increase of $2,356,000 was primarily due to (i) an increase in the deployment of miners, (ii) an increase in Bitcoin network hashrate and (iii) higher energy costs.

General and administrative expenses

			Change	
	2024	2023	Dollar	Percentage
Professional fees	$ 4,341,000	$ 2,579,000	$ 1,762,000	68.3%
Investor and public relations expenses	4,088,000	-	4,088,000	100.0
Salaries and wages	1,337,000	1,061,000	276,000	26.0
Insurance expense	671,000	157,000	514,000	327.4
Corporate stock expense	198,000	-	198,000	100.0
Other expenses	407,000	158,000	249,000	157.6
Franchise tax and licenses	225,000	245,000	(20,000)	(8.2)
Loss on MSA	-	560,000	(560,000)	(100.0)
Total general and administrative expenses	$ 11,267,000	$ 4,760,000	$ 6,507,000	136.7%

Professional fees increased to $4,341,000 for the year ended December 31, 2024, from $2,579,000 for the year ended December 31, 2023. The increase of $1,762,000 was due to (i) an increase of $301,000 for accounting and other related services, (ii) an increase in legal fees of $1,073,000 and (iii) $388,000 of professional fees related to the Merger.

Investor and public relations expenses increased to $4,088,000 for the year ended December 31, 2024, from $0 for the year ended December 31, 2023. The increase is due to management hiring consulting firms to increase the Company's public exposure as a result of the Merger. Included in the $4,088,000 investor and public relations expenses for the year ended December 31, 2024 is $1,884,000 of non-cash expense related to the fair value of common stock issued to consultants.

Salaries and wages increased to $1,337,000 for the year ended December 31, 2024, from $1,061,000 for the year ended December 31, 2023. The increase of $276,000 is due to compensation for three new directors, hiring one additional executive employee and estimated bonus accruals for the Company's officers.

Insurance expense increased to $671,000 for the year ended December 31, 2024, from $157,000 for the year ended December 31, 2023. The increase of $514,000 was attributable to an increase in insurance premiums as a result of becoming a public company.

Corporate stock expense increased to $198,000 for the year ended December 31, 2024, from $0 for the year ended December 31, 2023. The increase of $198,000 is attributable to expenses incurred due to the completion of the Merger.

Other expenses increased to $407,000 for the year ended December 31, 2024, from $158,000 for the year ended December 31, 2023. The increase of $249,000 is attributable to an increase in payments of $108,000 to regulatory agencies and a general increase in various other expenses of $141,000.

Franchise tax and license decreased to $225,000 for the year ended December 31, 2024, from $245,000 for the year ended December 31, 2023.

Loss on MSA decreased to $0 for the for the year ended December 31, 2024, from $560,000 for the for the year ended December 31, 2023. The decrease is due to a March 2023 non-recurring payment to Sphere, as discussed above in “Item 1C. Cybersecurity - Cybersecurity Incidents”

Stock-based compensation expense

Stock-based compensation expense increased to $1,588,000 for the year December 31, 2024, from a benefit of $152,000 for the year ended December 31, 2023. The increase is due to a one-time forfeiture of stock-based compensation of $1,910,000 in connection with the termination of an employment agreement in the prior year period.

Depreciation expense

Depreciation decreased to $11,179,000 for the year ended December 31, 2024, from $14,958,000 for the year ended December 31, 2023. The average remaining useful life of the mining fleet as of December 31, 2024 and December 31, 2023 was 30 months and 55 months, respectively. Therefore, the depreciation expense for the year ended December 31, 2024 was reduced in comparison to the depreciation expense for the year ended December 31, 2023.

Impairment of digital assets

Impairment of digital assets decreased to $0 for the year ended December 31, 2024 from $275,000 for the year ended December 31, 2023. The decrease was due to the implementation of ASU 2023-08 issued in December 2023.

Impairment of miners

Impairment of miners decreased to $0 for the year ended December 31, 2024, from $8,335,000 for the year ended December 31, 2023. The decrease was due to the carrying amount of the Bitcoin miners being equal to or below the fair market value of the asset group. As such, pursuant to ASC 360, the Company determined no impairment losses occurred during 2024.

Unrealized gain on digital assets

As of January 1, 2024, the Company implemented ASU No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60) (“ASU 2023-08”): Accounting for and Disclosure of Crypto Assets. ASU 2023-08 requires entities to measure crypto assets that meet specific criteria at fair value with changes recognized in net income each reporting period. ASU 2023-08 requires an entity to present crypto assets measured at fair value separately from other intangible assets in the balance sheets and record changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. For the year ended December 31, 2024, the Company recognized a $1,566,000 unrealized gain in the fair market value of its digital asset holdings.

Realized gain on sale of digital assets

Realized gain on the sale of digital assets decreased to $0 for the year ended December 31, 2024, from to $535,000 for the year ended December 31, 2023. With the implementation of ASU 2023-08, realized gains on the sale of digital assets has been eliminated, since the digital assets are marked to market prior to sale.

Other expenses

			Change	
	2024	2023	Dollar	Percentage
Unrealized (loss) gain on marketable securities	$ (288,000)	$ 168,000	$ (456,000)	(271.4)%
Realized gain from use of digital assets	-	3,899,000	(3,899,000)	(100.0)
Change in fair value of BTC Note	(8,058,000)	(13,297,000)	(5,239,000)	(39.4)
Interest expense	(915,000)	(758,000)	157,000	20.7
Loss on disposal of asset	(146,000)	(55,000)	91,000	165.5
Merger and acquisition cost	(394,000)	-	394,000	100.0
Gain on settlement of BTC Note	6,248,000	-	6,248,000	100.0
Other income	-	446,000	(446,000)	(100.0)
Total other expense	$ (3,553,000)	$ (9,597,000)	$ (6,044,000)	(63.0)%

Unrealized loss (gain) on marketable securities

For the year ended December 31, 2024 unrealized loss on marketable securities was $288,000, as compared to a gain of $168,000 for the year ended December 31, 2023. The loss for the year ended December 31, 2024 related to a decrease in the fair market value of the underlying securities held.

Realized gain from use of digital assets

For the year ended December 31, 2024, realized gain from the use of digital assets was $0, compared to $3,899,000 for the year ended December 31, 2023. With the implementation of ASU 2023-08, realized gains on the use of digital assets has been eliminated since the digital assets are marked to market prior to sale.

Change in fair value of BTC Note

The Company has a note payable denominated in Bitcoin, which is accounted for under the fair value method of accounting. For the year ended December 31, 2024, the Company recognized an $8,058,000 decrease in the fair value of notes payable, compared to a $13,297,000 decrease for the year ended December 31, 2023. Under the fair value method of accounting, the Company is required to adjust the note to fair value as of each reporting period. Since the note is denominated in Bitcoin, the fair value is calculated by multiplying the number of Bitcoin outstanding times the closing price of Bitcoin as of the reporting period.

Interest expense

Interest expense increased to $915,000 for the year ended December 31, 2024, from $758,000 for the year ended December 31, 2023. The interest is paid with Bitcoin, as the 2024 average fair value of bitcoin increase to $61,494 from $28,487 for 2023, the interest expense increased.

Loss on disposal of asset

Loss on disposal of asset was $146,000 for the year ended December 31, 2024, as compared to $55,000 for the year ended December 31, 2023.

Merger and acquisition cost

Merger and acquisition cost of $394,000 relates to a working capital adjustment for the Company's disposal of its subsidiary MJ Freeway, which occurred on February 8, 2024. The $394,000 is an estimate of the potential working capital adjustment, regarding which the Company is still negotiating with the purchaser.

Gain on settlement of BTC Note

In October 2024, the Company entered into an agreement with Anchorage to extinguish and terminate the Company's BTC Note. See further disclosure below "Capital Expenditures and Other Obligations."

Other income

During the year ended December 31, 2023, the Company held third-party discount coupons for the purchase of mining machines. The Company sold these discount coupons for $269,000 and a franchise tax refund of $177,000.

Liquidity and Capital Resources

As of December 31, 2024 and 2023, the Company had cash and cash equivalents of $735,000 and $915,000, respectively, and an accumulated deficit of approximately $67,735,000 and $47,175,000, respectively. Through December 31, 2024, the Company financed its operations primarily through proceeds from the sales of its equity securities through private placements, its at-the-market program as described below, borrowings pursuant to the Sphere 3D Note and the BTC Note and cash flow from its digital currency mining operations (including revenue received under the Sphere 3D MSA).

The Company believes that its current levels of cash will not be sufficient to meet its anticipated cash needs for its operations for at least the next 12 months. The Company will require additional capital resources to fund its operations and pay its obligations as they come due over the next twelve months. The Company may also need to implement a strategy to expand its business or other investments or acquisitions. The Company may sell additional equity or debt securities or enter into a credit facility to satisfy its capital requirements. The sale of additional equity securities could result in dilution to its shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Financing may not be available in amounts or on terms acceptable to the Company if at all. Any failure by the Company to raise additional funds on terms favorable to it, or at all, could limit its ability to expand its business operations and could harm its overall business prospects.

On June 10, 2024, the Company filed a prospectus supplement for the offering, issuance and sale of up to a maximum aggregate offering price of $70.0 million of common stock that may be issued and sold under an at-the-market issuance sales agreement with Ladenburg Thalmann & Co. Inc., Kingswood Investments, a division of Kingswood Capital Partners, LLC, PI Financial (US) Corp. and ATB Capital Markets USA Inc., each respectively acting as sales agents, (the "ATM"). The Company has used and intend to continue to use the net proceeds from the ATM for general corporate purposes, including without limitation, capital expenditures, funding potential acquisitions of additional new mining equipment, other potential acquisitions, investments in existing and future Bitcoin mining projects and repurchases and redemptions of our common stock and general working capital. The ATM will terminate upon the earlier of (i) the issuance and sale of all of the shares of the common stock subject to the conditions set forth in the ATM or (ii) termination of the ATM as otherwise permitted thereunder. The ATM may be terminated at any time by either the Company or any sales agent with respect to itself upon five days' prior notice, or by the sales agents at any time in certain circumstances, including the occurrence of a material adverse effect on us. As of March __, 2025, approximately $63.5 million in capacity remains under the ATM.

Summary of Cash Flow

The following table provides detailed information about the Company's net cash flow for the years ended December 31, 2024 and 2023:

	2024	2023
Net cash (used in) provided by operating activities	$ (3,396,000)	$ 3,011,000
Net cash used in investing activities	$ (2,747,000)	$ (2,254,000)
Net cash provided by (used in) financing activities	$ 5,963,000	$ (109,000)

Net cash (used in) provided by operating activities

Net cash used in operating activities was approximately $3,396,000 for the year ended December 31, 2024, and consisted primarily of cash proceeds from the sale of digital assets of approximately $20,260,000, offset by cash expenditures for operating activities of approximately $23,656,000.

Net cash provided by operating activities was approximately $3,011,000 for the year ended December 31, 2023, and consisted primarily of cash proceeds from the sale of digital assets of approximately $18,512,000, offset by cash expenditures for operating activities of approximately $15,501,000.

Net cash used in investing activities

Net cash used in investing activities was approximately $2,747,000 for the year ended December 31, 2024, and consisted of (i) the purchase of mining equipment for approximately $1,075,000, (ii) cash disbursement of approximately $600,000 for co-location lease deposits, (iii) approximately $1,243,000 for a refundable deposit under assets acquisitions agreements and (iv) proceeds of $171,000 from the sale of miners.

Net cash used in investing activities was approximately $2,254,000 for the year ended December 31, 2023, and consisted primarily of approximately $1,894,000 for the purchase of miners and cash disbursement of $360,000 for a refundable deposit for co-location lease.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was approximately $5,963,000 for the year ended December 31, 2024, and consisted primarily of (i) increase in insurance premium loans of $569,000 offset by insurance premium loan payments of $601,000, and (ii) $5,438,000 of cash proceeds from issuance of the Company's common stock offset by the payment of $343,000 for costs related to the issuance of common stock, (iii) $500,000 of cash received from the acquisition of Akerna (iv) $670,000 for a registered direct offering of our common stock, which closed in January 2025 offset by (v) $230,000 of cash payments for the interest on the Note Payable and cash payments for legal fees incurred related to the BTC Note restructuring.

Net cash used in financing activities was approximately $109,000 for the year ended December 31, 2023, and consisted of issuance of a note payable of $132,000 for insurance premiums, $137,000 of payments for insurance premiums and a payment of $104,000 for modification of the BTC Note (as defined below).

Capital Expenditures and Other Obligations

Coinmint Agreement

On July 1, 2021, the Company entered into the Coinmint Agreement, with Coinmint, an established operator of renewable-energy data centers, pursuant to which Coinmint provides hosting services to the Company at Coinmint's hydro powered facility in Massena, New York (the "Coinmint Facility") for a 15-month period, which upon its conclusion renews automatically for successive three-month terms unless either party delivers to the other party 90 days' written notice of intent not to renew. Pursuant to the terms of the Coinmint Agreement, 7,200 S19j Pro Antminer machines were delivered to and installed at the Coinmint Facility. Under the terms of the Coinmint Agreement, Coinmint directly passes through the cost of electricity and maintenance costs to the Company, collects an initial reservation fee and collects a percentage of the Company's bitcoin mining profits.

The Coinmint Agreement was terminated on October 31, 2024, with effect on January 1, 2025.

Blockfusion Co-location Mining Services Agreement

On December 1, 2024, the Company entered into an agreement with Blockfusion USA, Inc. ("Blockfusion") to provide hosting services for 3,780 of the Company's bitcoin miners not to exceed 12MW of allocated power ("Blockfusion MSA") for a period of twelve months (November 30, 2025), automatically renewing for one month extensions until terminated by either party, ("Term"). The Company is required to pay to Blockfusion a monthly facility fee of $13,000 per MW, for an aggregate of $156,000 ("Facility Fee") for standard levels of maintenance of the Company's Mining Equipment, including fault diagnosis and software upgrades, and racking and unracking of faulty machines. The Company's monthly power usage will charge to the Company without a Blockfusion markup charge. At the signing of the Blockfusion MSA, the Company was required to pay (i) an initial monthly Facility Fee of $156,000 to be applied to the December 2024 Facility fee, (ii) a deposit in the aggregate of $600,000, as follows $200,000 on December 6, 2024, $200,000 on January 1, 2025 and $200,000 on February 1, 2025 ("Cash Deposit") and (iii) the Company is required, prior to January 27. 2025, and thereafter at all times during the Term, maintain an irrevocable letter of credit, or prior to January 31, 2025 maintain a cash deposit and thereafter at all times during the Term, in the amount of $1,200,000 ("LOC Deposit"). As of the release date of these consolidated Financial Statements, the Cash Deposit has been paid and is not outstanding while the LOC Deposit remains outstanding.

Mawson Agreement

On January 3, 2025, Gryphon entered into a Master Co-Location Agreement (the "Mawson Agreement") with Mawson Hosting LLC ("Mawson") with a right to host up to 5,880 miners in Mawson's facility in Midland, Pennsylvania. Pursuant to the Mawson Agreement, the Company is entitled to 20 MW of power at a cost of approximately $23.50 per MW/hour paid monthly with a minimum fee of approximately $165,521 per month, as well as certain other fees set forth in the agreement. The Mawson Agreement has an initial term of one year and may be terminated on sixty days' notice. Subsequent to December 31, 2024, the Company has delivered 6,719 bitcoin miners to Mawson.

BTC Note

On May 25, 2022, Anchorage Lending CA, LLC entered into the Anchorage Loan Agreement with Gryphon Opco, an indirect wholly owned subsidiary of the Company, pursuant to which Anchorage loaned Gryphon Opco the principal amount of 933.333333 bitcoin. Gryphon Opco's obligations under the Anchorage Loan Agreement were secured by certain equipment and software rights of Gryphon Opco and were guaranteed by Gryphon.

On October 25, 2024, Gryphon, its direct and indirect subsidiaries, as applicable, and Anchorage entered into the New Anchorage Agreements to restructure the Anchorage Loan and terminate the existing the Anchorage Loan Agreement. Pursuant to the New Anchorage Agreements, (i) approximately $9.1 million of the Anchorage Loan was converted into shares of Common Stock, at an ascribed value of $1.10 per share, resulting in the issuance of 8,287,984 shares of Common Stock to Anchorage in a private placement pursuant to Section 4(a)(2) of the Securities Act, (ii) approximately $3.9 million of the Anchorage Loan was converted into warrants to purchase 3,530,198 shares of Common Stock, which warrants are exercisable immediately, have an unlimited term and an exercise price of $0.01 per share, in a private placement pursuant to Section 4(a)(2) of the Securities Act and (iii) the remaining $5 million of the Anchorage Loan was exchanged for a new $5 million loan pursuant to the New Loan Agreement.

Pursuant to the New Loan Agreement:

- the outstanding principal and interest are denominated in dollars;
- the interest rate is 4.25% payable monthly;
- Anchorage has been given a first priority lien on all of Gryphon and its subsidiaries' assets;
- covenants related to mining machine locations and covenant ratios in the Anchorage Loan Agreement have been removed; and
- Anchorage may convert half of the outstanding principal at a price of $1.10 per share of Common Stock and the remaining half at a price of $1.50 per share of Common Stock.

The New Loan Agreement contains customary representations, warranties and agreements by Gryphon, customary conditions to closing, indemnification obligations of the Company and the purchasers, including for liabilities arising under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Loan Agreement were made only for the purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements, and may be subject to limitations agreed upon by the contracting parties.

Pursuant to the New Anchorage Agreements, Gryphon also issued Anchorage warrants to purchase 2,000,000 shares of Common Stock, which warrants are exercisable immediately, will expire five years from the date of issuance and have an exercise price of $1.50 per share. The $1.50 Warrants were issued in a private placement pursuant to Section 4(a)(2) of the Securities Act.

The Restructured Loan and the Warrants cannot be converted or exercised, respectively, if Anchorage (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of Common Stock outstanding as of the date of the New Anchorage Agreements after giving effect to such conversion or exercise without the approval of Gryphon's stockholders. Gryphon has agreed to seek such approval at its next annual meeting of stockholders.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable after taking into account our circumstances and expectations for the future based on available information. Our actual results could differ from these estimates.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

The critical accounting policies, and the judgements, estimates, and assumptions associated with such policies, that we believe have the greatest potential impact on the consolidated financial statements are disclosed in Note 1 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Recent Accounting Pronouncements

From time to time, the Financial Accounting Standards Board ("FASB") or other standards-setting bodies issue new accounting pronouncements. Updates to the FASB ASC are communicated through the issuance of an Accounting Standards Update ("ASU"). The Company considers the applicability and impact of all ASUs on the Company's financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that are not yet effective but may be applicable to the Company's financial position, results of operations, cash flows, or presentation thereof. As of the issuance of these consolidated financial statements, there were no ASUs that management assessed and determined to be applicable to the Company's financial position, results of operations, cash flows, or presentation thereof.

Non-GAAP Financial Measures

In addition to the Company's results determined in accordance with GAAP, the Company also provides adjusted EBITDA, which is not a measurement of financial performance under generally accepted accounting principles in the United States. The Company provides investors with reconciliations from net loss to adjusted EBITDA as components of Management's Discussion and Analysis. The Company defines adjusted EBITDA as (a) GAAP net income (loss) plus (b) adjustments to add back the impacts of (1) depreciation and amortization, (2) interest expense, (3) income tax expense (benefit) and (4) adjustments for non-cash and non-recurring items which currently include (i) stock compensation expense, (ii) change in fair value of notes payable (iii) gain on restructuring of bitcoin denominated note payable and (iv) unrealized (gain) loss on marketable equity securities.

Adjusted EBITDA is not a financial measure of performance under GAAP and, as a result, these measures may not be comparable to similarly titled measures of other companies. Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements prepared in accordance with GAAP. These non-GAAP measures are not meant to be considered in isolation and should be read only in conjunction with the Company's Interim Reports on Form 10-Q and its Annual Reports on Form 10-K as filed with the Securities and Exchange Commission. Management uses adjusted EBITDA and the supplemental information provided herein as a means of understanding, managing, and evaluating business performance and to help inform operating decision making. The Company relies primarily on its consolidated financial statements to understand, manage, and evaluate its financial performance and use the non-GAAP financial measures only supplementally.

The following is a reconciliation of our non-GAAP adjusted EBITDA to its most directly comparable GAAP measure (i.e., net income (loss)) for the years ended December 31:

Reconciliation to Adjusted EBITDA:	**2024**	**2023**
Net loss	$ (21,300,000)	$ (28,599,000)
Exclude: Depreciation	11,179,000	14,958,000
Exclude: Interest expense	915,000	758,000
EBITDA	(9,206,000)	(12,883,000)
Non-cash/non-recurring operating expenses:		
Exclude: Stock-based compensation expense	1,588,000	(152,000)
Exclude: Change in fair value of notes payable	8,058,000	13,297,000
Exclude: Gain on restructuring of bitcoin denominated note payable	(6,248,000)	-
Exclude: Unrealized loss on marketable securities	288,000	(168,000)
Adjusted EBITDA	$ (5,520,000)	$ 94,000

Recently Adopted Pronouncements

On December 13, 2023, the FASB issued ASU No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60): Accounting for and Disclosure of Crypto Assets. ASU 2023-08 requires entities to measure crypto assets that meet specific criteria at fair value with changes recognized in net income each reporting period. Additionally, ASU 2023-08 requires an entity to present crypto assets measured at fair value separately from other intangible assets in the balance sheets and record changes from remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company adopted ASU 2023-08 on January 1, 2024. The adoption of the ASU 2023-08 was a $740,000 increase of our digital assets, as of January 1, 2024.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (ASC Topic 280): Improvements to Reportable Segment Disclosures.” The amendments require the disclosure of significant segment expenses as well as expanded interim disclosures, along with other changes to segment disclosure requirements. The standard will be effective for fiscal years beginning after December 15, 2023, and interim periods beginning on or after December 15, 2024. We have implemented the provisions of the ASU 2023-07. See Note 1.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The independent registered public accounting firm’s report and, consolidated financial statements listed in the “Index to Financial Statements” on page F-1 of this Report are filed as part of this report and incorporated herein by this reference.

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

On April 26, 2024, as recommended and approved by the Audit Committee and the Board, the Company engaged RBSM LLP (“RBSM”) as the Company’s independent public accounting firm to audit the Company’s consolidated financial statements for the fiscal year ending December 31, 2024 and to review the Company’s quarterly consolidated financial statements for each of the quarters ending March 31, 2024, June 30, 2024, and September 30, 2024. RBSM previously served as the independent registered public accounting firm of Ivy prior to the closing of the Merger.

For the Company's two most recent fiscal years, and in the subsequent interim period through the Dismissal Date, neither the Company nor anyone on its behalf consulted with RBSM regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that RBSM concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")), as of the end of the period covered by this report. Based on such evaluation and as a result of the unremediated material weaknesses described below, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of such period, our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management determined that our disclosure controls and procedures were ineffective due to certain material weaknesses in our internal control over financial reporting as set forth below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel 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 and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework* (2013 Framework).

Based on this assessment, management concluded that as of December 31, 2024, we have not maintained effective internal control over financial reporting.

Material Weaknesses

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Pursuant to management's review of disclosure controls and procedures and internal control over financial reporting, management determined that the following material weaknesses in our internal control over financial reporting and prevented management from concluding that our disclosure controls and procedures and internal controls over financial reporting were effective as of the end of the period covered by this report: not effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Notwithstanding the identified material weaknesses described above, management believes that the consolidated financial statements included in this Report on Form 10-K are fairly presented in all material respects in accordance with GAAP, and our Chief Executive Officer and Chief Financial Officer have certified that, based on their knowledge, the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for each of the periods presented in this report.

Remediation

The Company is in the process of developing a more comprehensive risk assessment process to identify emerging risks while working with outside counsel and third-party vendors. The Company has implemented dual authorization controls for high-value transactions. The Company is in the process of developing additional policies and procedures for key processes while hiring additional full time employees to mitigate any segregation of duties risks for critical functions.

Attestation Report of Independent Registered Public Accounting Firm

An attestation report on our internal control over financial reporting by our independent registered public accounting firm is not included herein, because, as a smaller reporting company, we are exempt from the requirement to provide such report.

Changes in Internal Control over Financial Reporting

During the most recently completed fiscal quarter, there have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of* Controls**

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information.

None.

Item 9C. Disclosure regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following is a list of our directors and executive officers as of March 31, 2025, along with the specific information required by Rule 14a-3 of the Exchange Act:

Name	Age	Position
Steve Gutterman	55	Chief Executive Officer and Director
Simeon Salzman	44	Chief Financial Officer and Secretary
Eric Gallie	40	Senior Vice President
Jimmy Vaiopoulos	37	Director and Chairperson of the Board
Brittany Kaiser	37	Director
Jessica Billingsley	47	Director
Heather Cox	54	Director
Dan Tolhurst	44	Director
Dan Grigorin	33	Director
Robby Chang	47	Director

Executive Officers

Steve Gutterman Chief Executive Officer and Director

Mr. Gutterman has built, led, acquired and invested in market-changing companies for almost 30 years. From July 2021 to July 2024, he served as CEO of Falcon International, a large private cannabis company in California. Previously, he served from January 2020 to July 2021 as CEO of General Cannabis Corp, also known as TREES Corporation (OTC: CANN), a cannabis retailer and cultivator company, and from May 2018 to November 2020 as President of Harvest Health & Recreation Inc. (CSE: HARV), since acquired by Trulieve (CSE: TRUL) to form the largest cannabis company in the US as measured by revenue. Prior to Harvest Health & Recreation Inc., he held a variety of senior roles including at E*TRADE Financial (Nasdaq: ETFC) from February 2000 to July 2005, where he was EVP and COO of E*TRADE Bank. During his tenure, the bank's assets increased from $1 billion to $35 billion. He also served as the CEO of GeoPoll from November 2012 to July 2018, a market research company and was Managing Director of MBH Enterprises, a private equity company focused on technology and infrastructure, from August 2005 to November 2012. Mr. Gutterman holds a JD/MBA from Columbia University and BA cum laude in Political Science from Tufts University.

Simeon Salzman, Chief Financial Officer and Secretary

Simeon Salzman has served as Gryphon's Chief Financial Officer since the closing of the Business Combination and joined Legacy Gryphon's management team as the Chief Financial Officer on June 19, 2023. Mr. Salzman is an accomplished financial executive with a diverse background in overseeing financial functions and driving growth. From late 2020 to March 2023, Mr. Salzman served as the Chief Financial Officer and Chief Accounting Officer for Marathon Digital Holdings, Inc. (Nasdaq: MARA), a digital asset technology company. During his tenure, the company experienced significant market capitalization growth, peaking at $8 billion, up from the market capitalization of $500 million. In addition, he was an integral part of the negotiations with major investment firms and was able to secure substantial capital investments utilizing debt and equity offerings totaling approximately $2 billion dollars. Prior to that, from July 2018 to October 2020, Mr. Salzman served as the Chief Financial Officer of the Las Vegas Monorail Company, where he managed the financial operations of a completely electric, zero-emission driverless monorail transit system that served approximately 4.6 million passengers annually. During his tenure, he implemented effective financial strategies, ensuring compliance and achieving significant cost savings. Before joining the Las Vegas Monorail Company, Mr. Salzman held the position of Chief Financial Officer for Wendoh Media and Corner Bar Management from May 2015 through July 2018. He successfully revitalized various food and beverage establishments in Downtown Las Vegas by streamlining operations resulting in double-digit returns to the bottom line. Mr. Salzman holds dual degrees with a Bachelor of Science in Accounting and a Bachelor of Arts in Criminal Justice & Criminology from the University of Maryland, College Park. He is also a Certified Public Accountant.

Eric Gallie, Senior Vice President

Eric Gallie is a distinguished finance professional with 18 years of experience spanning investment management, energy finance, and operations. From January 2023 to December 2024, Mr. Gallie served as Senior Analyst at Caravela Energy Partners, a private investment firm focused on energy markets, where he managed upstream and integrated oil and gas equity investment portfolios and coordinated research and trading strategies with natural gas and power traders. From September 2020 to June 2022, Mr. Gallie served as Director and Chief Financial Officer of Distinction Energy (TSX: DEE), a publicly traded oil and gas company, where he guided the company through a complex restructuring process and completed a private placement to meet TSX listing requirements. From May 2016 to September2020, Mr. Gallie was Lead Analyst at Luminus Capital Management, an investment firm specializing in energy markets, where he oversaw upstream and integrated oil and gas investment portfolios and led strategic initiatives in the energy sector. Earlier in his career, Mr. Gallie was associated with Citadel LLC's Surveyor Capital and RBC Capital Markets, where he specialized in natural gas markets and supply analysis. Currently, Mr. Gallie serves as a member of the board of directors for two private companies, Megalodon Energy North and White Top Oil & Gas. Mr. Gallie holds a Bachelor of Management in Finance from the University of Lethbridge.

Non-Employee Directors

Jimmy Vaiopoulos, Chairperson of the Board

Jimmy Vaiopoulos has served as our Chairman of the board since September 2024. Since April 2021, Mr. Vaiopoulos has been the CFO and Co-Founder of Stack Capital Group Inc., a TSX listed issuer that invests in private late-stage technology companies. Previously, from June 2018 through April 2021, he was the CFO and Interim CEO of Hut 8 Mining Corp., now known as Hut 8 Corp., one of the earliest bitcoin mining companies. From October 2015 to August 2018, he also worked as the CFO of UGE International Ltd., a solar developer based in New York City. He began his career at KPMG in both Audit and Deal Advisory. Mr. Vaiopoulos holds a Bachelor of Arts in Honors Business Administration and a Bachelor of Engineering Science from Western University. He is a Chartered Professional Accountant through the Institute of Chartered Accountants of British Columbia.

Brittany Kaiser

Brittany Kaiser served as chairperson of Legacy Gryphon's board of directors since February 4, 2021. She also served as our Chairperson of the board from the closing of the Business Combination until September 2024, as the chairperson of Legacy Gryphon's board of directors since February 4, 2021 and was a director of Legacy Gryphon since December 21, 2020. Ms. Kaiser is also an independent director of Lucy Scientific Discovery Inc. (Nasdaq: LSDI), a psychotropics contract manufacturing company, since December 2020, Chief Executive Officer and director of Achayot Partners LLC, a digital asset consulting firm, since April 2019, President and director of Own Your Data Foundation, a non-profit foundation implementing digital intelligence education programs since August 2019 and co-founder of Digital Asset Trade Association, an advocacy group for distributed ledger technology since February 2018. Prior to that, Ms. Kaiser served as business development director at SCL USA, a provider of consumer research, targeted advertising and other data-related services from March 2017 to January 2018 and SCL Group Ltd. (UK) from February 2015 to March 2017. Ms. Kaiser graduated from Middlesex University School of Law in 2015.

Jessica Billingsley

Jessica Billingsley has served as a director on our board of directors since the closing of the Business Combination. Prior to the Business Combination, Ms. Billingsley served as Chief Executive Officer and director of Akerna since starting in June 2019, and Chairman of the Board starting in July 2019. Ms. Billingsley co-founded MJF, Akerna's wholly-owned subsidiary, in 2010 and served as President of MJF from 2010 to April 2018 and Chief Executive Officer since May 2018. Before Akerna, she founded and led Zoco, a technology services firm with a diverse nationwide client base. Ms. Billingsley serves on the board of Nxu Inc. (NASDAQ:NXU), an energy storage and charging solution company. Ms. Billingsley served on the board and as audit chair of Bhang Inc (CSE:BHNG) from November 2020 to November 2022. She currently serves on the private board of OARO, a management solutions company, and as the elected Learning Officer for the Young President's Organization (YPO) Entrepreneurship Network Board. She has served as an active mentor for multiple accelerator programs, including for INC's military entrepreneur program. Jessica Billingsley is a seasoned executive and innovator with over 25 years of experience in frontier technology. She possesses in-depth expertise in private and public capital markets, successfully navigating complex transactions to drive growth and business transformation. With over 25 years of experience in advanced technologies, emerging growth markets, and scaling businesses, she brings substantial domain expertise in P&L oversight, enterprise risk management, data analytics, machine learning, cybersecurity and data privacy, global supply chain management, and media and public relations. She holds a dual degree in Computer Science and Communications from the University of Georgia. She has been recognized with numerous awards, including the Titan 100 CEO, Outstanding Women in Business, Inc. Top 100 Female Founder, and Fortune's Most Promising Woman Entrepreneur. Her thought leadership has been featured in prominent media outlets, including Business Insider, Bloomberg, CNN, Cheddar, Fortune, and Forbes, in addition to her contributions to Entrepreneur and Rolling Stone publications. Ms. Billingsley was selected to serve on our Board based on her extensive experience with technology and emerging growth companies, her capital markets expertise, and her background as an entrepreneur.

Heather Cox

Heather Cox has been at the forefront of building and leading disruptive fintech, healthtech, data and digital businesses throughout her career, from the early days of E*TRADE to her current role as Business Unit President at Zelis, a healthcare platform company that delivers solutions that address gaps and remove the unnecessary frictions in the healthcare system. Prior to that, she served the healthcare industry's first Chief Digital Health and Analytics Officer for Humana (NYSE: HUM) from August 2018 to February 2023. At Humana, she was accountable for building the firm's digital care delivery operations and leading enterprise advanced analytics, including the application of Artificial Intelligence at scale in healthcare. Prior to Humana, Heather served as Chief Technology and Digital Officer at United Services Automobile Association ("USAA"), a financial services company providing insurance and banking products from September 2016 to March 2018, where she built personalized and digitally enabled end-to-end experiences for USAA members. Heather served as CEO of Citi FinTech at Citigroup, a fintech start-up that she designed that allowed Citigroup to harness innovation in the global fintech ecosystem. Prior, she headed Card Operations for Capital One, where she reshaped customer and digital experience for Capital One cardholders. Heather has been named to several American Banker Women to Watch Lists, including a designation of the #3 Woman to Watch nationally in banking in 2017. In 2015, she was named Digital Banker of the Year by American Banker and one of the 10 most innovative CEOs in banking by Bank Innovation. Since March 2018, Heather has served on the board of directors of NRG Energy (Nasdaq: NRG), and since August 2022, has served on the board of directors of Atlantic Union Bankshares Corporation (Nasdaq: AUB). Heather graduated cum laude with a Bachelor of Arts in Economics from the University of Illinois at Urbana- Champaign.

Robby Chang

Robby Chang has served as a director since the closing of the Business Combination and as a director of Legacy Gryphon since January 14, 2021. Mr. Chang has also been a director of Fission Uranium Corp. (TSX: FCU), a mineral exploration company, from April 2018 to December 2024, a director of Ur-Energy, Inc. (NYSE American: URG), an exploration stage mining company, since March 2018, and a director of Shine Minerals Corp., a company engages in the acquisition, exploration, and evaluation of mineral properties, since November 2018. Mr. Chang is also the Chief Executive Officer and founder of Chang Advisory Inc., a consulting service company, since December 2020. Prior to that, from August 2019 to January 2021, Mr. Chang was an independent consultant for traditional mining and crypto currency companies. From July 2018 to March 2020, Mr. Chang was a member of the board of advisors of District Metals Corp. (TSX.V: DMX), a mineral exploration stage company. From February 2018 to August 2019, Mr. Chang served as CFO of Riot Platforms, Inc. (Nasdaq: RIOT), a provider of Bitcoin mining and data center hosting, and oversaw the company's business operations, investor relations and finances. From January 2011 to January 2018, Mr. Chang was the managing director and Head of Metals and Mining Research of Cantor Fitzgerald. Mr. Chang graduated from the Rotman School of Management at University of Toronto with his MBA in 2006.

Daniel Tolhurst

Daniel Tolhurst has served as a director of our board since August 2024. Mr. Tolhurst has founded, led, and invested in innovative companies across multiple sectors for nearly two decades. He was the Co-Founder, President and a Board Member of Gryphon Digital Mining, Inc., from its founding in October of 2020 through the closing of its go public transaction in February 2024. From June 2018 to January 2020, he led Netflix Inc.'s Content Strategy & Analysis team in EMEA. He also held positions as a Director and Senior Manager of Corporate Strategy and Business Development at The Walt Disney Company between 2013 and 2018. Prior to that, he held positions at Booz & Company, a management consulting firm, and the Bank of Montreal Financial Group, a Canadian bank. Mr. Tolhurst holds an MBA and a Bachelor of Arts, Honors Business Administration from Ivey Business School and a Juris Doctor degree from Osgoode Hall Law School at York University.

Dan Grigorin

Dan Grigorin has served as a director of the board since October 2024. Mr. Grigorin is an industry veteran with extensive experience across investment banking, private equity, private credit, and digital assets. Mr. Grigorin is a portfolio manager at Anchor Labs, Inc., where he has worked since October 2022. Prior to that, he was a credit director at New York Digital Investment Group LLC from February 2022 to September 2022, senior associate at WhiteHawk Capital Partners from June 2020 to February 2022, associate at Great American Capital Partners from August 2019 to June 2020 and associate at ING Capital LLC April 2018 to August 2019. Throughout his career, Mr. Grigorin has served as a trusted advisor to both private and public companies, guiding them through capital raises, strategic partnerships, and operational optimization. Mr. Grigorin has a Bachelor of Science in Business from the Kelley School of Business at Indiana University.

Family Relationships.

There are no family relationships among any of the directors or executive officers.

Composition of our Board of Directors

Our Board currently consists of eight directors. Our amended and restated certificate of incorporation, as amended, and bylaws, as amended, provide that the total number of directors constituting the entire Board shall be seven directors; provided that, the total number of directors constituting the entire Board of Directors may be changed to such number as may be fixed from time to time exclusively by resolution adopted by the affirmative vote of at least a majority of the Board. Our Board is divided into three classes, designated as Class I, Class II and Class III directors, with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the Class I directors, consisting of Steve Gutterman, Daniel Tolhurst and Heather Cox, will expire at our 2025 annual meeting of stockholders. The term of office of the Class II directors, consisting of Brittany Kaiser and Rob Chang, will expire at our 2026 annual meeting of stockholders. The term of office of the Class III directors, consisting of Jessica Billingsley, Dan Grigorin and Jimmy Vaiopoulos, will expire at our 2027 annual meeting of stockholders. When considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our business and structure, the Board focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business.

Director Independence

As our common stock is listed on the Nasdaq Capital Market, our determination of the independence of directors is made using the definition of "independent director" contained in Nasdaq Listing Rule 5605(a)(2). Our Board has affirmatively determined that each of Ms. Kaiser, Ms. Billingsley, Ms. Cox and Mr. Jimmy Vaiopoulos are "independent directors," as that term is defined in the Nasdaq rules. Under the Nasdaq rules, our Board must be composed of a majority of "independent directors." Additionally, subject to certain limited exceptions, our Board's audit, compensation, and nominating and corporate governance committees also must be composed of all independent directors.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Under the rules of Nasdaq, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

To be considered to be independent for purposes of Rule 10A-3 of the Exchange Act, a member of an audit committee of a listed company may not, other than in his capacity as a member of our audit committee, our Board, or any other committee of our Board: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Committees of the Board of Directors

Presently, our board of directors has the following standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Each of the standing committees is composed solely of independent directors.

Audit Committee

We have established an audit committee of the Board of Directors. Mr. Vaiopoulos, Ms. Kaiser and Ms. Billingsley serve as the members of our audit committee. Under the Nasdaq listing standards and applicable SEC rules, we are required to have three members of the audit committee, all of whom must be independent. Each of Mr. Vaiopoulos, Ms. Kaiser and Ms. Billingsley are independent.

Mr. Vaiopoulos serves as the chair of the audit committee. Each member of the audit committee is financially literate and our Board has determined that Mr. Vaiopoulos qualifies as an "audit committee financial expert" as defined in applicable SEC rules.

We have adopted an audit committee charter, which details the principal responsibilities of the audit committee, including:

- To assist board oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent auditor's qualifications and independence, and (iv) the performance of our internal audit function and independent auditors; the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;

- To (i) approve all audit engagement fees and terms and (ii) pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms.

- At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors.

- To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Quarterly Report on Form 10-Q before such Form 10-Q is filed; and to review and discuss the Form 10-Q for filing with the SEC.

- To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K promulgated by the SEC) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures, and to develop policies and procedures for the Committee's approval of related party transactions.

- To review with management and the Company's independent auditors: (i) any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; (ii) any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and (iii) the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

- To assist and advise the Board and the Compensation Committee thereof in enforcing the Company's executive compensation clawback policy and related laws, rules and regulations.

Compensation Committee

We have established a compensation committee of our Board of Directors. The members of our compensation committee are Ms. Billingsley, Ms. Cox and Ms. Kaiser. Ms. Billingsley serves as chair of the compensation committee. We have adopted a compensation committee charter, which details the principal responsibilities of the compensation committee, including:

- To review and approve the Company's compensation programs and arrangements applicable to its executive officers, including without limitation salary, incentive compensation, equity compensation and perquisite programs, and amounts to be awarded or paid to individual officers under those programs and arrangements, or make recommendations to the Board regarding approval of the same.

- To determine the objectives of the Company's executive officer compensation programs, identify what the programs are designed to reward, and modify (or recommend that the Board modify) the programs as necessary and consistent with such objectives and intended rewards.

- To ensure appropriate corporate performance measures and goals regarding executive officer compensation are set and determine the extent to which they are achieved and any related compensation earned.

- To at least annually review and approve the Company's goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of such goals and objectives, and determine and approve the CEO's compensation level based on this evaluation.

- To review and approve any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained.

- To assist management in complying with our proxy statement and annual report disclosure requirements;

- To implement and enforce the Company's executive compensation clawback policy and related laws, rules and regulations, including determining what constitutes "incentive-based compensation" and, if a clawback is triggered due to a financial statement restatement, the amount of any clawback.

The charter also provides that the compensation committee may select, retain and terminate independent legal counsel and other experts or consultants, as it deems appropriate, without seeking approval of the Board or management, including the authority to approve the fees payable to such counsel, experts or consultants and any other term of retention. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

Nominating and Corporate Governance Committee

We have established a nominating and corporate governance committee of the Board of Directors. The members of our nominating and corporate governance are Ms. Kaiser, Ms. Cox and Ms. Billingsley. Ms. Kaiser serves as chair of the nominating and corporate governance committee.

We have adopted a nominating and corporate governance committee charter, which details the principal responsibilities of the nominating and corporate governance committee, including:

- The identification, evaluation and recommendation of qualified candidates to become Board members.

- The oversight of the implementation of and monitoring compliance with the Company's Code of Business Conduct (other than with respect to complaints regarding accounting or auditing issues).

- Coordinating and overseeing Board, committee, and director evaluations.

- Periodic review of the Company's governance documents as appropriate.

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and will be directly responsible for approving the search firm's fees and other retention terms.

We have not formally established any specific, minimum qualifications that must be met or skills that are necessary for directors to possess. In general, in identifying and evaluating nominees for director, our Board of Directors considers educational background, diversity of professional experience, knowledge of our business, integrity, professional reputation, independence, wisdom, and the ability to represent the best interests of our shareholders. Prior to our initial Business Combination, holders of our Public Shares do not have the right to recommend director candidates for nomination to our Board of Directors.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the Board's compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our Board or compensation committee. See the section titled "*Item 13. Certain Relationships and Related Transactions, and Director Independence*" for information about related party transactions involving members of our compensation committee or their affiliates.

Code of Ethics

We have adopted a code of ethics applicable to our directors, officers and employees (the "Code of Ethics"). We have filed a copy of our Code of Ethics and our audit committee, compensation committee and nominating and corporate governance charters as exhibits to this Report. Our stockholders are also able to review these documents by accessing our public filings at the SEC's website at *www.sec.gov*. In addition, a copy of the Code of Ethics will be provided without charge upon request from us. We intend to disclose any amendments to or waivers of certain provisions of our Code of Ethics in a Current Report on Form 8-K.

Trading Policies

We have adopted revised insider trading policies and procedures governing the purchase, sale, and/or other dispositions of our securities by directors, officers and employees, which are reasonably designed to promote compliance with insider trading laws, rules and regulations, and applicable Nasdaq listing standards (the "Insider Trading Policy").

The foregoing description of the Insider Trading Policy does not purport to be complete and is qualified in its entirety by the terms and conditions of the Insider Trading Policy, a copy of which is attached hereto as Exhibit 19 and is incorporated herein by reference.

Item 11. Executive Compensation

Gryphon's named executive officers for the fiscal year ended December 31, 2024 were Steve Gutterman, Chief Executive Officer; Simeon Salzman, Chief Financial Officer; Eric Gallie, Senior Vice President; Rob Chang, Former Chief Executive Officer and Jessica Billingsley, Former Chief Executive Officer.

Summary Compensation Table

The following table sets forth all information concerning the compensation earned, for the fiscal years ended December 31, 2024, and 2023 for services rendered to us by persons who served as our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(6)	Stock Awards ($)(7)	All Other Compensation ($)(8)	Total ($)
(a)	(b)	(c)	(d)	(e)		
Steve Gutterman (1)	2024	128,365	129,452	1,047,363	41,885	1,347,062
Chief Executive Officer	2023	-	-	-	-	-
Simeon Salzman (2)	2024	218,926	137,500	-	-	356,426
Chief Financial Officer	2023	107,692	100,000	945,107	-	1,152,799
Eric Gallie (3)	2024	9,649	20,833	238,500	-	268,982
Senior Vice President	2023	-	-	-	-	-
Rob Chang (4)	2024	194,196	-	165,578	15,000	374,774
Former Chief Executive Officer	2023	-	-	-	-	-
Jessica Billingsley (5)	2024	229,321	-	885,248	66,573	1,181,142
Former Chief Executive Officer	2023	289,046	134,130	-	6,988	430,164

(1) Mr. Gutterman was appointed as our Chief Executive Officer on September 17, 2024. Prior to the appointment, Mr. Gutterman served as a member of our Board.

(2) Mr. Salzman became our Chief Financial Officer in connection with the closing of the Akerna transaction. Mr. Salzman informed the Company of his decision to voluntarily resign from his position effective November 15, 2024, on July 29, 2024. In connection with such resignation announcement, Mr. Salzman and the Company entered into a letter agreement pursuant to which Mr. Salzman would remain as our Chief Executive Officer through November 15, 2024. On September 26, 2024, Mr. Salzman and the Company agreed to rescind his letter agreement and amend his original employment in connection with Mr. Salzman's agreement to continue serving as the Company's Chief Financial Officer. The terms of Mr. Salzman's amended employment agreement are described below.

(3) Mr. Gallie joined the Company as its Senior Vice President on December 12, 2024.

(4) Mr. Chang served as the Chief Executive Officer of Gryphon through the closing of the Company's merger with Akerna (the "Closing") and of the combined Company through September 17, 2024, at which time he was terminated for cause pursuant to his consulting agreement, which is described below.

(5) Ms. Billingsley served as the Chief Executive Officer of Akerna through the closing of Akerna's merger with the Company. Mr. Billingsley now serves on the Company's Board. On February 8, 2024, the Company's Compensation Committee finalized the grant of bonuses to executive officers in connection with their performance in 2023 and in connection with the closing of the Merger and Sale Transaction. The Committee granted the following cash bonus, all of which, along with other unpaid compensation, was then settled in shares of the Company's Common Stock pursuant to the Share Settlement Agreement with Jessica Billingsley.

(6) The bonuses reported in this column reflect amounts earned as discretionary bonuses pursuant to the employment agreements we have entered into with our named executive officers. For more information on these agreements, see the employment agreement descriptions below. The 2024 bonuses reported for our named executive officers have not been paid.

(7) The amounts reported in this column reflect the aggregate grant date fair value of shares granted to the applicable named executive officer as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"). These amounts do not necessarily correspond to the actual value recognized by the applicable named executive officer. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in Note1 to our consolidated financial statements.

(8) The amounts shown in this column reflect fees our named executive officers received for service on our Board.

Compensation Comparison for all PEOs
For the Year Ended December 31, 2024

PEO	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation as expensed by the Company
Steve Gutterman	$ 1,025,411	$ 170,250
Rob Chang	$ 315,092	$ 209,196
Jessica Billingsly	$ 892,139	$ 66,573

Compensation Comparison for all PEOs
For the Year Ended December 31, 2023

PEO	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation as expensed by the Company
Steve Gutterman	$ -	$ -
Rob Chang	$ -	$ -
Jessica Billingsly	$ 892,139	$ 434,130

Steve Gutterman Employment Agreement

On September 17, 2024, the Company entered into an executive employment agreement with Steve Gutterman (the "Gutterman Agreement"), pursuant to which Mr. Gutterman serves as the Company's Chief Executive Officer, reporting to the Company's Board. The Gutterman Agreement has a three-year term that may be renewed for successive one-year periods by written agreement.

The Gutterman Agreement provides for (A) a $450,000 annual base salary paid in accordance with our normal payroll practices and which may be increased in the discretion of our Board, but not reduced, (B) for 2024, a pro-rated bonus based on the Company's and/or Mr. Gutterman's achievement of performance goals, with the sum of the 2024 and 2025 bonuses being no less than 40% of Mr. Gutterman's base salary, (C) a target annual bonus beginning in 2025 equal to 100% of base salary, with the actual amount of such bonus determined in the discretion of our Board, based on the achievement of individual and/or company performance goals determined by our Board and payable on the date annual bonuses are paid to our other senior executives, but in no event later than March 15th and conditioned upon Mr. Gutterman's continued employment through the payment date, (D) a target annual stock bonus beginning in 2025 equal to 100% of Mr. Gutterman's base salary, which may be paid in performance stock units or restricted stock units ("RSUs") and which shall be subject to vesting conditions following the grant of such units, (E) a recommendation to the Board that the Board make a sign-on equity grant valued at $1,000,000 in the form RSUs, which will vest as to (1/3) of the RSUs (rounded down to the nearest whole share) (x) on each of the first two anniversaries of the grant date and (y) upon the Company's remediation of certain stock exchange listing qualification failures that exist as of the effective date of the Gutterman Agreement, and (F) eligibility to participate in customary health, welfare, and fringe benefit plans we provide to our employees.

The Gutterman Agreement also provides Mr. Gutterman with the opportunity to earn an incentive bonus (the "Incentive Bonus"), which will become payable, if ever, in tranches following the Company's attainment of certain stock price and market capitalization goals. The specific goals are as follows:

	Company Stock Price Goal	Company Market Capitalization Goal	Amount of Incentive Bonus Payable for Achievement of Tranche Goals
Tranche 1	$2.50 based on 30-day VWAP	$150 Million	100% of Base Salary
Tranche 2	$2.50 based on 30-day VWAP	$250 Million	200% of Base Salary
Tranche 3	$5.00 based on 30-day VWAP	$500 Million	300% of Base Salary
Tranche 4	$10.00 based on 30-day VWAP	$1 Billion	500% of Base Salary

For the avoidance of doubt, no Incentive Bonus tranche will become payable unless both the stock price goal and the market capitalization goal for the applicable tranche are satisfied, and the market capitalization goal is attained simultaneously with the stock price goal. Additionally, the Incentive Bonus may be earned in a change in control if the consideration paid per share of Company common stock exceeds an Incentive Bonus tranche stock price goal and the total value received in the transaction exceeds an Incentive Bonus tranche market capitalization goal. Under no circumstances may the performance goals for an Incentive Bonus tranche be achieved more than one time. The Incentive Bonus, to the extent any tranche becomes payable, will be paid within thirty days of the attainment of the applicable goals, subject to Mr. Gutterman remaining in continuous employment with the Company through each payment date.

All bonuses payable under the Gutterman Agreement, except the stock bonus, may be paid in cash, Bitcoin, Company equity, or a mix of any of the foregoing.

Under the Gutterman Agreement, Mr. Gutterman will be entitled to receive the following severance payments and benefits upon a termination of his employment by the Company without "cause", by Mr. Gutterman for "good reason" (each, as defined in the Gutterman Agreement and collectively, a "Qualifying Termination"), that does not occur in connection with a change in control (i) the Accrued Obligations (as defined in the Gutterman Agreement), (ii) Mr. Gutterman's annual base salary, and (iii) the product of (x) 12 and (y) Mr. Gutterman's monthly cost for health and welfare benefits pursuant to his elections under the Company's health and welfare benefit plans, as in effect on the termination date (collectively, the "Non-CIC Severance").

The Non-CIC Severance will be paid in a lump sum as soon as practicable following the effective date of a release but no later than 74 days following Mr. Gutterman's termination. If Mr. Gutterman incurs a Qualifying Termination within 30 days prior to or 12 months following a change in control, then in addition to the Non-CIC Severance, Mr. Gutterman will be entitled to the following: (i) an amount equal to 0.5 times Mr. Gutterman's target bonus, and (ii) acceleration and vesting on a prorated basis (performance goals will be assumed to have been achieved at target) of each outstanding equity award held by Mr. Gutterman as of the termination date (but excluding the Incentive Bonus) (collectively, the "CIC Severance").

To the extent payable in cash, the CIC Severance will be paid in a lump sum as soon as practicable following the effective date of a release, but no later than 74 days after Mr. Gutterman's termination date. The severance payments and benefits described above are subject to Mr. Gutterman's execution and non-revocation of a general release of claims in favor of the Company and continued compliance with his restrictive covenant obligations.

The Gutterman Agreement includes certain restrictive covenants, which include non-solicitation and non-competition covenants during the term of the Gutterman Agreement and for the 12 months following. Further, the Gutterman Agreement includes a "best pay" provision under Section 280G of the Internal Revenue Code, pursuant to which any "parachute payments" that become payable to Mr. Gutterman will either be paid in full or reduced so that such payments are not subject to the excise tax under Section 4999 of the Internal Revenue Code, whichever results in the better after-tax treatment to Mr. Gutterman.

Simeon Salzman Employment Agreement

On June 19, 2023, we entered into an Executive Employment Agreement (the "Salzman Agreement") with Simeon Salzman to serve as the Chief Financial Officer of Gryphon (and, under certain circumstances, such other position as Gryphon's Chief Executive Officer may designate), reporting to our Chief Executive Officer. On July 29, 2024, Mr. Salzman informed the Company that he intended to resign on November 15, 2024, and entered into a letter agreement that specified the terms and conditions of his planned separation from the Company. Subsequently, on September 26, 2024, Mr. Salzman and the Company rescinded Mr. Salzman's resignation in connection with Mr. Salzman's decision to remain with the Company. In connection with such rescission, the Company and Mr. Salzman amended the Salzman Agreement. The terms of the amended Salzman Agreement are described below.

Mr. Salzman receives a base salary of $275,000 and is eligible to receive an annual bonus with a target of up to 50% of his then-current base salary. Mr. Salzman received a time-based equity grant covering 390,800 Shares (the "Equity Grant"), vesting as follows (subject to Mr. Salzman's continued employment with the Company through the relevant vesting date): 1/6 of the Equity Grant will vest upon the 6-month anniversary of the effective date of the Salzman Agreement and the remainder of the Equity Grant will vest in substantially equal quarterly installments commencing with the first quarter following the 6 month anniversary of the effective date of the Salzman Agreement. The vesting of the Equity Grant will be accelerated if Mr. Salzman is continuously employed through a change in control (excluding a reverse takeover transaction or merger for the purposes of listing Gryphon on a public exchange). Mr. Salzman will be entitled to receive those benefits that are made available to the other similarly situated executive employees, and will be reimbursed for reasonable out-of-pocket expenses.

Upon the termination of the Salzman Agreement during the our first two full financial reporting quarters by (a) Mr. Salzman for good reason (as defined in the Salzman Agreement) or (b) by the Company without cause (as defined in the Salzman Agreement), then, subject to Mr. Salzman's execution and non- revocation of and compliance with a separation and release agreement in a form provided by the Company, the Company will pay Mr. Salzman an amount equal to 3 months of his then-current base salary. Upon such a termination of the Salzman Agreement following the first two full financial reporting quarters of the Company, the Company will pay Mr. Salzman an amount equal to (a) 12 months of his then-current base salary, plus (b) Mr. Salzman's then-current annual bonus target.

Pursuant to the Salzman Agreement, Mr. Salzman is subject to standard restrictive covenants, including a nondisparagement covenant and non-competition and customer and employee non-solicitation covenants for the period of Mr. Salzman's employment and for the six months thereafter.

Eric Gallie Employment Agreement

On December 12, 2024, we entered into a letter agreement (the "Gallie Agreement") with Eric Gallie, pursuant to which Mr. Gallie will serve as the Company's Senior Vice President, Energy. The Agreement became effective on December 12, 2024 (the "Gallie Effective Date")) and will remain in effect indefinitely until terminated by either party.

The Gallie Agreement provides for (A) a $250,000 annual base salary paid in equal installments on the Company's regular pay dates no less frequently than semi-monthly, (B) an annual discretionary bonus targeted at 100% of Mr. Gallie's base salary, which may be paid in the form of 50% cash and 50% RSUs, provided that to be eligible for any bonus, Mr. Gallie must be employed on the date any such bonus is paid, (C) five (5) weeks of paid time off in accordance with the Company's PTO policy and applicable state law, (D) eligibility to participate in customary health, welfare, and fringe benefit plans provided to other similarly situated executive employees of the Company, and (E) within thirty days following the Effective Date, the Company will recommend to the Company's Board of Directors that it make a one-time equity grant to Mr. Gallie in the form of 500,000 RSUs (the "Gallie Initial Award"). The Gallie Initial Award will vest as to one-fourth ($1/4^{th}$) of the RSUs on each of the first four (4) annual anniversaries of the Gallie Initial Award grant date. The Gallie Initial Award and any RSUs granted to Mr. Gallie as a bonus shall be granted pursuant to the Gryphon Digital Mining, Inc. 2024 Omnibus Incentive Plan (the "Plan").

If the Company terminates Mr. Gallie without "cause" (as defined in the Plan) and Mr. Gallie executes and does not revoke a release of claims in favor of the Company, the Company will pay Mr. Gallie one year of his base salary over the twelve months following his termination date.

The Gallie Agreement also requires Mr. Gallie to execute the Company's standard non-competition agreement.

Chang Advisory, Inc. Consulting Agreement

Mr. Chang served as the Company's Chief Executive Officer through September 17, 2024. The Company terminated Mr. Chang for cause and did not provide any severance to Mr. Chang. The terms of Mr. Chang's agreement with the Company is described herein in accordance with SEC rules.

Mr. Chang served as Gryphon's Chief Executive Officer pursuant to a Consulting Agreement between Gryphon and Chang Advisory, Inc. ("Chang Advisory"), effective January 14, 2021 (the "Chang Agreement"). Mr. Chang is the sole owner of Chang Advisory. Under the agreement, Chang Advisory's base fee was initially CAD $175,000 per year. The agreement provided that the base fee would increase to CAD $300,000 per year upon the closing of either: (i) an equity financing totaling at least CAD $5 million or (ii) a debt and equity financing totaling at least CAD $10 million. This condition was met in March 2021 and, accordingly, the base fee was raised to CAD $300,000 per year, which was later raised to USD $300,000. Under the agreement, Chang Advisory's base fee for any year could not be reduced without the written consent of both Chang Advisory and Gryphon, and Chang Advisory was entitled to an annual cash incentive opportunity with a target equal to 100% of Chang Advisory's base fee for such year. The agreement further provided that Gryphon would pay to Chang Advisory harmonized sales tax on any invoice or other compensation paid to Chang Advisory in the event that Gryphon's head office becomes located in Canada or in the event that any law or governmental authority requires that such tax be remitted by Chang Advisory in respect of any such compensation.

On the effective date of the agreement, Chang Advisory became entitled to purchase, for USD $0.004 per share, 15.2% of the outstanding shares of common stock of Gryphon as of such date. In the event that Chang Advisory's engagement with Gryphon terminated by reason of Chang Advisory's resignation or by reason of a material breach by Chang Advisory of the agreement, or for cause (as defined in the Chang Agreement), prior to the one-year anniversary of the effective date of the agreement, Gryphon or any other affiliate of Gryphon had the right (but not the obligation) to repurchase (i) 75% of such shares if such termination occurred within six months of the effective date of the agreement; and (ii) 50% of such shares if such termination occurred after six months and within one year of such effective date, in each case for a price of USD $0.004 per share. Such repurchase right expired on the one-year anniversary of the effective date of the agreement.

In the event that Chang Advisory's engagement was terminated by Gryphon without cause, was terminated by Chang Advisory for good reason, or in the event that there was a change in control (as defined in the agreement), all unvested equity awards held by Chang Advisory would have accelerated vesting and, with respect to any stock options, such options would remain fully exercisable until their original expiry date. In the event of Chang Advisory's termination for cause or voluntary resignation, all equity awards granted to Chang Advisory that are outstanding on the date of such termination or resignation would have continued to vest on the original schedule and any stock options would have remained exercisable until the earlier of (i) the expiration date set forth in the applicable stock option agreement; or (ii) the expiration of 6 months measured from the date of such termination or resignation.

The agreement also provided that Chang Advisory will be entitled to receive reimbursement from Gryphon for all reasonable business expenses, and Mr. Chang and his partner and dependents would be eligible to participate in the benefit plans that are available to the executive officers of Gryphon. Under the agreement, Gryphon would have indemnified Chang Advisory and Mr. Chang to the fullest extent permitted by law against all costs, charges, awards, legal fees and expenses which Chang Advisory and/or Mr. Chang were involved because of its/his/their association with Gryphon, and Gryphon would have at all times maintain a Directors and Officers Insurance Policy under which Chang Advisory and Mr. Chang would be insured.

Upon termination of engagement due to the death or disability (as defined in the agreement) of Chang Advisory, Chang Advisory would have been entitled to receive: (i) any unpaid annual bonus for the year immediately prior to the year of such termination (in an amount equal to the greater of the bonus percentage accrued by Gryphon or Chang Advisory's target annual bonus) and (ii) a pro-rated share of Chang Advisory's target annual bonus for the year of such termination (in an amount equal to the bonus percentage accrued by Gryphon through the last closed accounting month prior to such termination but with such bonus percentage being deemed to be fully accrued if Gryphon was at least on target to attain the appropriate financial targets for such year). In addition, in the case of termination due to disability, Gryphon would have continued Chang Advisory's and/or Mr. Chang's participation in the benefit plans for so long as he remained disabled as defined under those plans.

Under the agreement, if Gryphon terminated Chang Advisory's engagement (other than for cause or as a result of Chang Advisory's death or disability), or in the event Chang Advisory resigns for good reason, or in the event of a termination of Chang Advisory's engagement whether by Chang Advisory or by Gryphon for any reason other than cause within 6 months of a change in control, then Gryphon would have paid to Chang Advisory (i) a termination fee equal to the annual fee; (ii) bonus for any prior year that has been earned but was unpaid (in an amount equal to the greater of the bonus percentage accrued by Gryphon or Chang Advisory's target annual bonus); and (iii) a pro-rated share of Chang Advisory's target annual bonus for the year of such termination (in an amount equal to the bonus percentage accrued by Gryphon through the last closed accounting month prior such termination but with such bonus percentage being deemed to be fully accrued if Gryphon was at least on target to attain the appropriate financial targets for such year). As mentioned above, the Company terminated Mr. Chang for cause and as such, no severance payments were made to Mr. Chang. The Chang Agreement was terminated in connection with the Company's termination of Mr. Chang and is therefore no longer in effect. Mr. Chang continues to serve the Company as a non-employee member of the Board.

Jessica Billingsley Employment Agreement

Ms. Billingsley served as the Chief Executive Officer of Akerna through Akerna's merger with the Company pursuant to an employment agreement with Akerna (the "Billingsley Agreement"). The Billingsley Agreement was terminated in connection with the merger, but the terms of the Billingsley Agreement are described below in compliance with SEC rules. Ms. Billingsley now serves as a member of the Company's Board.

Akerna paid Ms. Billingsley an annual base salary in the amount of $300,000. The base salary was subject to (1) review at least annually by the Board for increase, but not decrease, and (2) automatic increase by an amount equal to $50,000 from its then current level on the date upon which Akerna's aggregate, gross consolidated trailing twelve month (TTM) revenue equals the product of (x) two multiplied by (y) Akerna's TTM revenue as of the closing.

Ms. Billingsley was eligible for an annual bonus (the "Annual Bonus") with respect to each fiscal year ending during her employment. Her target annual cash bonus was in the amount of one hundred percent (100%) of her base salary (the "Target Bonus") with the opportunity to earn greater than the Target Bonus upon achievement of above target performance. The amount of the Annual Bonus was determined by the Board on the basis of fulfillment of the objective performance criteria established in its reasonable discretion. The performance criteria for any particular fiscal year was set no later than ninety days after the commencement of the relevant fiscal year.

Ms. Billingsley was entitled to participate in annual equity awards and employee benefits. She was indemnified by Akerna for any and all expenses (including advancement and payment of attorneys' fees) and losses arising out of or relating to any of her actual or alleged acts, omissions, negligence, or active or passive wrongdoing, including the advancement of expenses she incurred. The foregoing indemnification was in addition to the indemnification provided to her by Akerna pursuant to her Indemnification Agreement.

In the event of Ms. Billingsley's termination for cause or without good reason, Akerna was obligated to pay any accrued but unpaid base salary and any annual bonus earned and awarded for the fiscal year prior to that in which the termination occurs. In the event of Ms. Billingsley's termination without cause or with good reason, Akerna was obligated to pay any accrued but unpaid base salary, any annual bonus earned and awarded for the fiscal year prior to that in which the termination occurs, a cash severance payment equal to her base salary, pro-rated annual bonus for the fiscal year in which the termination occurs through the date of termination, and twelve months of health benefits.

The Billingsley Employment Agreement also contained non-competition and non-solicitation provisions that applied through her employment and for a term of one year thereafter, and which were in addition to the non-competition and non-solicitation provisions prescribed under a certain Non-Competition Agreement between Ms. Billingsley and Akerna. The Billingsley Employment Agreement also contained a non-disparagement provision that applies through her employment and for a term of two years thereafter.

Outstanding Equity Awards at 2024 Fiscal Year-End

A summary of the number and the value of the outstanding equity awards as of December 31, 2024 held by the named executive officers is set out in the table below.

		Stock Awards[1]			
Name	**Date of Grant**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Steve Gutterman	02/23/2023	42,105(1)	16,884	-	-
Chief Executive Officer	10/02/2024	1,114,454(2)	446,896	557,227(3)	223,448
Simeon Salzman	06/19/2023	450,040(4)	180,466	-	-
Chief Financial Office	-	-	-	-	-
Eric Gallie	12/17/2024	500,000(5)	200,500	-	-
Senior Vice President	-	-	-	-	-
Rob Chang	10/31/2024	264,080(6)	105,896	-	-
Former Chief Executive Officer	-	-	-	-)	-
Jessica Billingsley	10/31/2024	264,080(7)	105,896	-	-
Former Chief Executive Officer	-	-	-	-	-

(1) This restricted stock unit grant of 84,210 vests in equal installments of 14,035 RSUs over three years every six-month anniversary from the grant date, February 23, 2023, subject to Mr. Gutterman's continued employment with the Company. Remaining vesting dates as of December 31, 2024 are as follows, February 23, 2025, August 23, 2025 and February 23, 2026.

(2) The restricted stock units subject to this award vest in equal installments on each of the first two anniversaries of the grant date, September 30, 2024, subject to Mr. Gutterman's continued employment with the Company.

(3) The restricted stock units subject to this award vest upon the Company's remediation of certain stock exchange listing qualification failures that exist as of the effective date of the Gutterman Agreement.

(4) Subject to Mr. Salzman's continued employment through each applicable vesting date, the restricted stock units subject to this award vest 1/6th upon the 6-month anniversary of the effective date of the Salzman Agreement and the remainder of the restricted stock units will vest in substantially equal quarterly installments commencing with the first quarter following the 6-month anniversary of the effective date of the Salzman Agreement. The vesting of the Equity Grant will be accelerated if Mr. Salzman is continuously employed through a change in control.

(5) The restricted stock units subject to this award vest as to one-fourth (1/4th) of the RSUs on each of the first four (4) annual anniversaries of the grant date.

(6) The restricted stock units subject to this award vest as to one-fourth (1/4th) of the RSUs on each of the first four (4) quarterly anniversaries of October 1, 2024.

(7) The restricted stock units subject to this award vest as to one-fourth (1/4th) of the RSUs on each of the first four (4) quarterly anniversaries of October 1, 2024.

Pension Benefits

None of our employees participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. Our Compensation Committee may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our Company's best interest.

Non-qualified Deferred Compensation

None of our employees participate in or have account balances in non-qualified defined contribution plans or other non-qualified deferred compensation plans maintained by us. Our Compensation Committee may elect to provide our officers and other employees with non-qualified defined contribution or other non-qualified compensation benefits in the future if it determines that doing so is in our Company's best interest.

Employee Benefits and Stock Plans

Gryphon Digital Mining Inc. 2024 Omnibus Incentive Plan

Set forth below is a summary of the material features of the Gryphon Digital Mining Inc. 2024 Omnibus Incentive Plan (the "2024 Plan"), which was adopted in connection with the closing of the Business Combination.

The 2024 Plan provides for the following grants: (a) incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code")) ("ISO" or "ISOs"); (b) nonstatutory stock options (i.e., options other than ISOs) ("NSO" or "NSOs"), (c) stock appreciation rights ("SAR" or "SARs"), (d) restricted stock grants, (e) restricted stock unit grants ("RSU" or "RSUs"), (f) performance grants, and (g) other grants based in whole or in part by reference to shares that are granted pursuant to the terms and conditions of the 2024 Plan.

Subject to any Capitalization Adjustment (as defined and described below) and the automatic increase (as described later in this paragraph), and any other applicable provisions in the 2024 Plan, the total number of shares reserved and available for issuance pursuant to the 2024 Plan is 5,810,033 shares which was 15% of the total number of shares of Common Stock outstanding at the closing of the Business Combination (the "Share Reserve"). The Share Reserve will automatically increase on January 1st of each year, for a period of not more than ten years, commencing on January 1, 2025 and ending on (and including) January 1, 2033 by the lesser of (a) 3% of the total number of the shares of Common Stock outstanding on December 31st of the immediately preceding calendar year, and (b) such number of shares determined by the Board.

Following the effective date of the 2024 Plan (the "Plan Effective Date"), any shares subject to an outstanding grant or any portion thereof granted under the 2024 Plan will be returned to the Share Reserve and will be available for issuance in connection with subsequent grants under the 2024 Plan to the extent such shares: (a) are cancelled, forfeited, or settled in cash; (b) are used to pay the exercise price of such outstanding grant or any Tax-Related Items (as defined below) arising in connection with vesting, exercise or settlement of such outstanding grant; (c) are surrendered pursuant to an Exchange Program (as defined below); (d) expire by their terms at any time; or (e) are reacquired by the Company pursuant to a forfeiture provision or repurchase right by the Company (collectively, "Returning Shares"). Shares subject to Substitute Grants (as defined below) will not be deducted from the Share Reserve and may not be returned to the Share Reserve as Returning Shares.

Subject to the provisions relating to Capitalization Adjustments described below, the maximum number of shares that may be issued pursuant to the exercise of ISOs is 5,810,033 shares which was 15% of the total number of shares of common stock outstanding at the closing of the Merger (the "Incentive Stock Option Limit").

If, after the Plan Effective Date, the number of outstanding shares is changed or the value of the shares is otherwise affected by a stock dividend, extraordinary dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend) recapitalization, stock split, reverse stock split, subdivision, combination, consolidation, reclassification, spin-off or similar change in the capital structure of the Company or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), without consideration (a "Capitalization Adjustment"), then (a) the maximum number and class of shares or type of security reserved for issuance and future grant from the Share Reserve, (b) the exercise price, purchase price, and number and class of shares or type of security subject to outstanding grants, and (c) the number and class of shares subject to the Incentive Stock Option Limit, will be proportionately adjusted, subject to any required action by the board of directors or the stockholders of the Company and in compliance with applicable laws; provided that fractions of a share will not be issued.

The shares issuable under the 2024 Plan will be authorized but unissued or forfeited shares, treasury shares or shares reacquired by the Company in any manner.

Incentive stock options may be granted only to employees of the Company, and its parent and any subsidiary entities (to the extent permitted under Section 422 of the Code). All other grants may be granted to employees, consultants and directors, provided such consultants and directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction.

The maximum number of shares subject to grants (and of cash subject to cash-settled grants) granted under the 2024 Plan or otherwise during any one calendar year to any non-employee director for service on the board of directors, taken together with any cash fees paid by the Company to such non-employee director during such calendar year for service on the board of directors, will not exceed $1,000,000 in total value (calculating the value of any such grants based on the grant date fair value of such grants for financial reporting purposes).

Each option or SAR will be in such form and will contain such terms and conditions as the Administrator (defined below) deems appropriate. Each SAR will be denominated in share equivalents. The provisions of separate options or SARs need not be identical.

Options and SARs may be exercisable within the times or upon the events determined by the Administrator and as set forth in the grant agreement governing such grant. No option or SAR will be exercisable after the expiration of ten (10) years from the date the option or SAR is granted, or such shorter period specified in the grant agreement. In addition, in the case of an ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary ("Ten Percent Holder"), such option may not be exercisable after the expiration of five (5) years from the date the ISO is granted.

The exercise price of an option or SAR will be such price as is determined by the Administrator and set forth in the grant agreement; provided that (a) in the case of an ISO (i) granted to a Ten Percent Holder, the exercise price will be no less than one hundred ten percent (110%) of the fair market value (as defined in the 2024 Plan) on the date of grant and (ii) granted to any other employee, the exercise price will be no less than one hundred percent (100%) of the fair market value on the date of grant, and (b) in the case of an NSO or SAR, the exercise price will be such price as is determined by the Administrator. Notwithstanding the foregoing, an option or SAR that is a Substitute Grant (as defined below) may be granted with an exercise price lower than one hundred percent (100%) of the fair market value.

Upon exercise of a SAR, a grantee will be entitled to receive payment from the Company in an amount determined by multiplying (a) the difference between the fair market value of a share on the date of exercise over the exercise price, by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Administrator, the payment from the Company for the SAR exercise may be in cash, in shares of equivalent value, or in some combination thereof.

Unless explicitly provided otherwise in a grantee's grant agreement, if a grantee's continuous service status (as defined in the 2024 Plan) is terminated, the grantee (or his or her legal representative, in the case of death) may exercise his or her option or SAR (to the extent such grant was exercisable on the termination date) within the following period of time following the termination of the grantee's continuous service status: (a) three (3) months following a termination of a grantee's continuous service status by the Company or any parent or subsidiary without cause (as defined in the 2024 Plan) or by the grantee for any reason (other than due to death or disability (as disability is defined in the Plan)); (b) six (6) months following a termination due to the grantee's disability; (c) twelve (12) months following a termination due to the grantee's death; and (d) twelve (12) months following the grantee's death, if such death occurs following the date of such termination but during the period such grant is otherwise exercisable (as provided in clauses (a) or (b) above).

Except as otherwise provided in the grant agreement, if a grantee's continuous service status is terminated by the Company or any parent or subsidiary for cause, the grantee's options or SARs will terminate and be forfeited immediately upon such grantee's termination of continuous service status, and the grantee will be prohibited from exercising any portion (including any vested portion) of such grants on and after the date of such termination of continuous service status.

To the extent that the aggregate fair market value of shares with respect to which options designated as ISOs are exercisable for the first time by any grantee during any calendar year (under all plans of the Company or any parent or subsidiary of the Company) exceeds One Hundred Thousand Dollars ($100,000), such excess options will be treated as NSOs. For this purpose, ISOs will be taken into account in the order in which they were granted, and the fair market value of the shares subject to an ISO will be determined as of the date of the grant of such option.

Without stockholder approval, the Administrator may modify, extend or renew outstanding options or SARs, and authorize the grant of new options or SARs in substitution therefor, including in connection with an Exchange Program. Any such action may not, without the written consent of a grantee, materially impair any of such grantee's rights under any grant previously granted, except that the Administrator may reduce the exercise price of an outstanding option or SAR without the consent of a grantee by a written notice (notwithstanding any adverse tax consequences to the grantee arising from the repricing); provided, however, that the exercise price may not be reduced below the fair market value on the date the action is taken to reduce the exercise price.

A restricted stock grant is an offer by the Company to sell or issue (with no payment required, unless explicitly provided otherwise in a grantee's grant agreement) shares to a grantee that are subject to certain specified restrictions. Each restricted stock grant will be in such form and will contain such terms and conditions as the Administrator will deem appropriate. The terms and conditions of restricted stock grants may change from time to time, and the terms and conditions of separate grant agreements need not be identical.

The purchase price for shares issued pursuant to a restricted stock grant, if any, will be determined by the Administrator on the date the restricted stock grant is granted and, if permitted by applicable law, no cash consideration will be required in connection with the payment for the purchase price where the Administrator provides that payment will be in the form of services previously rendered.

Grantees holding restricted stock grants will be entitled to receive all dividends and other distributions paid with respect to such shares, unless the Administrator provides otherwise at the time the grant is granted. If any such dividends or distributions are paid in shares, the shares will be subject to the same restrictions on transferability and forfeitability as the restricted stock grants with respect to which they were paid.

An RSU grant is a grant covering a number of shares that may be settled in cash, or by issuance of those shares at a date in the future. Each RSU grant will be in such form and will contain such terms and conditions as the Administrator will deem appropriate. The terms and conditions of RSU grants may change from time to time, and the terms and conditions of separate grant agreements need not be identical. Unless otherwise determined by the Administrator, no purchase price will apply to an RSU settled in shares. Payment of vested RSUs will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the grant agreement. The Administrator, in its sole discretion, may settle vested RSUs in cash, shares, or a combination of both.

The Administrator may permit grantees holding RSUs to receive dividend equivalent rights (as defined in the 2024 Plan) on outstanding RSUs if and when dividends are paid to stockholders on shares. In the discretion of the Administrator, such dividend equivalent rights may be paid in cash or shares, and may either be paid at the same time as dividend payments are made to stockholders or delayed until shares are issued pursuant to the underlying RSUs, and may be subject to the same vesting or performance requirements as the RSUs. If the Administrator permits dividend equivalent rights to be made on RSUs, the terms and conditions for such dividend equivalent rights will be set forth in the applicable grant agreement.

A performance grant is a grant that may be granted, may vest or may become eligible to vest contingent upon the attainment during a performance period of performance goals determined by the Administrator. Performance grants may be granted as options, SARs, restricted stock, RSUs or other grants, including cash-based grants.

Performance grants will be based on the attainment of performance goals that are established by the Administrator for the relevant performance period. Prior to the grant of any performance grant, the Administrator will determine and each grant agreement will set forth the terms of each performance grant. A performance grant may but need not require the grantee's completion of a specified period of service. The Administrator will determine the extent to which a performance grant has been earned in its sole discretion. The Administrator may reduce or waive any criteria with respect to a performance goal, or adjust a performance goal (or method of calculating the attainment of a performance goal) to take into account unanticipated events, including changes in law and accounting or tax rules, as the Administrator deems necessary or appropriate, or to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. The Administrator may also adjust or eliminate the compensation or economic benefit due upon attainment of performance goals in its sole discretion, subject to any limitations contained in the grant agreement and compliance with applicable law.

Other forms of grants valued in whole or in part by reference to, or otherwise based on, shares, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the fair market value of the shares at the time of grant) may be granted either alone or in addition to other grants provided for in the 2024 Plan. Subject to the provisions of the 2024 Plan and applicable law, the Administrator may determine the persons to whom and the time or times at which such other grants will be granted, the number of shares (or the cash equivalent thereof) to be granted pursuant to such other grants and all other terms and conditions of such other grants.

Payment from a grantee for shares acquired pursuant to the 2024 Plan may be made in cash or cash equivalents or, where approved for the grantee by the Administrator and where permitted by applicable law (and to the extent not otherwise set forth in the applicable grant agreement): (a) by cancellation of indebtedness of the Company owed to the grantee; (b) by surrender of shares held by the grantee that are clear of all liens, claims, encumbrances or security interests and that have a fair market value on the date of surrender equal to the aggregate payment required; (c) by waiver of compensation due or accrued to the grantee for services rendered or to be rendered to the Company or an affiliate; (d) by consideration received by the Company pursuant to a broker-assisted or other form of cashless exercise program implemented by the Administrator in connection with the 2024 Plan; (e) by the Company withholding otherwise deliverable shares having a fair market value on the date of withholding equal to the aggregate payment required; (f) by any combination of the foregoing; or (g) by any other method of payment as is permitted by applicable law.

Regardless of any action taken by the Company or any affiliate, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account, employment tax, stamp tax or other Tax-Related Items related to the grantee's participation in the 2024 Plan and legally applicable to the grantee, including any employer liability for which the grantee is liable (the "Tax-Related Items") is the grantee's responsibility.

Unless otherwise provided in the grantee's grant agreement, the Administrator, or its delegate(s) (as permitted by applicable law), in its sole discretion and pursuant to such procedures as it may specify from time to time and subject to limitations of applicable law, may require or permit a grantee to satisfy any applicable withholding obligations for Tax-Related Items, in whole or in part by (without limitation): (a) requiring the grantee to make a cash payment; (b) withholding from the grantee's wages or other cash compensation paid to the grantee by the Company or any affiliate; (c) withholding from the shares otherwise issuable pursuant to a grant; (d) permitting the grantee to deliver to the Company already-owned shares or (e) withholding from the proceeds of the sale of otherwise deliverable shares acquired pursuant to a grant either through a voluntary sale or through a mandatory sale arranged by the Company. The Company or an affiliate may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including up to the maximum applicable rate in the grantee's jurisdiction.

Except as expressly provided in the 2024 Plan or an applicable grant agreement, or otherwise determined by the Administrator, grants granted under the 2024 Plan will not be transferable or assignable by the grantee, other than by will or by the laws of descent and distribution. Any options, SARs or other grants that are exercisable may only be exercised: (a) during the grantee's lifetime only by (i) the grantee, or (ii) the grantee's guardian or legal representative; (b) after the grantee's death, by the legal representative of the grantee's heirs or legatees. The Administrator may permit transfer of grants in a manner that is not prohibited by applicable law.

No grantee will have any of the rights of a stockholder with respect to any shares until the shares are issued to the grantee, except for any dividend equivalent rights permitted by an applicable grant agreement. After shares are issued to the grantee, the grantee will be a stockholder and have all the rights of a stockholder with respect to such shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such shares, subject to any repurchase or forfeiture provisions in any restricted stock grant, the terms of the Company's insider trading policy, and applicable law.

Without prior stockholder approval, the Administrator may conduct an Exchange Program, subject to consent of an affected grantee (unless not required in connection with a repricing pursuant to the 2024 Plan, or under the terms of a grant agreement) and compliance with applicable law. For purposes of the 2024 Plan, "Exchange Program" means a program pursuant to which (a) outstanding grants are surrendered, cancelled or exchanged for cash, the same type of grant or a different grant (or combination thereof) or (b) the exercise price of an outstanding grant is increased or reduced.

All grants granted under the 2024 Plan will be subject to clawback or recoupment under any clawback or recoupment policy adopted by the board of directors or the Administrator or required by applicable law during the term of grantee's employment or other service with the Company that is applicable to officers, employees, directors or other service providers of the Company. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in a grant agreement as the Administrator determines necessary or appropriate.

Except as otherwise provided in the applicable grant agreement or as determined by the Administrator, if a grantee's continuous service status terminates for any reason, vesting of a grant will cease and such portion of a grant that has not vested will be forfeited, and the grantee will have no further right, title or interest in any then-unvested portion of the grant. In addition, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares held by the grantee under a restricted stock grant that have not vested as of the date of such termination, subject to the terms of the applicable grant agreement.

In the event that the Company is subject to a change in control (as defined in the 2024 Plan), outstanding grants acquired under the 2024 Plan will be subject to the agreement evidencing the change in control, which need not treat all outstanding grants in an identical manner. Such agreement, without the grantee's consent, may provide for one or more of the following with respect to all outstanding grants as of the effective date of such change in control: (a) the continuation of an outstanding grant by the Company (if the Company is the successor entity); (b) the assumption of an outstanding grant by the successor or acquiring entity (if any) of such change in control (or by its parents, if any); (c) the substitution by the successor or acquiring entity in such change in control (or by its parents, if any) of equivalent awards with substantially the same terms for such outstanding grants; (d) the full or partial acceleration of exercisability or vesting and accelerated expiration of an outstanding grant and lapse of the Company's right to repurchase or re-acquire shares acquired under a grant or lapse of forfeiture rights with respect to shares acquired under a grant; (e) the settlement of such outstanding grant (whether or not then vested or exercisable) in cash, cash equivalents, or securities of the successor entity (or its parent, if any) with a fair market value equal to the required amount provided in the definitive agreement evidencing the change in control, followed by the cancellation of such grants; or (f) the cancellation of outstanding grants in exchange for no consideration.

The Company, from time to time, may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (a) granting a grant under the 2024 Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under the 2024 Plan if the terms of such assumed award could be applied to a grant granted under the 2024 Plan (a "Substitute Grant"). Such substitution or assumption will be permissible if the holder of the Substitute Grant would have been eligible to be granted a grant under the 2024 Plan if the other company had applied the rules of the 2024 Plan to such grant. The exercise price and the number and nature of shares issuable upon exercise or settlement of any such Substitute Grant will be adjusted appropriately pursuant to Section 424(a) of the Code and/or Section 409A of the Code, as applicable.

The 2024 Plan will be administered by the Compensation Committee or the Board acting as the Compensation Committee (the "Administrator"). Without limitation, the Administrator will have the authority to, subject to the preceding sentence: construe and interpret the 2024 Plan, any grant agreement and any other agreement or document executed pursuant to the 2024 Plan; prescribe, amend, expand, modify and rescind or terminate rules and regulations relating to the 2024 Plan or any grant (including the terms or conditions of any grant); approve persons to receive grants; determine the form, terms and conditions of grants; determine the number of shares or other consideration subject to grants; determine the fair market value in good faith and interpret the applicable provisions of the 2024 Plan and the definition of fair market value in connection with circumstances that impact the fair market value, if necessary; determine whether grants will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other grants under the 2024 Plan or awards under any other incentive or compensation plan of the Company or any affiliate; grant waivers of any conditions of the 2024 Plan or any grant; determine the vesting, exercisability and payment of grants; correct any defect, supply any omission or reconcile any inconsistency in the 2024 Plan, any grant or any grant agreement; determine whether a grant has been earned or has vested; determine the terms and conditions of any, and to institute any exchange program; adopt or revise rules and/or procedures (including the adoption or revision of any subplan under the 2024 Plan) relating to the operation and administration of the 2024 Plan to facilitate compliance with requirements of local law and procedures outside the United States (provided that board of directors approval will not be necessary for immaterial modifications to the 2024 Plan or any grant agreement made to ensure or facilitate compliance with the laws or regulations of the relevant foreign jurisdiction); delegate any of the foregoing to one or more persons pursuant to a specific delegation as permitted by the terms of the 2024 Plan and applicable law, including Section 157(c) of the Delaware General Corporation Law; and make all other determinations necessary or advisable in connection with the administration of the 2024 Plan. We expect that our Compensation Committee will administer the 2024 Plan.

To the maximum extent permitted by applicable laws, each member of the Administrator (including officers of the Company or an affiliate of the Company, if applicable), or of the board of directors, as applicable, will be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the 2024 Plan or pursuant to the terms and conditions of any grant except for actions taken in bad faith or failures to act in good faith, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit or proceeding against him or her; provided that such member will give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

The 2024 Plan and all grants granted thereunder will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to that body of laws pertaining to conflict of laws.

The Administrator may amend the 2024 Plan or any grant in any respect the Administrator deems necessary or advisable, subject to the limitations of applicable law and the 2024 Plan. If required by applicable law, the Company will seek stockholder approval of any amendment of the 2024 Plan that (a) materially increases the number of shares available for issuance under the 2024 Plan (excluding any capitalization adjustment); (b) materially expands the class of individuals eligible to receive grants under the 2024 Plan; (c) materially increases the benefits accruing to grantees under the 2024 Plan; (d) materially reduces the price at which shares may be issued or purchased under the 2024 Plan; (e) materially extends the term of the 2024 Plan; (f) materially expands the types of grants available for issuance under the 2024 Plan; or (g) as otherwise required by applicable law.

The 2024 Plan will terminate automatically on the tenth (10th) anniversary of the Plan Effective Date. No grant will be granted pursuant to the 2024 Plan after such date, but grants previously granted may extend beyond that date. The Administrator may suspend or terminate the 2024 Plan at any earlier date at any time. No grants may be granted under the 2024 Plan while the 2024 Plan is suspended or after it is terminated.

No amendment, suspension or termination of the 2024 Plan or any grant may materially impair a grantee's rights under any outstanding grant, except with the written consent of the affected grantee or as otherwise expressly permitted in the 2024 Plan. Subject to the limitations of applicable law, if any, the Administrator may amend the terms of any one or more grants without the affected grantee's consent (a) to maintain the qualified status of the grant as an ISO under Section 422 of the Code; (b) to change the terms of an ISO, if such change results in impairment of the grant solely because it impairs the qualified status of the grant as an ISO; (c) to clarify the manner of exemption from, or to bring the grant into compliance with, Section 409A of the Code; or (d) to facilitate compliance with other applicable laws.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2024 Plan. The summary is based on existing U.S. laws and regulations, and there can be no assurance that those laws and regulations will not change. The summary is not complete and does not discuss the tax consequences upon a grantee's death, or the income tax laws of any municipality, state or foreign country in which the grantee may reside. Tax consequences for any particular grantee may vary based on individual circumstances.

Incentive Stock Options. A grantee recognizes no taxable income for regular income tax purposes because of the grant or exercise of an option that qualifies as incentive stock option under Section 422 of the Code. If a grantee exercises the option and then later sells or otherwise disposes of the shares acquired through the exercise of the option after both the two-year anniversary of the date the option was granted and the one-year anniversary of the exercise, the grantee will recognize a capital gain or loss equal to the difference between the sale price of the shares and the exercise price, and we will not be entitled to any deduction for federal income tax purposes.

However, if the grantee disposes of such shares either on or before the two-year anniversary of the date of grant or on or before the one-year anniversary of the date of exercise (a "disqualifying disposition"), any gain up to the excess of the fair market value of the shares on the date of exercise over the exercise price generally will be taxed as ordinary income, unless the shares are disposed of in a transaction in which the grantee would not recognize a loss (such as a gift). Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the grantee upon the disqualifying disposition of the shares generally should be deductible by the Company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

For purposes of the alternative minimum tax, the difference between the option exercise price and the fair market value of the shares on the exercise date is treated as an adjustment item in computing the grantee's alternative minimum taxable income in the year of exercise. In addition, special alternative minimum tax rules may apply to certain subsequent disqualifying dispositions of the shares or provide certain basis adjustments or tax credits for purposes.

Nonstatutory Stock Options. A grantee generally recognizes no taxable income as the result of the grant of such an option. However, upon exercising the option, the grantee normally recognizes ordinary income equal to the amount that the fair market value of the shares on such date exceeds the exercise price. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of the shares acquired by exercising a nonstatutory stock option, any gain or loss (based on the difference between the sale price and the fair market value on the exercise date) will be taxed as capital gain or loss. Any ordinary income recognized by the grantee upon exercising a nonstatutory stock option generally should be deductible by the Company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code. No tax deduction is available to the Company with respect to the grant of a nonstatutory stock option or the sale of the shares acquired through the exercise of the nonstatutory stock option.

Stock Appreciation Rights. In general, no taxable income is reportable when a stock appreciation right is granted to a grantee. Upon exercise, the grantee generally will recognize ordinary income equal to the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Restricted Stock Awards. A grantee acquiring shares of restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the vesting date, reduced by any amount paid by the grantee for such shares. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The grantee may elect, under Section 83(b) of the Code to accelerate the ordinary income tax event to the date of acquisition by filing an election with the Internal Revenue Service no later than thirty (30) days after the date the shares are acquired. Upon the sale of shares acquired under a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Restricted Stock Unit Awards. There are no immediate tax consequences of receiving an award of restricted stock units. A grantee who is awarded restricted stock units generally will recognize ordinary income equal to the fair market value of shares issued to such grantee at the end of the applicable vesting period or, if later, the settlement date elected by the administrator or a grantee. Any additional gain or loss recognized upon any later disposition of any shares received would be capital gain or loss.

Performance Shares and Performance Unit Awards. A grantee generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, grantees normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any cash or unrestricted shares received. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Section 409A. Section 409A of the Code provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2024 Plan with a deferral feature will be subject to the requirements of Section 409A of the Code. If an award is subject to and fails to satisfy the requirements of Section 409A of the Code, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be before the compensation is actually or constructively received. Also, if an award subject to Section 409A of the Code violates the provisions of Section 409A of the Code, Section 409A of the Code imposes an additional 20% federal income tax on compensation recognized as ordinary income, and interest on such deferred compensation.

Tax Effect for the Company. We generally will be entitled to a tax deduction in connection with an award under the 2024 Plan equal to the ordinary income realized by a grantee when the grantee recognizes such income (for example, the exercise of a nonstatutory stock option) except to the extent such deduction is limited by applicable provisions of the Code. Special rules limit the deductibility of compensation paid to our chief executive officer, chief financial officer and other "covered employees" as determined under Section 162(m) of the Code and applicable guidance. Under Section 162(m) of the Code, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1,000,000.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION UPON GRANTEES AND THE COMPANY WITH RESPECT TO AWARDS UNDER THE 2024 PLAN. IT DOES NOT PURPORT TO BE COMPLETE AND DOES NOT DISCUSS THE IMPACT OF EMPLOYMENT OR OTHER TAX REQUIREMENTS, THE TAX CONSEQUENCES OF A GRANTEE'S DEATH, OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE, OR FOREIGN COUNTRY IN WHICH THE GRANTEE MAY RESIDE.

Benefits and Perquisites

The Company offers a standard benefits program for its named executive officers, which includes medical, dental, vision, life and AD&D insurance, short- and long-term disability coverage, flexible spending accounts, vacation time, paid holidays, and participation in a 401(k) plan, when established.

Pay versus Performance

Pursuant to Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(v) of Regulation S-K, we are providing the following information regarding "compensation actually paid", as defined in Item 402(v). In accordance with SEC rules, the "compensation actually paid" amounts shown in the table below for each applicable year reflect certain adjustments to the values reported in the Summary of Compensation Table as described in the footnotes to the following table.

Compensation actually paid differs materially from the amount of cash actually paid to the Company's officers. In 2024, this difference can be summarized as follows:

Compensation Comparison for all PEOs
For the Year Ended December 31, 2024

PEO	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation Actually Received by the PEO
Steve Gutterman	$ 1,025,411	$ 170,250
Rob Chang	$ 315,092	$ 209,196
Jessica Billingsly	$ 892,139	$ 66,573

In accordance with the transitional relief under the SEC rules for smaller reporting companies, only two years of information is required as this is the Company's first year of disclosure under Item 402(v) of Regulation S-K.

Year (a)	Summary Compensation Table Total for PEO 1(1) (b)	Compensation Actually Paid to PEO 1 (2) (c)	Summary Compensation Table Total for PEO 2(3) (b)	Compensation Actually Paid to PEO 2(4) (c)	Summary Compensation Table Total for PEO 3(5) (b)	Compensation Actually Paid to PEO 3 (6) (c)	Average Summary Compensation Table Total for Non-PEO NEOs (7) (d)	Average Compensation Actually Paid to Non-PEO NEOs (8) (e)	Value of Initial Fixed $100 Investment Based on TSR (9) (f)	Net Income (Loss) (10) (g)
2024	$ 1,347,062	$ 1,025,411	$ 374,774	$ 315,092	$ 1,181,142	$ 1,121,460	$ 340,741	$ 388,575	$ 3	$(21,300,000)
2023	$ -	$ -	$ -	$ -	$ 430,164	$ 430,164	$ 273,626	$ 273,626	$ 63	$(28,599,000)

(1) Mr. Gutterman served as our PEO since September 2024.

(2) The dollar amounts reported in this column represent the amount of "compensation actually paid" to Mr. Gutterman, as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual amount of compensation earned by or paid to Mr. Gutterman during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to determine the "compensation actually paid" amounts reported above for Mr. Gutterman:

Reconciliation of Summary of Compensation Table Total to Compensation Actually Paid for CEO	2024	2023
Summary of Compensation Table Total	$ 1,347,062	$ -
Less: Grant Date Fair Value of Option and Stock Awards Granted in Fiscal Year	(1,047,363)	-
Plus: Fair Value of Awards Granted during Applicable Fiscal Year that Remain Unvested as of Applicable Fiscal Year End, Determined as of Applicable Fiscal Year End	670,344	-
Plus: Fair Value of Awards Granted During the Applicable Fiscal Year that Vested During the Applicable Fiscal Year, Determined as of the Vesting Date	-	-
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that were Outstanding and Unvested as of the Applicable Fiscal Year End, Determined Based on the Change in ASC 718 Fair Value from Prior Fiscal year End to the Applicable Fiscal Year End	-	-
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that Vested During the Applicable Fiscal year, Determined based on the Change in ASC 718 Fair Value from the Prior Fiscal Year End to the Vesting Date	55,368	-
Less: ASC 718 Fair Value of Awards Granted During a Prior Fiscal Year that were Forfeited During the Applicable Fiscal Year, determined as of the Prior Fiscal Year End	-	-
Plus: Dividends or Other Earnings Paid During the Applicable Fiscal year Prior to the Vesting Date	-	
Plus: Incremental Fair Value of Options/SARs Modified During the Applicable Fiscal Year	-	-
Compensation Actually Paid	$ 1,025,411	$ -

For Steve Gutterman

Year Ended December 31,	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation Actually Received by the PEO
2024	$ 1,025,411	$ 170,250
2023	$ -	$ -

(3) Mr. Chang served as our PEO from the Company's merger with Akerna until September 2024.

(4) The dollar amounts reported in this column represent the amount of "compensation actually paid" to Mr. Chang, as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual amount of compensation earned by or paid to Mr. Chang during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to determine the "compensation actually paid" amounts reported above for Mr. Chang:

Reconciliation of Summary of Compensation Table Total to Compensation Actually Paid for CEO	2024	2023
Summary of Compensation Table Total	$ 374,774	$ -
Less: Grant Date Fair Value of Option and Stock Awards Granted in Fiscal Year	(165,578)	-
Plus: Fair Value of Awards Granted during Applicable Fiscal Year that Remain Unvested as of Applicable Fiscal Year End, Determined as of Applicable Fiscal Year End	105,896	-
Plus: Fair Value of Awards Granted During the Applicable Fiscal Year that Vested During the Applicable Fiscal Year, Determined as of the Vesting Date	-	
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that were Outstanding and Unvested as of the Applicable Fiscal Year End, Determined Based on the Change in ASC 718 Fair Value from Prior Fiscal year End to the Applicable Fiscal Year End	-	-
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that Vested During the Applicable Fiscal year, Determined based on the Change in ASC 718 Fair Value from the Prior Fiscal Year End to the Vesting Date		
Less: ASC 718 Fair Value of Awards Granted During a Prior Fiscal Year that were Forfeited During the Applicable Fiscal Year, determined as of the Prior Fiscal Year End	-	-
Plus: Dividends or Other Earnings Paid During the Applicable Fiscal year Prior to the Vesting Date	-	-
Plus: Incremental Fair Value of Options/SARs Modified During the Applicable Fiscal Year	-	-
Compensation Actually Paid	$ 315,092	$ -

For Rob Chang

Year Ended December 31,	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation Actually Received by the PEO
2024	$ 315,092	$ 209,196
2023	$ -	$ -

(5) Ms. Billingsley served as the PEO of Akerna prior to its merger with the Company.

(6) The dollar amounts reported in this column represent the amount of "compensation actually paid" to Ms. Billingsley, as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual amount of compensation earned by or paid to Ms. Billingsley during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to determine the "compensation actually paid" amounts reported above for Ms. Billingsley:

Reconciliation of Summary of Compensation Table Total to Compensation Actually Paid for CEO	2024	2023
Summary of Compensation Table Total	$ 1,181,142	$ 430,164
Less: Grant Date Fair Value of Option and Stock Awards Granted in Fiscal Year	(885,248)	-
Plus: Fair Value of Awards Granted during Applicable Fiscal Year that Remain Unvested as of Applicable Fiscal Year End, Determined as of Applicable Fiscal Year End	105,896	-
Plus: Fair Value of Awards Granted During the Applicable Fiscal Year that Vested During the Applicable Fiscal Year, Determined as of the Vesting Date	719,670	
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that were Outstanding and Unvested as of the Applicable Fiscal Year End, Determined Based on the Change in ASC 718 Fair Value from Prior Fiscal year End to the Applicable Fiscal Year End	-	-
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that Vested During the Applicable Fiscal year, Determined based on the Change in ASC 718 Fair Value from the Prior Fiscal Year End to the Vesting Date	-	
Less: ASC 718 Fair Value of Awards Granted During a Prior Fiscal Year that were Forfeited During the Applicable Fiscal Year, determined as of the Prior Fiscal Year End	-	-
Plus: Dividends or Other Earnings Paid During the Applicable Fiscal year Prior to the Vesting Date	-	
Plus: Incremental Fair Value of Options/SARs Modified During the Applicable Fiscal Year	-	-
Compensation Actually Paid	$ 1,121,460	$ 430,164

For Jessica Billingsley

Year Ended December 31,	Total Compensation Actually Paid as Defined by SEC Item 402(v)	Cash Compensation Actually Received by the PEO
2024	$ 1,121,460	$ 430,024
2023	$ 430,164	$ 430,164

(7) For 2023, the non-PEO NEOs were Ray Thompson, David McCullough, and L. Dean Ditto. For 2024, the non-PEO NEOs were Simeon Salzman and Eric Gallie. The values reflected in this column reflect the average "Total Compensation" paid to each of the non-PEO NEOs in the applicable year, as set forth in the Summary of Compensation Table for the applicable year.

(8) The dollar amounts reported in column (e) represent the average amount of "compensation actually paid" to the non-PEO NEOs, as a group, as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not necessarily reflect the actual average amount of compensation earned by or paid to such persons during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to average total compensation for the non-PEO NEOs as a group for each year to determine the compensation actually paid:

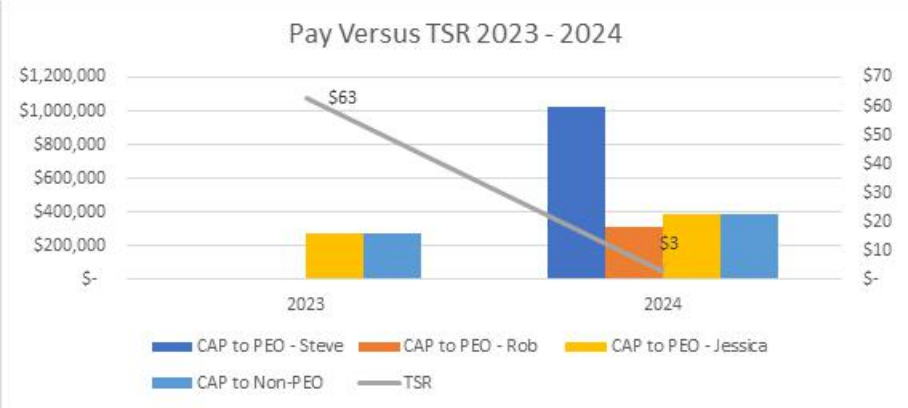
Reconciliation of Average Summary of Compensation Table Totals for non-PEO NEOs to Average Compensation Actually Paid to non-PEO NEOs	2024	2023
Average Summary of Compensation Table Total	$ 340,741	$ 273,626
Less: Grant Date Fair Value of Option and Stock Awards Granted in Fiscal Year	$ 119,250	$ -
Plus: Fair Value of Awards Granted during Applicable Fiscal Year that Remain Unvested as of Applicable Fiscal Year End, Determined as of Applicable Fiscal Year End	$ 100,250	-
Plus: Fair Value of Awards Granted During the Applicable Fiscal Year that Vested During the Applicable Fiscal Year, Determined as of the Vesting Date	$ -	$ -
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that were Outstanding and Unvested as of the Applicable Fiscal Year End, Determined Based on the Change in ASC 718 Fair Value from Prior Fiscal year End to the Applicable Fiscal Year End	$ -	$ -
Plus (Less): Adjustment for Awards Granted During a Prior Fiscal Year that Vested During the Applicable Fiscal year, Determined based on the Change in ASC 718 Fair Value from the Prior Fiscal Year End to the Vesting Date	$ 66,834	$ -
Less: ASC 718 Fair Value of Awards Granted During a Prior Fiscal Year that were Forfeited During the Applicable Fiscal Year, determined as of the Prior Fiscal Year End	$ -	$ -
Plus: Dividends or Other Earnings Paid During the Applicable Fiscal year Prior to the Vesting Date	$ -	$ -
Plus: Incremental Fair Value of Options/SARs Modified During the Applicable Fiscal Year	$ -	$ -
Average Compensation Actually Paid	$ 388,575	$ 273,626

(9) Cumulative Total Share Return ("TSR") is calculated by dividing the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the Company's share price at the end and the beginning of the measurement period by the Company's share price at the beginning of the measurement period.

(10) The dollar amounts reported represent the amount of net income reflected in the Company's audited financial statements for the applicable year.

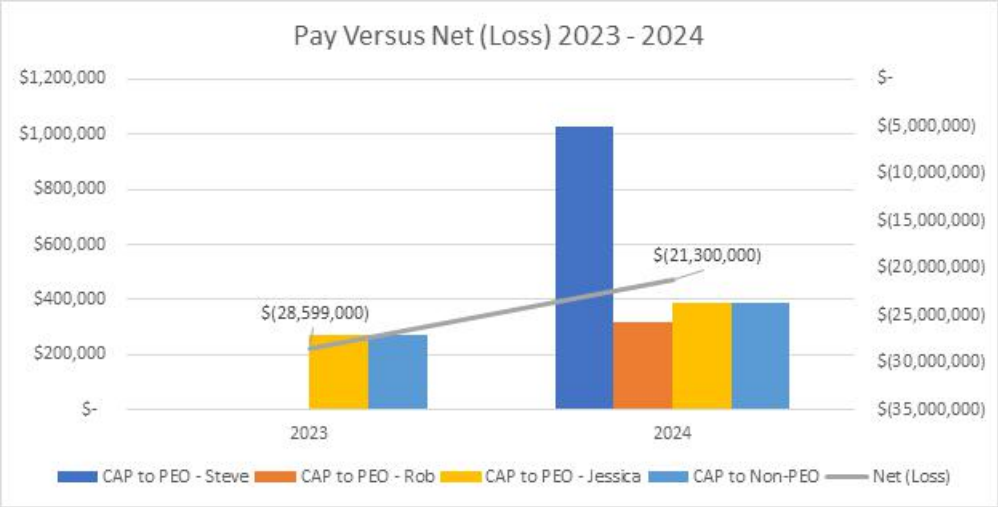
Compensation Actually Paid and Cumulative TSR

The following graph, required by Item 402(v) of Regulation S-K _____, illustrates the amount of "compensation actually paid" ("CAP") to Mr. Gutterman, Mr. Chang and Ms. Billingsley and the average amount of CAP to the Company's Named Executive Officers as a group relative to the Company's cumulative TSR over the two years presented in the table. This graph does not reflect cash actually paid to PEOs, which was approximately 80% lower.



Compensation Actually Paid and Net Income/Loss

The following graph, required by Item 402(v) of Regulation S-K compares CAP to Net Income/Loss. During Q4 2024, following the termination of Mr. Chang and the appointment of Mr. Gutterman, the Company improved its Net Income/Loss position from a loss of approximately $(5.9 million) for the quarter ending September 30, 2024 to a net income of approximately $401,000 for the quarter ending December 31, 2024. The table does not reflect the cash actually paid to PEOs, which was 80% lower.



Compensation of Directors

Director Compensation for Gryphon

The following table and accompanying narrative set forth information about the 2024 compensation provided to certain of members of the Company's Board and the Akerna Board prior to the merger. The current non-employee members of our Board are as follows:

- Jimmy Vaiopoulos (Chairman)
- Brittany Kaiser
- Jessica Billingsley
- Robby Chang
- Heather Cox
- Daniel Tolhurst
- Dan Grigorin

From the Closing to October 1, 2024, our Board members were compensated pursuant to our former director compensation program, which provided for (i) an annual cash retainer of $35,000, (ii) an additional committee chairperson retainer of $12,500, and (iii) an additional committee member retainer of $10,000. A director could not receive both a committee chairperson and a member retainer for service on the same committee. The retainers were earned on a quarterly basis and paid in arrears not later than 30 days following the end of each calendar quarter. Prior to the Closing, Gryphon did not have a formal compensation policy for non-employee directors and instead entered into Director Agreements with its directors.

On October 1, 2024, based on a market study conducted by Korn Ferry, who was engaged as a compensation consultant, the Board approved the following Director Compensation Program:

Element	Amount
Annual Board Cash Retainer	$ 60,000
Annual Equity Award	$ 160,000
Annual Audit Committee Member Retainer	$ 10,000
Annual Compensation Committee Member Retainer	$ 7,500
Annual Nominating/Governance Committee Member Retainer	$ 7,500
Annual Board Chair Additional Retainer:	$ 40,000
Annual Audit Chair Additional Retainer	$ 20,000
Annual Compensation Chair Additional Retainer	$ 15,000
Annual Nominating/Governance Chair Additional Retainer	$ 15,000

Name	Fees Earned ($)	Stock Awards ($)	Total ($)
Jimmy Vaiopoulos, Chairperson	21,750	206,972	228,722
Heather Cox	56,250	165,578	221,828
Daniel Tolhurst	25,388	165,578	190,966
Brittany Kaiser	120,316	165,578	285,894
Dan Grigorin	11,129	165,578	176,707

(1) The compensation paid to Mr. Gutterman, Mr. Chang and Ms. Billingsley for their service on the Board is reflected above in the Summary Compensation Table.
(2) Mr. Vaoipoulos joined the Board on September 17, 2024.
(3) Mr. Tolhurst joined the Board on August 27, 2024.
(4) Mr. Grigorin joined the Board on October 24, 2024.
(5) At the end of 2024, the Company's non-employee directors held the following outstanding equity awards: Mr. Vaipoulos: 330,100 stock awards; Ms. Cox: 306,184 stock awards; Mr. Tolhurst: 264,080 stock awards; Ms. Kaiser: 264,080 stock awards; Mr. Grigorin: 264,080 stock awards.

Director Agreement with Ms. Kaiser

Ms. Kaiser and Gryphon entered into a Director Agreement on May 12, 2021 (the "Director Agreement"), pursuant to which she agreed to serve as a member of the Gryphon Board upon the terms and conditions set forth in Director Agreement, subject to any necessary approval by Gryphon's stockholders after an initial one-year term on the Gryphon Board. The Director Agreement requires Ms. Kaiser to use her best efforts to promote the interests of Gryphon and to dedicate a minimum of 20 hours per week to Gryphon. Under the Director Agreement, Ms. Kaiser is entitled to a base fee of $200,000 per year, which may not be reduced without the written consent of Ms. Kaiser. During the term of the Director Agreement, Gryphon will reimburse Ms. Kaiser for all reasonable out-of-pocket expenses incurred by Ms. Kaiser, subject to certain pre-approval requirements. In connection with the entry into the Director Agreement, Achayot Partners LLC received 700,000 shares of Gryphon's common stock. Ms. Kaiser is the CEO and 50% owner of Achayot Partners LLC, with Natalie Kaiser, the other 50% owner of Achayot Partners LLC. The term of the Director Agreement is the period commencing on the May 12, 2021 and terminating upon the earliest of (a) May 12, 2024; (b) the death of Ms. Kaiser; (c) the termination of Ms. Kaiser from her membership on the Gryphon Board by the mutual agreement of Gryphon and Ms. Kaiser; (d) the removal of Ms. Kaiser from the Gryphon Board by the majority stockholders of Gryphon or the stockholder who appointed Ms. Kaiser, as applicable; and (e) the resignation by Ms. Kaiser from the Gryphon Board. During her service as a member of the Gryphon Board and for a period of one year thereafter, Ms. Kaiser will not interfere with Gryphon's relationship with, or endeavor to entice away from Gryphon, any person who, on the date of the termination of Ms. Kaiser's service as a member of the Gryphon Board and/or at any time during the one year period prior to the termination of such service, was an employee or customer of Gryphon or otherwise had a material business relationship with Gryphon. Ms. Kaiser is also subject to a customary non-competition covenant in favor of Gryphon during her service as a member of the Gryphon Board and for a period of six months thereafter. Under the Director Agreement, Gryphon will indemnify Ms. Kaiser for her activities as a member of the Gryphon Board to the fullest extent permitted under applicable law and will use its best efforts to maintain Directors and Officers Insurance benefitting the Gryphon Board. The Company's agreement with Ms. Kaiser was not renewed and Ms. Kaiser is now compensated for her service on our Board pursuant to the director compensation program discussed above.

Director Compensation for Akerna

The following table sets forth the compensation granted to directors of Akerna who were not also executive officers during period between January 1, 2024 and the closing of the merger between Gryphon and Akerna.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Barry Fishman	31,396	-	-	-	-	-	31,396
Matt Kane	41,750	-	-	-	-	-	41,750
Tahira Rehmatullah	41,750	-	-	-	-	-	41,750
Scott Sozio(1)	175,000	-	-	-	-	-	175,000

(1) Mr. Sozio received compensation pursuant to his role as the Head of Corporate Development and was not compensated independently as a director.

Narrative Disclosure to Director Compensation Table for Akerna

Compensation granted to the Akerna directors who were not also executive officers or employees during the period between January 1, 2024, and the closing of the merger between Gryphon and Akerna was paid in cash including base annualized compensation of $20,000 and annualized committee fees of $21,750 for participation on each of the audit, compensation, corporate governance and nominating committees.

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

The following table sets forth information regarding the beneficial ownership of our shares of Common Stock as of March 31, 2025 based on information obtained from the persons named below, with respect to the beneficial ownership of our shares of Common Stock, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding our shares of Common Stock;
- each of our executive officers and directors that beneficially owns our shares of Common Stock; and
- all our executive officers and directors as a group.

In the table below, percentage ownership is based on 69,346,005 shares of our Common Stock, issued and outstanding as of March 31, 2025.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

Name of Beneficial Owner	Total # of Shares Beneficially Owned	Percentage of Ownership[(1)]
Rob Chang	3,375,668	4.9%
Brittany Kaiser (1)	864,249	1.2%
Simeon Salzman (2)	658,193	0.9%
Heather Cox (3)	286,658	*
Steve Gutterman (4)	625,470	*
Jessica Billingsley (5)	453,241	*
Peter Gallie (6)	290,472	*
Dan Grigorin	66,020	*
Jimmy Vaiopoulos (7)	179,349	*
Dan Tolhurst (8)	3,569,317	5.1%
All directors and officers as a group (10 persons named above)	10,368,637	15.0%
Other 5% Stockholders		
Anchorage Lending CA, LLC (9)	17,757,576	25.6%

* Represents beneficial ownership of less than 1%.

(1) Includes 96,824 shares issuable upon exercise of warrants to purchase common stock.
(2) Includes 19,365 shares issuable upon exercise of warrants to purchase common stock.
(3) Includes 96,284 shares issuable upon exercise of warrants to purchase common stock.
(4) Includes 77,459 shares issuable upon exercise of warrants to purchase common stock.
(5) Includes 48,412 shares issuable upon exercise of warrants to purchase common stock.
(6) Includes 145,236 shares issuable upon exercise of warrants to purchase common stock.
(7) Includes 48,412 shares issuable upon exercise of warrants to purchase common stock.
(8) Includes 96,824 shares issuable upon exercise of warrants to purchase common stock.
(9) Consists of 8,287,984 shares of Common Stock, 5,530,198 shares of Common Stock issuable upon exercise of warrants and 3,939,394 shares of Common Stock issuable upon conversion of convertible notes.

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

In addition to the compensation arrangements in the section titled "Executive Compensation," the following is a description of each transaction since January 1, 2023, and each currently proposed transaction, in which:

- Gryphon has been or is to be a participant;
- the amount involved exceeded or exceeds $120,000; and
- any of Gryphon's directors, executive officers, or beneficial holders of more than 5% of any class of Legacy Gryphon's capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

On January 13, 2025, the Company entered into a Securities Purchase Agreement (the "SPA") with several institutional and accredited investors and certain directors and officers of the Company (and certain of their affiliated parties) for the purpose of raising approximately $2.85 million in gross proceeds for the Company. Pursuant to the terms of the SPA, the Company agreed to sell in a registered direct offering an aggregate of (i) 6,941,856 shares (the "Shares") of the Company's Common Stock and (ii) warrants to purchase 6,941,856 shares of Common Stock at an exercise price of $1.50 per share (the "Common Warrants"), at a combined purchase price per share and accompanying Common Warrant equal to $0.40 for third-party investors and $0.516 for directors and officers of the Company. The offering closed on January 14, 2025. Jessica Billingsley purchased 48,412 shares of Common Stock and 48,412 accompanying common warrants for $25,000. Dan Tolhurst, Brittany Kaiser, and Heather Cox each purchased 96,824 shares and 96,824 accompanying warrants for $50,000. Steve Gutterman purchased 77,459 shares and 77,459 accompanying warrants for $40,000. Eric Gallie purchased 145,236 shares and 145,236 accompanying warrants for $75,000. Sim Salzman purchased 19,365 shares and 19,365 accompanying warrants for $10,000. An affiliate of Jimmy Vaiopoulos purchased 48,412 shares and 48,412 accompanying warrants for $25,000.

Indemnification

Our amended and restated certificate of incorporation contains provisions limiting the liability of directors, and our amended and restated bylaws provides that we will indemnify the directors and executive officers to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and bylaws also provide the Board with discretion to indemnify the other officers, employees, and agents when determined appropriate by the Board.

Related Person Transactions Policy and Procedure

Our Code of Ethics requires us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except under guidelines approved by the Board (or the audit committee). Related-party transactions are defined as transactions in which (1) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, (2) the Company or any of its subsidiaries is a participant, and (3) any (a) executive officer, director or nominee for election as a director, (b) greater than 5% beneficial owner of shares of Common Stock, or (c) immediate family member, of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

Our audit committee, pursuant to its written charter, is responsible for reviewing and approving related-party transactions to the extent we enter into such transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable to us than terms generally available from an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

Item 14. Principal Accountant Fees and Services.

Marcum LLP ("Marcum") was the Company's independent registered public accounting firm for the fiscal years ended December 31, 2023 and 2022 and the subsequent interim periods through April 26, 2024. As previously disclosed, the Company dismissed Marcum on April 26, 2024. The dismissal of Marcum was approved by the audit committee and was not the result of any disagreement with Marcum. Marcum's audit reports on the financial statements as of December 31, 2023 and 2022 of the Company did not provide an adverse opinion or disclaimer of opinion to the Company's financial statements, nor did it modify its opinion as to uncertainty, audit scope or accounting principles, except that such report contained an explanatory paragraph regarding the Company's ability to continue as a going concern.

The Company engaged RBSM LLP ("RBSM") on April 26, 2024, in connection with the termination of the Company's engagement of Marcum. RBSM audited the Company's consolidated financial statements for the fiscal year ending December 31, 2024 and reviewed the Company's quarterly consolidated financial statements for each of the quarters ending March 31, 2024, June 30, 2024, and September 30, 2024. RBSM previously served as the independent registered public accounting firm of Ivy prior to the closing of the Merger.

The following table shows the fees paid or accrued by us to RBSM during the fiscal years ended December 31, 2024 and 2023:

Type of Service	**2024**	**2023**
Audit Fees	$ 211,550	$ 216,500
Audit-Related Fees	113,500	80,500
Tax Fees	-	-
Other Fees	-	-
Total	**$ 325,050**	**$ 297,000**

The following table shows the fees paid or accrued by us to Marcum during the fiscal years ended December 31, 2024 and 2023:

Type of Service	**2024**	**2023**
Audit Fees	$ 235,149	$ 304,880
Audit-Related Fees	79,078	222,694
Tax Fees	-	-
Other Fees	-	-
Total	**$ 314,227**	**$ 527,574**

"Audit Fees" relate to fees and expenses billed by Marcum for the annual audits, including the audit of our financial statements, review of our quarterly financial statements and for comfort letters and consents related to stock issuances.

"Audit-Related Fees" relate to fees for assurance and related services that traditionally are performed by independent auditors that are reasonably related to the performance of the audit or review of the financial statements, such as due diligence related to acquisitions and dispositions, attestation services that are not required by statute or regulation, internal control reviews and consultation concerning financial accounting and reporting standards.

"Tax Fees" relate to fees for all professional services performed by professional staff in our independent auditor's tax division, except those services related to the audit of our financial statements. These include fees for tax compliance, tax planning and tax advice, including federal, state and local issues. Services may also include assistance with tax audits and appeals before the Internal Revenue Service and similar state and local agencies, as well as federal, state and local tax issues related to due diligence.

"All Other Fees" relate to fees for any services not included in the above-described categories.

Pre-Approval Policies and Procedures

The Audit Committee charter provides that the Audit Committee will pre-approve all audit services and non-audit services to be provided by our independent auditors before the accountant is engaged to render these services. The Audit Committee may delegate its authority to pre-approve services to one or more committee members, provided that the designees present the pre-approvals to the full committee at the next committee meeting. Since the formation of our Audit Committee, and on a going-forward basis, the Audit Committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Gryphon Digital Mining, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gryphon Digital Mining, Inc. (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of operations stockholders' equity/(deficit) and cash flows for each of the years the two-year period ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for digital assets (crypto currencies) to fair value, with changes in fair value recognized in net income, effective as of January 1, 2024 due to the adoption of Accounting Standards Update ("ASU") No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08").

Basis for Opinion

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

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

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

Critical Audit Matter

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

Evaluation of Accounting for and Disclosure of Cryptocurrency Mining Revenue Recognized

As discussed in Note 1 to the consolidated financial statements, the Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. For cryptocurrency mining revenue, the Company provides computing power services to the mining pools and in exchange for providing such computing power, the Company is entitled to considerations in the form of cryptocurrencies from the mining pools. The Company's management has exercised significant judgments in their determination of how existing accounting guidance should be applied to the accounting for and disclosure of cryptocurrency mining revenue recognized.

We identified the accounting for and disclosure of cryptocurrency mining revenue recognized as a critical audit matter due to the nature and extent of audit effort required to address the matter, which includes significant involvement of more experienced engagement team members. Subjective auditor judgment was required in determining the nature and extent of audit procedures to test the occurrence of the revenues recognized by the Company.

The primary procedures we performed to address this critical audit matter included the following:

- Evaluated the design of the Company's information technology ("IT") environment that is relevant to the cryptocurrency mining revenue with the assistance of our IT professional;
- Performed site visit of the facility where the Company's mining machines were located, which included an observation of the physical and environmental controls and mining machines observation procedures;
- Evaluated management's rationale for the application of ASC 606 to account for its cryptocurrency mining revenue, which included evaluating the contracts between the Company and the mining pool operator;
- Evaluated and tested management's rationale and supporting documentation associated with the valuation of cryptocurrency awards earned;
- Compared the Company's wallet records of cryptocurrency mining revenue received to publicly available blockchain records and evaluated the relevance and reliability of audit evidence obtained from public blockchains;
- Performed certain substantive analytical procedures to determine completeness and existence of cryptocurrency assets earned by the Company as consideration for services rendered; and
- Evaluated management's disclosures of its cryptocurrency mining revenue in the financial statement footnotes.

/s/ RBSM LLP

RBSM LLP
March 31, 2025

We have served as the Company's auditor since 2020

Larkspur, California
PCAOB ID 587

Gryphon Digital Mining, Inc and Subsidiaries
Consolidated Balance Sheets
As of December 31,

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 735,000	$ 915,000
Restricted cash	-	8,000
Accounts receivable	-	486,000
Prepaid expenses	409,000	581,000
Marketable securities	115,000	403,000
Digital assets held for other parties	-	908,000
Digital asset	1,016,000	2,097,000
Total current assets	2,275,000	5,398,000
Mining equipment, net	2,994,000	12,916,000
Intangible asset	100,000	100,000
Deposits	2,263,000	420,000
Total assets	$ 7,632,000	$ 18,834,000
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities	$ 9,045,000	$ 3,649,000
Obligation liability related to digital assets held for other parties	-	916,000
Note payable – current portion	213,000	-
Bitcoin denominated note payable - current portion	-	14,868,000
Current liabilities	9,258,000	19,433,000
Note payable – less current portion	5,384,000	-
Total liabilities	14,642,000	19,433,000
Stockholders' deficit		
Common stock, $0.0001 par value, 150,000,000 shares authorized; 52,991,590 and 34,415,655 shares issued and outstanding, respectively	5,000	3,000
Additional paid-in capital	60,050,000	46,598,000
Shares to be issued – register direct offering	670,000	-
Subscription receivable	-	(25,000)
Accumulated deficit	(67,735,000)	(47,175,000)
Total stockholder's deficit	(7,010,000)	(599,000)
Total liabilities and stockholders' deficit	$ 7,632,000	$ 18,834,000

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

Gryphon Digital Mining, Inc and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31,

	2024	2023
Revenues		
Mining activities	$ 20,539,000	$ 21,052,000
Management services	-	873,000
Total revenues	20,539,000	21,925,000
Operating expenses		
Cost of revenues (excluding depreciation)	15,818,000	13,462,000
General and administrative expenses	11,267,000	4,760,000
Stock-based compensation expense (benefit)	1,588,000	(152,000)
Depreciation expense	11,179,000	14,958,000
Impairment of digital assets	-	275,000
Impairment of miners	-	8,335,000
Unrealized gain on digital assets	(1,566,000)	-
Realized gain on sale of digital assets	-	(535,000)
Total operating expenses	38,286,000	41,103,000
Loss from operations	(17,747,000)	(19,178,000)
Other income (expense)		
Unrealized (loss) gain on marketable securities	(288,000)	168,000
Realized gain from use of digital assets	-	3,899,000
Change in fair value of notes payable	(8,058,000)	(13,297,000)
Interest expense	(915,000)	(758,000)
Loss on disposal of asset	(146,000)	(55,000)
Merger and acquisition cost	(394,000)	-
Other income	-	446,000
Gain on settlement of BTC Note	6,248,000	-
Total other income (expense)	(3,553,000)	(9,597,000)
Loss before provision for income taxes	(21,300,000)	(28,775,000)
Provision for income taxes	-	176,000
Net loss	$ (21,300,000)	$ (28,599,000)
Net loss per share, basic and diluted	$ (0.51)	$ (0.83)
Weighted average shares outstanding - basic and diluted	41,911,711	34,270,512

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

Gryphon Digital Mining, Inc and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2024 and 2023

	Common Stock		Additional Paid-In	Shares to	Subscription	Retained	Total Stockholders'
	Shares	Amount	Capital	be Issued	Receivable	Earnings	Deficit
Balance as of December 31, 2022	34,162,454	$ 3,000	$ 45,302,000	$ -	$ (25,000)	$ (18,576,000)	$ 26,704,000
Common stock issued for compensation	112,510	-	382,000	-	-	-	382,000
Restricted common stock awards issued for compensation	71,975	-	620,000	-	-	-	620,000
Restricted common stock awards issued for payment of service	141,558	-	44,000	-	-	-	44,000
Additional paid-in capital for services contributed by the Company's president	-	-	250,000	-	-	-	250,000
Cancelled common stock	(72,842)	-	-	-	-	-	-
Net loss	-	-	-	-	-	(28,599,000)	(28,599,000)
Balance as of December 31, 2023	34,415,655	$ 3,000	$ 46,598,000	$ -	$ (25,000)	$ (47,175,000)	$ (599,000)
Revaluation of digital assets	-	-	-	-	-	740,000	740,000
Common stock issued for cash	493,791	-	1,395,000	-	-	-	1,395,000
Common stock issued for acquisition of Akerna's net book value	2,921,362	-	(2,256,000)	-	-	-	(2,256,000)
Common stock issued for after the market program	5,182,929	1,000	3,700,000	-	-	-	3,701,000
Common stock issued for exercise of warrants	165,622	-	-	-	-	-	-
Common stock issued for services	1,327,527	-	1,884,000	-	-	-	1,884,000
Common stock issued for settlement of BTC Note	8,287,984	1,000	5,072,000	-	-	-	5,073,000
Warrants issued for settlement of BTC Note	-	-	3,048,000	-	-	-	3,048,000
Common stock issued for vesting of RSUs	196,720	-	322,000	-	-	-	322,000
Compensation expense for market-based RSUs	-	-	312,000	-	-	-	312,000
Cancelation of stock subscription receivable	-	-	(25,000)	-	25,000	-	-
Cash proceeds for registered direct offering	-	-	-	670,000	-	-	670,000
Net loss	-	-	-	-	-	(21,300,000)	(21,300,000)
Balance December 31, 2024	52,991,590	$ 5,000	$ 60,050,000	$ 670,000	$ -	$ (67,735,000)	$ (7,010,000)

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

Gryphon Digital Mining, Inc and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (21,300,000)	$ (28,599,000)
Adjustments to reconcile net loss to cash (used in) provided by operating activities		
Gain from settlement of BTC Note	(6,248,000)	-
Impairment of digital assets	-	275,000
Realized gain from sale of digital assets	-	(535,000)
Realized gain from use of digital assets	-	(3,899,000)
Unrealized gain on digital assets	(1,566,000)	-
Impairment of miners	-	8,335,000
Depreciation expense	11,179,000	14,958,000
Forfeiture of restricted common stock awards	-	(1,910,000)
Compensation cost related to restricted common stock awards	1,588,000	1,508,000
Fair value of common stock issued to consultants	1,884,000	-
Compensation for services contributed by the Company's President	-	250,000
Unrealized loss (gain) on marketable securities	288,000	(168,000)
Loss on asset disposal	146,000	55,000
Change in fair value of BTC Note	8,058,000	13,193,000
Interest expense	914,000	758,000
Digital asset revenue	(20,539,000)	(21,052,000)
Other	-	67,000
Changes in operating assets and liabilities		
Proceeds from the sale of digital assets	20,260,000	18,512,000
Accounts receivable	486,000	(456,000)
Prepaid expenses	(230,000)	(249,000)
Accounts payable and accrued liabilities	1,684,000	1,968,000
Net cash (used in) provided by operating activities	(3,396,000)	3,011,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mining equipment	(1,075,000)	(1,894,000)
Proceeds from the sale of miners	170,000	-
Refundable deposit	(1,842,000)	(360,000)
Net cash used in investing activities	(2,747,000)	(2,254,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for insurance payable	(601,000)	(109,000)
Issuance of note payable for insurance premiums	569,000	-
Payment for interest on notes payable	(40,000)	-
Cash paid for legal fees incurred for BTC Note restructuring	(230,000)	-
Proceeds from registered direct offering	670,000	-
Cash acquired in connection with the reverse recapitalization	500,000	-
Proceeds from issuance of common stock - private placement	1,395,000	-
Proceeds from issuance of common stock - ATM	4,043,000	-
Cash expenses for issuance of common stock	(343,000)	-
Net cash provided by (used in) financing activities	5,963,000	(109,000)
Net change in cash	(180,000)	648,000
Cash-beginning of period	915,000	267,000
Cash-end of period	$ 735,000	$ 915,000
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents	$ 735,000	$ 915,000
Restricted cash	-	8,000
Cash and cash equivalents and restricted cash	$ 735,000	$ 923,000
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 40,000	$ -
Cash paid for income taxes	$ -	$ 176,000
Non-Cash investing and financing activities:		
Accrued expenses for issuance of common stock	$ 322,000	$ 845,000
ASC 2023-08 fair value adjustment	$ 740,000	$ -
Fair value of common stock issued for settlement of BTC Note	$ 5,072,000	$ -
Fair value of warrants issued for settlement of BTC Note	$ 3,048,000	$ -
Promissory note issued for settlement of BTC Note	$ 5,000,000	$ -
Digital assets used for principal and interest payment BTC Note	$ 3,665,000	$ 7,770,000

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Gryphon Digital Mining, Inc. ("Gryphon"), which originally began operations as Ivy Crypto, Inc., was incorporated under the provisions and by the virtue of the provisions of the General Corporation Law of the State of Delaware on October 22, 2020, with its office located in Las Vegas, Nevada. Gryphon operates a digital asset (commonly referred to as cryptocurrency) mining operation using specialized computers equipped with application-specific integrated circuit (ASIC) chips (known as "miners") to solve complex cryptographic algorithms in support of the Bitcoin blockchain (in a process known as "solving a block") in exchange for cryptocurrency rewards (primarily Bitcoin). Gryphon became a publicly held entity in February 2024 upon the completion of a reverse merger transaction (the "Merger") with Akerna Corp., herein referred to as we, us, our, the Company or Akerna. These consolidated financial statements and notes thereto, including disclosures for certain activities up to and including the February 9, 2024 (the "Effective Date") the date of the Merger, are exclusively attributable to the operations of Ivy Crypto, Inc. The common stock, $0.0001 par value ("Common Stock") is traded on the Nasdaq Capital Market (the "Nasdaq") under the symbol "GRYP" after February 9, 2024.

The legacy Akerna ("Legacy Akerna') was formed upon completion of the mergers between MTech Acquisition Corp. ("MTech") and MJ Freeway, LLC ("MJF") on June 17, 2019 as contemplated by the Merger Agreement dated October 10, 2018, as amended (the "Formation Mergers"). Akerna provided software as a service ("SaaS") solutions within the cannabis industry that enabled regulatory compliance and inventory management through several wholly-owned subsidiaries including MJF, Trellis Solutions, Inc. ("Trellis"), Ample Organics, Inc. ("Ample"), Last Call Analytics ("LCA"), solo sciences, inc. ("Solo"), Viridian Sciences, Inc. ("Viridian"), and The NAV People, Inc. d.b.a. 365 Cannabis ("365 Cannabis"). Our common stock, $0.0001 par value ("Common Stock") was traded on the Nasdaq Capital Market (the "Nasdaq") under the symbol "KERN" through February 9, 2024.

Prior to the merger date of February 9, 2024, Legacy Akerna committed to a number of significant actions that collectively represented a strategic shift in its business strategy and a complete exit from the SaaS business serving the cannabis industry. The shift was effectuated in a two-part exit strategy whereby Legacy Akerna management (i) disposed of its component SaaS business units in advance of (ii) the Merger with Gryphon, an entity unaffiliated with the SaaS and cannabis industries.

Reverse Merger with Legacy Ivy Crypto, Inc.

On January 27, 2023, Akerna entered into an agreement and plan of merger, as amended on April 28, 2023 and June 14, 2023 (the "Merger Agreement") with Ivy Crypto, Inc. (formerly known as Gryphon Digital Mining, Inc. ("Ivy") and its wholly-owned subsidiary Gryphon Opco I LLC. On February 9, 2024, concurrent with the closing of the Sale Transaction, Legacy Akerna merged with and into Ivy, with Ivy surviving the Merger as a wholly-owned subsidiary of Akerna. Following the closing of the Merger, the former Ivy and Akerna stockholders immediately before the Merger owned approximately 92.5 percent and 7.5 percent, respectively, of the outstanding capital stock on a fully diluted basis which effectively resulted in a change in control of the Company. Upon completion of the Merger, Akerna changed its name to Gryphon.

On February 9, 2024, the Company completed the transactions contemplated by the Merger Agreement (the "Merger"). Under the terms of the Merger Agreement, Akerna Merger Co. ("Merger Sub") merged with and into Ivy, with Ivy surviving as a wholly-owned subsidiary of Akerna. On the Effective Date of the Merger, each share of Ivy's common stock, par value $0.0001 per share (the "Ivy Common Stock"), and Ivy's preferred stock, par value $0.0001 per share (the "Ivy Preferred Stock," collectively referred to herein with the Ivy Common Stock as the "Ivy Shares"), outstanding immediately prior to the Effective Date was converted into the right to receive approximately 1.7273744 shares of Gryphon common stock. Each warrant to purchase common stock of Ivy that was issued and outstanding at the Effective Date remained issued and outstanding and were assumed by the Company and is exercisable for shares of common stock pursuant to its existing terms and conditions as adjusted to reflect the ratio of exchange of Ivy Shares for shares of common stock. In connection with the Merger, on February 8, 2024, Akerna filed a Certificate of Amendment to its Amended and Restated Articles of Incorporation (the "Reverse Stock Split Amendment"). Because the Reverse Stock Split Amendment did not reduce the number of authorized shares of common stock, the effect of the Reverse Stock Split was to increase the number of shares of common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not modify any voting rights or other terms of the common stock. Eighty thousand and eight hundred and sixty-four (80,864) fractional shares were issued in connection with the Reverse Stock Split. Immediately after giving effect to the Merger and the Reverse Stock Split, the Company had 38,038,533 shares of common stock outstanding. On February 9, 2024, the common stock began trading on the Nasdaq under the symbol "GRYP." All share and per-share data presented in these consolidated financial statements have been adjusted for the exchange ratio.

As contemplated by the Merger Agreement, Akerna's operations were sold concurrently with the closure of the merger, so the Company's operations after the Merger are those of Ivy.

Ivy is treated as the accounting acquirer in the Merger as its stockholders, board of directors, and management control the Company after the Merger, even though Akerna was the legal acquirer. The Merger was treated as a reverse recapitalization of Ivy effected by a share exchange for a financial account and reporting purposes since all of Akerna's operations were disposed of as part of the consummation of the Merger. Therefore, Ivy recorded no goodwill or other intangible assets as a result of the merger. The Merger was treated as if Ivy issued 2,921,362 shares of common stock for the $(2,256,000) net book value of Akerna. As a result, the assets, liabilities, and historical operations reflected in these financial statements are those of Ivy, as if Ivy had always been the reporting company.

The Akerna net book value of approximately $(2,256,000) consisted of $500,000 of cash, prepaid expense of approximately $98,000 and liabilities of approximately $2,854,000.

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

On December 20, 2024, the Company formed a wholly owned subsidiary Canada corporation named 2670786 Alberta LTD ("Alberta LTD"). Alberta LTD was formed to be the holding company for the prospective acquisition of Captus Energy, as further described in Note 13 – Subsequent Events.

Reclassification

Certain reclassifications have been made to the 2023 consolidated financial statements in order to conform to the current period presentations.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate the continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the ordinary course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values.

Since the Company began revenue generation in September 2021, management has financed the Company's operations through equity and debt financing and the sale of the digital assets earned through mining operations. On December 31, 2024, the Company had cash and cash equivalents totaling $735,000 and digital assets totaling $1,016,000.

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

Segment Reporting

The Company adopted FASB issued ASU 2023-07, "Segment Reporting (ASC Topic 280) for the annual reporting period ended December 31, 2024. The most significant provision was for the Company to disclose significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"). The Company's CODM group is composed of the Chief Executive Officer and Chief Financial Officer. The Company operates as one operating segment and uses net income or loss as measures of profit or loss on a consolidated basis in making decisions regarding resource allocation and performance assessment. Additionally, the Company's CODM regularly reviews the Company's expenses on a consolidated basis. The financial metrics used by the CODM help make key operating decisions, such as determination of significant acquisitions and allocation of budget between cost of revenues and general and administrative expenses.

Since the Company operates as one reportable segment, all financial information required by "Segment Reporting" can be found in the accompanying consolidated financial statements. The CODM does not review segment assets at a level other than that presented in the Company's consolidated balance sheets. There are no intra-entity sales or transfers and no significant expense categories regularly provided to the CODM beyond those disclosed in the Consolidated Statements of Operations.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Instruments

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

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

Level 1 - Quoted prices in active markets for identical assets or liabilities.

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

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates their fair value. The Company maintains its cash and cash equivalents in banks insured by the Federal Deposit Insurance Corporation ("FDIC") in accounts that at times may be in excess of the federally insured limit of $250,000 per bank. The Company minimizes this risk by placing its cash deposits with major financial institutions. As of December 31, 2024, and 2023, the Company had $435,000 and $665,000 in excess of the federal insurance limit, respectively. Also, the Company held cash for third parties in the amount of $8,000 as of December 31, 2023. The Company has never suffered a loss due to such excess balances.

Accounts Receivable

As of December 31, 2024, the Company had no accounts receivable.

As of December 31, 2023, accounts receivable includes amounts due from Sphere 3D under the Company's master services agreement with Sphere 3D. The Company collected these amounts in the first quarter of 2024.

Prepaid Expenses

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

Digital Assets Held for Other Parties

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

Digital Assets

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

Digital assets are included in current assets in the consolidated balance sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and the sale of bitcoin to fund operating expenses to support operations. Following the adoption of ASU 2023-08 on January 1, 2024, the Company measures digital assets at fair value with changes recognized in operating expenses in the consolidated statement of operations.

Mining Equipment

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

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

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

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

Leases

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

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

Derivatives

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

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

Revenue Recognition

The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the Company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a distinct bundle of goods or services is identified.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, an entity must consider the effects of all the following:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Noncash consideration
- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time, or over time as appropriate.

Cryptocurrency mining:

The Company entered into contracts with digital asset mining pool operators to provide the service of performing hash computations for the mining pool operator. The contracts are continuously renewable and are terminable without penalty at any time by either party. The Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of Bitcoin. Hashrate is the measure of the computational power per second used when mining. Since the contract is continuously renewing, second by second, the mining contract is considered to have a duration of less than 24 hours for accounting purposes.

Providing computing power in Bitcoin transaction verification services is an output of the Company's ordinary activities. The provision of computing power is the only performance obligation in the Company's contracts with third party pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which is all variable. There is no significant financing component in these transactions.

The Company earns Bitcoin during a 24 hour cycle between 00:00:00 UTC and 23:59:59 UTC ("24-hour Period") unless terminated in accordance with the terms set forth by the terms of service. The Company performs hash computations for one mining pool operator, Foundry USA. Foundry USA operates its pool on the Full Pay Per Share (FPPS) payout method. FPPS is a variant of the Pay Per Share (PPS) method, where miners receive a fixed payout for each valid share submitted, regardless of whether the pool finds a block.

The fair value of the Bitcoin award received is determined using the intraday average quoted price of the Bitcoin over the 24-Hour Period. The Company's Bitcoin earned are actively traded on the major trading platforms. The Company considers Coinbase to be its primary market. The consideration the Company will receive, comprised of block rewards, transaction fees less mining pool operator fees are aggregated, over the 24-Hour Period, in a sub-balance account held by the mining pool operator, which is finalized one hour later at 1:00 AM UTC. The sub-balance account is then withdrawn to the Company's whitelisted wallet address, once a day, between the hours of 9am to 5pm UTC time (the "Settlement"). The rate of payment occurs once per day, as long as the minimum payout threshold of 0.01 bitcoin has accumulated in the sub- account balance, in accordance with the mining pool operator's terms of service. At the time of Settlement, the company values the amount of Bitcoin earned. Given that the contract duration is considered less than 24 hours, the Company uses the average Bitcoin price over the 24 hour period, as quoted by Coinbase, to record the revenue. By utilizing the average daily price of bitcoin over the time earned, the Company eliminates any differences that may arise due to the volatility in trading price between bitcoin and fiat currency during the period where the Company establishes and completes the contract.

Pursuant to ASC 606-10-55-42, the Company assessed if the customer's option to renew represented a material right that represents a separate performance obligation and noted the renewal is not a material right. The definition of a material right is a promise in a contract to provide goods or services to a customer at a price that is significantly lower than the stand-alone selling price of the good or service. The mining pool operator does not provide any discounts and as such there is no economic benefit to the customer and as such a separate performance obligation does not exist under 606-10-55-42. In addition, there are no options for renewal that are separately identifiable from other promises in the contract, such as an ability to extend the contract at a reduced price.

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

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

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

Master service agreement:

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

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

1) Ensuring the machines are installed in the facility selected by Sphere.

2) Selecting and connecting the machines to a mining pool.

3) To review the mining reports and maintain a wallet for the coins earned for the mining operation.

4) To maintain a custodial wallet for the coins earned from the Sphere machines.

5) To sell and/or transfer the coins at the request of Sphere.

At the time the digital assets are mined, they are transferred into the custodial wallet maintained by the Company. As of the receipt of the digital asset, the Company has completed its performance obligation, the transaction price is determinable, net operating profit can be calculated so that the Company can determine its revenue under the contract; therefore, the Company records as revenue the management fee received. On October 6, 2023, Sphere 3D delivered a termination notice to the Company with respect to the Sphere MSA. Subsequent to December 31, 2024, on March 7, 2025, the Company entered into a settlement agreement and release with Sphere 3D. See Note 8– Commitments and Contingencies and Note 13 – Subsequent Events.

Cost of Revenues

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

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

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

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

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

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

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

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

Stock-Based Compensation

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

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

Common stock awards

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

Warrants

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

Income Taxes

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

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

Earnings Per Share

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

Securities that could potentially dilute loss per share in the future were not included in the computation of diluted loss per share for the years ended December 31, 2024 and 2023 because their inclusion would be anti-dilutive. Common stock equivalents, consisting of non-penny stock warrants and unvested RSUs, amounted to 10,150,709 shares and 10,958,876 shares as of December 31, 2024 and 2023, respectively.

Recent Accounting Pronouncements

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

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The amendments in this Update modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to, or technical corrections of the current requirements. Each amendment in the ASU will only become effective if the SEC removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. We are currently evaluating the impact that the adoption of the provisions of the ASU will have on our consolidated financial statements. The amendments in this ASU are not expected to have a material impact on the results of operations or financial position.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (ASC Topic 280): Improvements to Reportable Segment Disclosures." The amendments require the disclosure of significant segment expenses as well as expanded interim disclosures, along with other changes to segment disclosure requirements. The standard will be effective for fiscal years beginning after December 15, 2023, and interim periods beginning on or after December 15, 2024. The Company adopted ASU 2023-07 during the fourth quarter of 2024, which did not have a material impact on the Consolidated Financial Statements.

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

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-08, *Intangible - Goodwill and Other - Crypto Assets (Subtopic 350-60)* ("ASC 350-60"). ASC 350-60 requires entities with certain crypto assets to subsequently measure such assets at fair value, with changes in fair value recorded in net income in each reporting period. Crypto assets that meet all the following criteria are within the scope of the ASC 350-60:

(1) meet the definition of intangible assets as defined in the Codification;

(2) do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets;

(3) are created or reside on a distributed ledger based on blockchain or similar technology;

(4) are secured through cryptography;

(5) are fungible; and

(6) are not created or issued by the reporting entity or its related parties. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets.

Bitcoin, which is the sole crypto asset mined by the Company, meets each of these criteria. For all entities, the ASC 350-60 amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company has elected to early adopt the new guidance effective January 1, 2024 resulting in a $740,000 cumulative-effect change to adjust the Company's bitcoin held on January 1, 2024 with the corresponding entry to beginning accumulated deficit.

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)". The amendments require the disclosure of specified information about certain costs and expenses including purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depreciation, depletion, and amortization recognized as part of oil and gas producing activities. It also requires the disclosure of a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively as well as the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The standard will be effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. We are currently evaluating the impact that the adoption of the provisions of the ASU will have on our consolidated financial statements. We are currently evaluating the impact that the adoption of the provisions of the ASU will have on our consolidated financial statements.

NOTE 2 – DIGITAL ASSETS

The following table summarizes the digital currency transactions of Bitcoin for as of December 31,

	2024	2023
ASC 2023-08 fair value adjustment	$ 740,000	$ -
Digital assets beginning balance	2,097,000	6,746,000
Revenue recognized from mined digital assets	20,539,000	21,052,000
Revenue share from Sphere 3D	-	321,000
Cost of digital assets sold for cash	(20,261,000)	(17,977,000)
Cost of digital assets transferred for noncash expenditures	(3,665,000)	(7,770,000)
Impairment loss on digital assets	-	(275,000)
Fair value gain on digital assets	1,566,000	-
Digital assets ending balance	$ 1,016,000	$ 2,097,000

For the years ended December 31, 2024 and 2023, the Company used digital assets with a value of $3,665,000 and $7,770,000, respectively, for the payment of principal and interest for its notes payable.

The following table presents the Company's Bitcoin holdings as of December 31,

	2024	2023
Number of Bitcoin held	10.93	67.18
Carrying basis - per Bitcoin	$ 61,532	$ 31,213
Fair value - per Bitcoin	$ 92,987	$ 42,214
Carrying basis of Bitcoin	$ 672,259	$ 2,097,000
Fair value of Bitcoin	$ 1,016,000	$ 2,836,000

The carrying basis (or cost basis) represents the valuation of Bitcoin at the time the Company earns the Bitcoin through mining activities.

The carrying amount for 67.18 Bitcoin held as of the adoption of ASC 350-60, was determined on the "cost less impairment" basis.

The Company's Bitcoin holdings are not subject to rehypothecation and do not serve as collateral for any existing loans or agreements. As of December 31, 2024 and 2023, the Company held no other crypto currency.

As of December 31, 2024 and 2023, the Company held 100% of its Bitcoin in cold storage and nil in hot wallets, respectively.

Adoption of ASU 2023-08, Accounting for and Disclosure of Crypto Assets

Effective January 1, 2024, the Company early adopted ASU 2023-08, which requires entities to 'measure crypto assets at fair value with changes recognized in the consolidated statement of operation each reporting period. The Company's digital assets are within the scope of ASU 2023-08 and the transition guidance requires a cumulative-effect adjustment as of the beginning of the current fiscal year for any difference between the carrying amount of the Company's digital assets and fair value. As a result of the Company's early adoption of ASU 2023-08, the Company recorded a $740,000 increase in digital assets and a $740,000 decrease in accumulated deficit on the consolidated balance sheets as of January 1, 2024.

NOTE 3 – MARKETABLE SECURITIES

In accordance with the Agreement and Plan of Merger, dated June 3, 2021, between Gryphon and Sphere 3D (as amended, the "Sphere 3D Merger Agreement"), the Company received 850,000 shares of Sphere 3D's restricted common stock upon the termination of the Sphere 3D Merger Agreement on April 4, 2022. On June 23, 2023, Sphere 3D completed a reverse stock split of its common shares on a 1-for-7 basis. This resulted in the Company holding 121,428 shares.

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

The table below summarizes the movement in this account for the years ended December 31,

	2024	2023
Fair value beginning of period	$ 403,000	$ 235,000
Change in fair value	(288,000)	168,000
Balance end of period	$ 115,000	$ 403,000

NOTE 4 – DEPOSITS

The deposits are summarized as of December 31,

	2024	2023
Balance beginning of period	$ 420,000	$ 60,000
Cash deposit	2,207,000	360,000
Amounts applied to accounts payable	(364,000)	-
Balance end of period	$ 2,263,000	$ 420,000

The Company contracts with other service providers for the hosting of its equipment and operational support in data centers where the Company's equipment is deployed. These arrangements also typically require advance payments to be made to vendors in conjunction with the contractual obligations associated with these services. The Company classifies these payments as "Deposits" in the consolidated balance sheets. As of December 31, 2024 and 2023, the Company had deposits of approximately $656,000 and $420,000 with data centers.

Giga Caddo, LLC

On August 16, 2024, Giga Caddo, LLC, a Delaware limited liability company ("Seller"), and the Company entered into an Asset Purchase Agreement (the "Giga Purchase Agreement") pursuant to which Seller agreed to sell: (i) four (4) natural gas generators with a combined gas standby rating of 1,900 kW, (ii) five hundred and sixty-six (566) bitcoin ASIC mining computers with a combined hashrate capacity of approximately 57,120 TH/s, (iii) six (6) Giga Box Air modular data center units with a combined power capacity of 2,900 kW and (iv) certain other crypto mining equipment and related assets to be agreed by the parties (the "Assets") for $1,500,000 in USD cash (the "Giga Purchase Price") (the "Giga Transaction"). On August 5, 2024, prior to the execution of the Giga Purchase Agreement, $50,000 of the Purchase Price was paid in the form of a refundable earnest money deposit, (ii) on August 19, 2024, $50,000 of the Purchase Price was paid.

On August 29, the Company entered into an amendment to the Giga Purchase Agreement ("Giga Amendment"). The Giga Amendment amended the deadline for the closing date of the Giga Transaction from August 31, 2024 to September 30, 2024. In connection with the Giga Amendment, the Company agreed to make an additional advance payment of $250,000, which was paid on August 29, 2024. As a result of this additional advance payment, the parties agreed that the remaining Giga Purchase Price final payment will be in two payments of $575,000. As such the total Giga purchase price remains $1,500,000. The parties further agreed that out of the pre-paid amounts of $350,000, $100,000 will not be refundable to the Company if the Giga Transaction is terminated prior to the closing date, except to the extent such termination is the result of the Seller's breach of the Giga Purchase Agreement, in which case all pre-paid amounts shall be refunded to the Company. As of December 31, 2024, the Giga Acquisition was not completed.

Captus Energy

On November 14, 2024, the Company entered into a nonbinding term sheet ("Captus Term Sheet") with Captus. As part of the Captus Term Sheet the Company was required to pay $143,759 (CAD $200,000) and issue shares of the Company's common stock valued at CAD$800,000 which would be priced at a 5-day VWAP ("Captus Shares') and such shares to be placed escrow account. The Captus Shares would be refundable to the Company if the Captus Energy transaction did not occur. As of December 31, 2024, the Company paid the cash deposit of approximately $144,000, and the Captus Shares issuance was not completed. Also, the Company has incurred acquisition-related costs of approximately $153,000. See Note 13 – Subsequent Events for a detailed description of the Captus Energy transaction.

RepairBit LLC

On November 25, 2024, the Company entered into a term sheet ("RepairBit Acquisition") for the acquisition RepairBit LLC ("RepairBit") a bitcoin mining repair vendor. The aggregate RepairBit purchase price is $5,000,000, less any non-refundable deposits, which is payable in shares of the Company's common stock. In December 2024, the Company paid refundable deposits of $300,000. As of December 31, 2024, the RepairBit Acquisition was not completed.

Erikson National Energy Inc.

On December 9, 2024, the Company entered into an asset purchase and sale agreement (the "Erikson Purchase Agreement") with Erikson National Energy Inc. ("Erikson"), a Canadian corporation under the laws of the Province of Alberta. Erikson commenced proposal proceedings under the Bankruptcy and Insolvency Act (Canada) ("BIA") on October 1, 2024 by filing a Notice of Intention to Make a Proposal, pursuant to section 50.4 of the BIA, and KSV Restructuring Inc. was named as proposal trustee. Pursuant to an order of the Court of King's Bench of Alberta (the "Court") granted on October 21, 2024, the Court approved a sale and investment solicitation process ("SISP") in respect of the sale of the assets and properties of Erikson. As part of the SISP, the Company and Erikson entered into the Court-approved Purchase Agreement pursuant to which the Company agreed to purchase substantially all of Erikson's assets for a purchase price of CAD $2,000,000, subject to certain adjustments as provided for in the Purchase Agreement. Pursuant to the Erikson Purchase Agreement, the Company will acquire all of Erikson's natural gas and oil wells, facilities and pipelines, which are currently shut in. The assets are located in northeast British Columbia and span the Fort St. John, Stoddart, Roseland, Fireweed, Buick Creek, Laprise and Wildboy areas. The representations and warranties provided by the parties are standard for a transaction of this nature.

The transaction remains subject to certain conditions, which conditions include obtaining the mineral rights formerly held by Erikson, obtaining approval for the well, facility and pipeline license transfers from the British Columbia Energy Regulator, completion of Gryphon's due diligence, and the granting of a sale approval and vesting order by the Court, all of which must be satisfied or waived by the Company by January 31, 2025, which date may be extended at the Company's option to March 8, 2025 (in either case, the "Outside Date"). No assurance can be given that the transactions contemplated by the Purchase Agreement will close.

The Court also granted an amended interim financing order approving the Company as a debtor in possession ("DIP") lender to Erikson. As part of the Erikson Purchase Agreement, the Company provided DIP interim financing to Erikson to cover its operating expenses and legal and professional fees during the period between December 9, 2024 and the applicable Outside Date. Upon closing, The Company may offset some or all of the interim financing provided against the purchase price. As of December 31, 2024, the Company had provided approximately $274,000 of DIP interim financing and incurred approximately $112,000 of transaction cost for a total of $386,000. See Note 13 – Subsequent Events for the termination of the Erikson Purchase Agreement

NOTE 5 – MINING EQUIPMENT, NET

Mining equipment consisted of 8,825 and 8,532 units of bitcoin mining machines as of December 31, 2024 and 2023, respectively.

The following table summarizes the carrying amount of the Company's mining equipment, as of December 31,

	2024	2023
Mining equipment		
Balance, beginning of year	$ 15,978,000	$ 47,599,000
Additions	1,573,000	1,894,000
Disposals	(442,000)	(105,000)
Impairment	-	(8,335,000)
Revaluation from impairment	-	(25,075,000)
Ending balance	$ 17,109,000	$ 15,978,000
Accumulated depreciation		
Balance, beginning of year	$ 3,062,000	$ 13,231,000
Additions	11,179,000	14,958,000
Disposals	(126,000)	(51,000)
Revaluation from impairment	-	(25,076,000)
Ending balance	$ 14,115,000	$ 3,062,000
Mining equipment, net	$ 2,994,000	$ 12,916,000

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities, as of December 31,

	2024	2023
Accounts payable	$ 5,514,000	$ 2,234,000
Accrued liabilities	3,531,000	1,415,000
Total	$ 9,045,000	$ 3,649,000

NOTE 7 – NOTE PAYABLE

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

	2024	2023
Beginning balance	$ 14,868,000	$ 12,636,000
Payment	(2,729,000)	(6,105,000)
Negative interest payment	39,000	-
Amended principal payment	-	(4,856,000)
Adjustment to fair value	8,058,000	13,193,000
Repayment	(20,236,000)	-
Ending balance	$ -	14,868,000
Less – current portion		14,868,000
Ending balance – noncurrent portion		$ -

The following table summarizes the balance of the note payable as of December 31, 2024,

Principal - note payable	$ 5,000,000
Aggregate interest to be paid	638,000
Interest payments made	(41,000)
	5,597,000
Less current portion of interest	(213,000)
Note payable – less current portion	$ 5,384,000

BTC Note

On May 25, 2022, Gryphon Opco I LLC (the "Borrower"), a wholly owned subsidiary of the Company, entered into an Equipment Loan and Security Agreement (the "BTC Note") with a Anchorage Lending CA, LLC ("Lender) amounting to 933.333333 Bitcoin ("BTC") at an annual interest rate of 5%.

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

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

On March 29, 2023, the Company and the Lender entered into the Amended and Restated Promissory Note (the "Amended BTC Note"). The maturity date was extended from May 2024 to March 2026, and the interest rate was increased to 6% per annum, to be applied to the number of bitcoins remaining to be paid at the beginning of each month.

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

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

Additionally, the Company is required thereunder to maintain a collateral (mining equipment and digital assets) coverage ratio of 110% ("Collateral Coverage Ratio"). A breach of the Collateral Coverage Ratio shall not be deemed to have occurred until the lender has provided notice to the Company of such breach. If the Collateral Coverage Ratio decreases below 110%, the Company will have to provide the lender with additional collateral in the form of bitcoin, U.S. dollars, or additional equipment. If the Company is unable to do so, the Company may default on the BTC Note, which could have a material adverse effect on the Company's operations, financial condition, and results of operations. As of September 30, 2024, the Company was not in breach of the Collateral Coverage Ratio.

The Amendment also added a conversion provision whereby the lender has a limited right to convert all or any portion of the outstanding principal on the BTC Note into a number of shares of the Company (the "Conversion Right"). The Conversion Right is available at any time during the one-month period (the "Conversion Period") after which the market capitalization of the Company for the first time exceeds $125,000,000 for five consecutive days. The conversion price is equal to $150,000,000 divided by the number of shares of Company common stock outstanding immediately prior to the lender's exercise of the Conversion Right during the Conversion Period.

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

The Company has evaluated the Amendment in accordance with ASC 470-50 Modification and Extinguishments. The change in the interest rate from 5.0% to 6.0% caused there to be a significant change in the cashflows of the BTC Note. Also, given that the BTC Note carried on the consolidated balance sheet at fair value, any gain on loss from the extinguishment would be adjusted through the change in fair value as of September 30, 2024.

On October 25, 2024 ("Exchange Date"), the Company, its direct and indirect subsidiaries, as applicable and the Lender entered into a Debt Repayment and Exchange Agreement (the "DRE Agreement"), Loan, Guaranty and Security Agreement (the "New Loan Agreement"), the Pre-funded Warrants (as defined below) and the $1.50 Warrants (as defined below) (collectively, the "Agreements") to extinguish and terminate the Amended BTC Note (the "Exchange").

Pursuant to the Agreements, the following consideration was exchanged with the Lender for the settlement of the Amended BTC Note:

- Approximately $9,117,000 of the Amended BTC Note principal balance was converted into shares of the Company's common stock (the "Shares Exchanged"), at an ascribed value of $1.10 per share resulting in the issuance of 8,287,984 shares of common stock to Lender, at a fair market value of $0.612 per share (the quoted market price of the Company's common stock on the Restructuring Date), or an aggregate value of approximately $5,072,000.

- Warrants to purchase 3,530,198 shares of common stock, which warrants are exercisable immediately, have a ten-year term and an exercise price of $0.01 per share (the "Prefunded Warrants"), at a fair market value of $0.612 per share (the quoted market price of the Company's common stock on the Restructuring Date), or an aggregate value of approximately $2,160,000.

- Warrants to purchase 2,000,000 shares of common stock at an exercise price of $1.50 per share (the $1.50 warrants) which will expire in five-years from the date of the transaction for a total fair value of approximately $888,000 based on the Black Scholes fair value option-pricing model with key input variables provided by management, as of the date of issuance: volatility of 115.0%, the fair value of common stock $0.612 estimated life of 5.0 years, risk-free rate of 4.07% to 4.72% and dividend rate of nil.

- A $5,000,000 note payable (the "Note Payable") pursuant to the New Loan Agreement.

- A director specified by Lender was added to the board of directors.

The terms of the Note Payable include the following:

- The outstanding principal and interest are denominated in dollars (as opposed to the original Bitcoin Loan that was denominated in bitcoin).

- One-time payment of in the amount of $5,000,000 on October 25, 2027

- Annual interest rate of 4.25% payable monthly.

- The Lender has been given a first priority lien on all the Company and its subsidiaries' assets.

- The Lender may convert half of the outstanding principal at a price of $1.10 per share of common stock and the remaining half at a price of $1.50 per share of common stock (for purposes of classifying the Restructured Loan, it was concluded that the conversion option did not meet the requirements to be bifurcated and classified as a derivative, nor was there a large premium paid that would be classified as an addition to paid-in capital so the conversion option is included in the value of the host instrument).

- The Note Payable cannot be converted or exercised if the Lender and its affiliates would beneficially own more than 19.99% of the number of shares of common stock as of the date of the agreement after giving effect to such conversion or exercise without the approval of the Company's stockholders, for which the Company is required to seek such approval at its next annual meeting of stockholders.

The Company has evaluated the accounting for the Exchange using the guidance as outlined in ASC 470-60 Troubled Debt Restructuring by Debtors ("ASC 470"). ASC 470 defines a troubled debt restructuring when a creditor, due to a debtor's financial difficulties, grants the debtor a concession that it would not otherwise consider. As of the Exchange Date, the Company's most recent financial statements, as of September 30, 2024, were issued with a going concern exception, and the Company was not earning a sufficient number of Bitcoins to satisfy the monthly interest payments, therefore adding to the principal balance the interest deficiency. Both of these factors would qualify, under ASC 470, that the Company was in financial difficulties, at the Exchange date. The second qualification refers to the lender granting a concession. ASC 470 defines a concession as being a reduction in the effective interest rate of the new loan. The Company determined that the Amended BTC Note's effective interest was higher than the effective interest rate of the Note Payable.

The Company has determined that the Exchange is accounted for as a troubled debt restructuring with the Note Payable in the amount of $5,638,000 and a resulting gain of approximately $6,248,000, calculated as follows:

Book value - Amended BTC Note	$	20,236,000
Fair value of Shares Exchanged		(5,072,000)
Fair value of $1.5 Warrants		(888,000)
Fair value - Prefunded Warrants		(2,160,000)
Remaining value - Amended BTC Note		12,116,000
Note Payable – Principal		5,000,000
Difference	$	(7,116,000)

Since the Note Payable balance is less than the remaining balance of the Amended BTC Note, the Company recorded the Note Payable in the aggregate of the principal and interest calculated over the life of the loan with a corresponding gain as follows:

Principal - Note Payable	$	5,000,000
Interest payments - Note Payable		638,000
Undiscounted cashflow		5,638,000
Remaining value - Amended BTC Note		(12,116,000)
Difference		(6,478,000)
Legal fees incurred		230,000
Gain on debt restructuring	$	(6,248,000)

For the years ended December 31, 2024 and 2023, the Company recognized interest expense amounting to $914,000 and $758,000, respectively, for the bitcoin denominated note payable.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments

Board Member Compensation

On October 31, 2024, the Company's Board of Directors approved the director's compensation program, as follows:

Element		**Amount**
Annual equity award	$	160,000
Annual board cash retainer	$	60,000
Annual Audit Committee Member Retainer	$	10,000
Annual Compensation Committee Member retainer	$	7,500
Annual Nominating/Governance Committee Member Retainer	$	7,500
Annual Board Chair Additional retainer	$	40,000
Annual Audit Chair Additional retainer	$	20,000
Annual Compensation Chair Additional retainer	$	15,000
Annual Nominating/Governance Chair Additional retainer	$	15,000

The cash retainers will be paid monthly in arrears.

The annual equity award will be in the form of restricted stock units ("RSUs"). The number of RSUs to be granted shall be determined by dividing the dollar amounts stated above by the volume-weighted average price ("VWAP") of the Company's common stock over the forty-five (45) trading days immediately preceding (but not including) the Grant Date, rounded to the nearest whole RSU.

Subject to each grantee's continued service with the Company through the applicable vesting date, the awards made hereunder shall vest as to one-fourth (1/4) of the RSUs subject to each award (rounded down to the nearest whole share) upon the first four (4) quarterly anniversaries dates.

As of the resolution date October 31, 2024, with an effective date of October 1, 2024, there were seven board members entitled to the annual equity award of $160,000 and one board member entitled to the committee chair retainer of $40,000. As of October 1, 2024, the grant date, a total of 1,914,580 shares of the Company's common stock, based on a VWAP of $0.61 per share. The fair value of the shares as of the grant date was $1,200,000.

Employment Agreements

CEO Agreements

On January 14, 2021, the Company entered into a consulting agreement ("Consulting Agreement") with Chang Advisory Inc. for Robby Chang ("Consultant"), to serve as the Company's Chief Executive Officer and as a member of the Board of Directors. On September 17, 2024, the Consultant was terminated as Chief Executive Officer.

On September 17, 2024, the Company entered into an executive employment CEO Agreement with Steve Gutterman (the "CEO Agreement"), pursuant to which Mr. Gutterman will serve as the Company's Chief Executive Officer, reporting to the Company's Board. The CEO Agreement has a three-year term that may be renewed for successive one-year periods by written agreement.

The CEO Agreement provides for (A) a $450,000 annual base salary paid in accordance with our normal payroll practices and which may be increased by in the discretion of the Company's board of directors ("Board"), but not reduced, (B) for 2024, a pro-rated bonus based on the Company's and/or Mr. Gutterman's achievement of performance goals, with the sum of the 2024 and 2025 bonuses being no less than 40% of Mr. Gutterman's base salary, (C) a target annual bonus beginning in 2025 equal to 100% of base salary, with the actual amount of such bonus determined by the discretion of the Board, based on the achievement of individual and/or Company performance goals determined by our Board and payable on the date annual bonuses are paid to our other senior executives, but in no event later than March 15th and conditioned upon Mr. Gutterman's continued employment through the payment date, (D) a target annual stock bonus beginning in 2025 equal to 100% of Mr. Gutterman's base salary, which may be paid in the Company's performance stock units or restricted stock units ("RSUs") and which shall be subject to vesting conditions following the grant of such units, (E) a recommendation to the Board that the Board make a sign-on equity grant valued at $1,000,000 in the form RSUs calculated using a 30 day VWAP, which was $0.598, for a total of 1,671,681 shares. One-third of the RSUs vest on each of the first two anniversaries of the grant date for a total of 1,114,454 RSUs ("Time-based RSUs") and the remaining one-third of 557,228 RSUs vest upon the Company's remediation of certain stock exchange listing qualification failures that exist as of the effective date of the CEO Agreement (see below "Contingencies" for further explanation of the qualification failures) ("Market-based RSUs"), and (F) eligibility to participate in customary health, welfare, and fringe benefit plans we provide to our employees.

On September 30, 2024, the grant date, the Company's board of directors approved the issuance of the RSUs, pursuant to the CEO Agreement. The Company relied on guidance set by FASB Accounting Standards Update No. 2021-07 (issued and updated on October 2021) related to Compensation – Stock Compensation ("Topic 718") to determine the impact on the Company. The grant date fair value for the 1,114,454 Time-based RSUs was estimated to be approximately $735,000 based on the Company's closing price of $0.66 as of the grant date. The Company will recognize expense on a straight-line basis over the service period starting October 1, 2024. The remaining 557,228 Market-based RSUs were considered to have a market-based vesting as the milestones are based on the Company's remediation of certain stock exchange listing qualifications, which are based on the market price and market capitalization of the Company's common stock. As further required by Topic 718, a market-based award's fair value is required to be expensed over the derived service period whether the milestone is met or not. The Company hired a third-party valuation firm to calculate the fair value of the Market-based Awards. The fair value of approximately $312,000 was determined by the use of a Monte-Carlo simulation model (i) over the period from September 30, 2024 through August 31, 2025 (the estimated date to achieve the remediation of the Nasdaq deficiencies over the period set forth in the CEO Agreement), (ii) a risk-free rate of 4.0%, (iii) volatility of 152.0%, (iv) a starting price of $0.68, (v) a price hurdle $1.00 and (vi) a time hurdle of 10 days, for a derived fair value of $0.56 per share and a derived service period of approximately 0.33 years.

The CEO Agreement also provides Mr. Gutterman with the opportunity to earn an incentive bonus (the "Incentive Bonus"), with will become payable, if ever, in tranches following the Company's attainment of certain stock price and market capitalization goals. The specific goals are as follows:

	Company Stock Price Goal	Company Market Capitalization Goal	Amount of Incentive Bonus Payable for Achievement of Tranche Goals
Tranche 1	$2.50 based on 30-day VWAP	$150 Million	100% of Base Salary
Tranche 2	$2.50 based on 30-day VWAP	$250 Million	200% of Base Salary
Tranche 3	$5.00 based on 30-day VWAP	$500 Million	300% of Base Salary
Tranche 4	$10.00 based on 30-day VWAP	$1 Billion	500% of Base Salary

No Incentive Bonus tranche will become payable unless both the stock price goal and the market capitalization goal ("Goals') for the applicable tranche are satisfied, and the market capitalization goal is attained simultaneously with the stock price goal. Additionally, the Incentive Bonus may be earned in a change in control if the consideration paid per share of Company common stock exceeds an Incentive Bonus tranche stock price goal and the total value received in the transaction exceeds an Incentive Bonus tranche market capitalization goal. Under no circumstances may the performance goals for an Incentive Bonus tranche be achieved more than one time. The Incentive Bonus, to the extent any tranche becomes payable, will be paid within thirty days of the attainment of the applicable goals, subject to Mr. Gutterman remaining in continuous employment with the Company through each payment date. The Company will continue to evaluate the probability of the CEO's achievement of the Goals. As of December 31, 2024, the Company has not accrued for the Incentive Bonus.

All bonuses payable under the CEO Agreement, except the stock bonus, may be paid in cash, Bitcoin, Company equity, or a mix of any of the foregoing.

Under the CEO Agreement, Mr. Gutterman will be entitled to receive the following severance payments and benefits upon a termination of his employment by the Company without "cause", by Mr. Gutterman for "good reason" (each, as defined in the CEO Agreement and collectively, a "Qualifying Termination"), that does not occur in connection with a change in control:

(1) the Accrued Obligations (as defined in the CEO Agreement),

(2) Mr. Gutterman's annual base salary, and

(3) the product of (x) 12 and (y) Mr. Gutterman's monthly cost for health and welfare benefits pursuant to his elections under the Company's health and welfare benefit plans, as in effect on the termination date (collectively, the "Non-CIC Severance")

The Non-CIC Severance will be paid in a lump sum as soon as practicable following the effective date of a release but no later than 74 days following Mr. Gutterman's termination. If Mr. Gutterman incurs a Qualifying Termination within 30 days prior to or 12 months following a change in control, then in addition to the Non-CIC Severance, Mr. Gutterman will be entitled to the following:

(4) An amount equal to 0.5 times Mr. Gutterman's target bonus and

(5) acceleration and vesting on a prorated basis (performance goals will be assumed to have been achieved at target) of each outstanding equity award held by Mr. Gutterman as of the termination date (but excluding the Incentive Bonus) (collectively, the "CIC Severance").

To the extent payable in cash, the CIC Severance will be paid in a lump sum as soon as practicable following the effective date of a release, but no later than 74 days after Mr. Gutterman's termination date. The severance payments and benefits described above are subject to Mr. Gutterman's execution and non-revocation of a general release of claims in favor of the Company and continued compliance with his restrictive covenant obligations.

The CEO Agreement includes certain restrictive covenants, which include non-solicitation and non-competition covenants during the term of the CEO Agreement and for the 12 months following. Further, the CEO Agreement includes a "best pay" provision under Section 280G of the Internal Revenue Code, pursuant to which any "parachute payments" that become payable to Mr. Gutterman will either be paid in full or reduced so that such payments are not subject to the excise tax under Section 4999 of the Internal Revenue Code, whichever results in the better after-tax treatment to Mr. Gutterman.

Coinmint Co-location Mining Services Agreement

On July 1, 2021, the Company entered into an agreement with Coinmint, (as amended, the "Coinmint Agreement"), pursuant to which Coinmint agreed to provide up to approximately 22.0 MW of power and to perform all maintenance necessary to operate the Company's miners at the Coinmint facility. On July 1, 2023, the Company entered into an amendment to the Coinmint Agreement, pursuant to which Coinmint agreed to provide up to approximately 27.5 MW of power and perform all maintenance necessary to operate the Company's miners at the Coinmint facility. In exchange, Coinmint was reimbursed for direct production expenses and receives a performance fee based on the net cryptocurrencies generated by the Company's miners deployed at the Coinmint facility. The initial term of the Coinmint Agreement was fifteen months with automatic renewals for subsequent three (3) month terms until and unless terminated as provided in the agreement.

The Company determined the agreement with Coinmint does not meet the definition of a lease in accordance with ASC 842, Leases.

On October 31, 2024, the Company notified Coinmint of its non-renewal of the Coinmint Agreement. The Coinmint Agreement expired on January 1, 2025.

Blockfusion Co-location Mining Services Agreement

On December 1, 2024, the Company entered into an agreement with Blockfusion USA, Inc. ("Blockfusion") to provide hosting services for 3,780 of the Company's bitcoin miners not to exceed 12MW of allocated power ("Blockfusion MSA") for a period of twelve months (November 30, 2025), automatically renewing for one month extensions until terminated by either party, ("Term"). The Company is required to pay to Blockfusion a monthly facility fee of $13,000 per MW, for an aggregate of $156,000 ("Facility Fee") for standard levels of maintenance of the Company's Mining Equipment, including fault diagnosis and software upgrades, and racking and unracking of faulty machines. The Company's monthly power usage will charge to the Company without a Blockfusion markup charge. At the signing of the Blockfusion MSA, the Company was required to pay (i) an initial monthly Facility Fee of $156,000 to be applied to the December 2024 Facility fee, (ii) a deposit in the aggregate of $600,000, as follows $200,000 on December 6, 2024, $200,000 on January 1, 2025 and $200,000 on February 1, 2025 ("Cash Deposit") and (iii) the Company is required, prior to January 27. 2025, and thereafter at all times during the Term, maintain an irrevocable letter of credit, or prior to January 31, 2025 maintain a cash deposit and thereafter at all times during the Term, in the amount of $1,200,000 ("LOC Deposit"). As of the release date of these consolidated Financial Statements, the Cash Deposit has been paid and is not outstanding while the LOC Deposit remains outstanding.

The Company determined the agreement with Blockfusion does not meet the definition of a lease in accordance with ASC 842, Leases.

Mawson Agreement

On January 3, 2025, Gryphon entered into a Master Co-Location Agreement (the "Mawson Agreement") with Mawson Hosting LLC ("Mawson") with a right to host up to 5,880 miners in Mawson's facility in Midland, Pennsylvania. Pursuant to the Mawson Agreement, the Company is entitled to 20 MW of power at a cost of approximately $23.50 per MW/hour paid monthly with a minimum fee of approximately $165,521 per month, as well as certain other fees set forth in the agreement. The Mawson Agreement has an initial term of one year and may be terminated on sixty days' notice. Subsequent to December 31, 2024, the Company has delivered 6,719 bitcoin miners to Mawson.

The Company determined the agreement with Mawson does not meet the definition of a lease in accordance with ASC 842, Leases.

Sphere 3D MSA

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

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

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

A threat actor representing to be the Sphere 3D CFO inserted themselves into an email exchange between the Sphere 3D CFO and the Company's former CEO, which also included Sphere 3D's CEO, regarding the transfer of Sphere 3D's BTC from the Company's wallet to Sphere 3D's wallet. The threat actor requested that the BTC be transferred to an alternate wallet. As a result, 26 BTC, with a value of approximately $560,000 at the time, was transferred to a wallet controlled by the threat actor. Via counsel, Gryphon engaged with US Federal law enforcement to recover the BTC. Despite these attempts by law enforcement to recover the BTC, recovery was not possible. Gryphon subsequently wired the commensurate amount in USD to Sphere 3D to make them whole for the stolen BTC. Gryphon also engaged a nationally recognized third-party firm to perform a forensic analysis. The analysis revealed that the threat actor did not enter the email exchange via Gryphon's IT systems. Sphere 3D made a claim with its insurance carrier. If Sphere 3D is reimbursed by its insurance carrier, the Company would request reimbursement from Sphere 3D. The Company has also subsequently modified its control systems to protect against any future attempted incursions. As of March 31, 2023, the Company made the payment to Sphere 3D for $560,000, which was classified as a general and administrative expense on the consolidated statement of operations.

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

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

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

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

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

During Q1 2024, the Company remitted all digital assets held for other parties and restricted cash to Sphere 3D. As of December 31, 2024 and 2023, the Company held approximately 0 and 21.47 bitcoin, respectively, with a value of approximately $0 and $908,000, respectively, classified as digital assets held for other parties on the balance sheet. Also, as of December 31, 2024 and 2023, the Company held approximately $0 and $8,000, respectively of cash generated from the sale of Sphere 3D BTC, to be used to make payments related to the Sphere MSA, classified as restricted cash on the balance sheet.

Subsequent to year end, on March 7, 2025, The Company and Sphere 3D entered into a settlement and release agreement on mutually acceptable terms. The Settlement Agreement fully resolved all pending litigation between the Company and Sphere, and each party fully released the other party from any known or unknown and unsuspected claims. The Settlement Agreement further provided that each party will bear its own costs in connection with the litigation. See Note 13 – Subsequent Events.

Contingencies

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

On September 5, 2024 and September 13, 2024, the Company received deficiency notices from Nasdaq, who have certain stock exchange listing qualification requirements, such as the Company to maintain a stock price of at least $1.00 and maintain MVLS of at least $35,000,000 (the "Deficiencies"). The Company had a period of 180 calendar days, or until March 4, 2025 to regain compliance with the minimum bid price requirement. Also, the Company had a period of 180 calendar days, or until March 12, 2025, to regain compliance with the $35,000,000 MVLS Requirement. As of the issuance of these financial statements, the Company had not remedied the Deficiencies and received a delisting notice for each the two Deficiencies. As part of the Nasdaq's delisting policy, the Company has the right to petition for a hearing with the Nasdaq's board. The Company has submitted petitions for each of the Deficiencies and will present a compliance plan to a Nasdaq Hearing Panel on April 15, 2025.

NOTE 9 – STOCKHOLDERS' DEFICIT

As of December 31, 2024, the Company has 155,000,000 shares authorized, of which 150,000,000 shares are common stock and 5,000,000 shares are preferred stock, of which no class has been designated.

In February 2024, the Company filed a certificate of amendment to the amended and restated articles of incorporation ("Amendment") to authorize a reverse stock split. Effective with the Amendment every twenty (20) shares of the Company's issued and outstanding common stock were converted into one (1) share of the Company's issued and outstanding common stock ("Stock Split'). The per shares numbers and amounts as presented in these financial statements have been adjusted for the Stock Split.

In February 2024, the Company filed certificates of elimination of certificate of designation for each of the (i) series A convertible redeemable preferred stock, (ii) series B convertible redeemable preferred stock, (iii) series C preferred stock and (iv) special voting preferred stock. The designated number of shares for each of these designated preferred series have been reverted back to unissued preferred stock.

Private Placement

On January 31, 2024, the Company initiated a private placement for the sale of the Company's common stock for a purchase price of $2.83 per share. The Company issued 493,791 shares of common stock for total proceeds of $1,395,000.

At The Market Offering (ATM*)*

On April 19, 2024, the Company commenced a new At The Market offering program with B. Riley Inc., Ladenburg Thalmann & Co. Inc., Kingswood Investments, a division of Kingswood Capital Partners, LLC, PI Financial (US) Corp. and ATB Capital Markets USA Inc., each respectively acting as sales agents, under which the Company may offer and sell shares of its Common Stock from time to time through the sales agents having an aggregate offering price of up to $70,000,000. As of December 31, 2024, the Company sold 5,182,929 shares under this program for proceeds of $3,701,000, net of $343,000 of direct offering costs.

Common Stock Issued for Services

In August 2024, the Company entered into an agreement with a vendor pursuant to which the Company issued 56,600 shares of common stock to such vendor for payment of an outstanding payable in the amount of approximately $47,000. The shares were valued at the fair market value of approximately $47,000, which was the closing trading price for the Company's common stock on the date of issuance.

On April 8, 2024, the Company entered into an agreement with a vendor pursuant to which the Company issued 387,597 shares of common stock to such vendor. The shares were valued at the fair market value of approximately $632,000, which was the closing trading price for the Company's common stock on the date of issuance.

On April 16, 2024, the Company entered into an agreement with a vendor pursuant to which the Company issued 800,000 shares of common stock to such vendor. The shares were valued at the fair market value of approximately $1,160,000, which was the closing trading price for the Company's common stock on the date of issuance. The Company also made a one-time payment to the vendor of $600,000.

Restricted common stock awards

The table below summarizes the compensation expense related to the Company's restricted stock awards for the years ended December 31:

	2024	2023
Directors		
October 1, 2024 – 1,914,580 Directors' share grant of common stock	$ 623,000	$ -
February 23, 2023 - 168,419 share grant of common stock	109,000	190,000
Consultants		
December 5, 2024 – 58,644 share grant of common stock	-	20,000
August 23, 2023 – 48,000 share grant of common stock	-	24,000
October 26, 2021 – 17,724 share grant of common stock	-	129,000
October 22, 2021 – 8,637 share grant for common stock	-	66,000
October 20, 2021 – 17,724 share grant for common stock	-	154,000
Employees		
December 17, 2024 – VP Energy 500,000 share grant of common stock	5,000	-
September 30, 2024 – CEO 1,671,682 share grant of common stock	454,000	-
June 19, 2023 – CFO 675,058 share grant of common stock	397,000	530,000
April 4, 2022 – CFO 166,667 share grant of common stock	-	395,000
Stock-based compensation expense reversal for April 4, 2022 grant	-	(1,910,000)
Other		
Officer contributed capital	-	250,000
	$ 1,588,000	$ (152,000)

The following table presents a summary of the activity of the RSUs:

	Number of Units	Weighted Average Grant-date er Share Fair Value
Balance as of December 31, 2022	-	-
Granted	843,478	$ 1.51
Vested	(112,508)	$ 1.40
Forfeited	-	$ -
Balance as of December 31, 2023	730,970	$ 1.53
Granted	4,086,261	$ 0.62
Vested	(196,720)	$ 1.56
Forfeited	-	$ -
Balance as of December 31, 2024	4,620,511	$ 0.73

As of December 31, 2024, there was approximately $2,301,000 unrecognized compensation cost related to the service-based RSUs, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2 years.

On December 17, 2024 ("Grant Date"), the Company's Senior Vice President of Energy ("VP Energy") was granted a time time-based equity grant of 500,000 shares of the Company's common stock pursuant to an equity incentive plan. The Equity Grant shall vest over a four (4)-year period beginning on the Grant Date, subject to VP Energy's continued employment with the Company through the relevant vesting date, in accordance with the following schedule. The equity award was valued as of the grant date at $0.477 per share for a total of $239,000. The grant date fair value was estimated to be fair value of the Company's common stock on the Grant Date. The equity compensation expense for the year ended December 31, 2024 amounted to approximately $5,000.

On September 30, 2024, the grant date, the Company's board of directors approved the issuance of the RSUs, pursuant to the CEO Agreement (as further described NOTE 8 – COMMITMENTS AND CONTINGENCIES). The equity compensation expense for the year ended December 31, 2024 amounted to approximately $312,000 for the Market-based RSUs and approximately $142,000 for the Time-based RSUs.

On June 19, 2023, the Company's CFO was granted a time-based equity grant of 675,058 shares of the Company's common stock pursuant to an equity incentive plan. The Equity Grant shall vest over a three (3)-year period beginning on the Effective Date, subject to CFO's continued employment with the Company through the relevant vesting date, in accordance with the following schedule. The equity award was valued as of the grant date at $2.42 per share for a total of $946,000. The Company was under a binding agreement to merge with Akerna as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio defined in the Akerna Merger, as the Company believes that the Akerna trading is the most readily determined value in accordance with ASC 718-10-55-10 to 12. Akerna is publicly traded (Nasdaq: GRYP). The equity compensation expense for the years ended December 31, 2024 and 2023 amounted to approximately $397,000 and $530,000, respectively.

On February 23, 2023, the Company entered into Independent Director agreements with two individuals. As part of the compensation for the agreements, the Company granted restricted stock of 84,210 to each of the directors for a total of 168,419 shares of the Company's common stock. The shares vest every six months in six equal installments of 14,035 shares for a total of 28,070 shares. The equity award was valued as of the grant date at $3.36 per share for a total of $328,000. The Company was under a binding agreement to merge with Akerna as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio defined in the Akerna Merger, as the Company believes that the Akerna trading is the most readily determined value in accordance with ASC 718-10-55-10 to 12. Akerna is publicly traded (Nasdaq: GRYP). The equity compensation expense for the year ended December 31, 2024 amounted to approximately $109,000.

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

On October 26, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 17,274 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 4,318 Shares will vest on the six-month anniversary of the Effective Date, 4,318 Shares will vest on the first-year anniversary of the Effective Date, 4,318 Shares will vest on the eighteen-month anniversary, and the 4,318 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at $33.48 per share for a total of $322,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Sphere 3D Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (Nasdaq: ANY). Compensation expenses for the years ended December 31, 2024 and 2023 amounted to approximately $0 and $129,000, respectively.

On October 22, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 8,637 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 2,159 Shares will vest on the six-month anniversary of the Effective Date, 2,159 Shares will vest on the first-year anniversary of the Effective Date, 2,159 Shares will vest on the eighteen-month anniversary, and the 2,159 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at $33.90 per share for a total of $163,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Sphere 3D Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (Nasdaq: ANY). Compensation expenses for the years ended December 31, 2024 and 2023 amounted to $0 and $66,000, respectively.

On October 20, 2021, the Company entered into an agreement with an individual to continue service to the Company. As compensation, the consultant was granted 17,274 shares of the Company's common stock, and all of the Shares shall vest over a period of two (2) years in accordance with the following vesting schedule: 4,318 Shares will vest on the six-month anniversary of the Effective Date, 4,318 Shares will vest on the first-year anniversary of the Effective Date, 4,318 Shares will vest on the eighteen-month anniversary, and the 4,318 Shares will vest on the second-year anniversary of the Effective Date. The equity award was valued as of the grant date at $39.48 per share for a total of $380,000. The Company was under a binding agreement to merge with Sphere 3D as of the grant date. Therefore, the grant date fair value was estimated to be the per-share value based on the exchange ratio as defined in the Sphere 3D Merger Agreement, as the Company believes that the Sphere 3D trading is the most readily determinable value in accordance with ASC 718-10-55-10 to 12. Sphere 3D is publicly traded (Nasdaq: ANY). Compensation expenses for the year ended December 31, 2024 and 2023 amounted to $0 and $154,000, respectively.

Warrants

Transactions involving warrants are as follows for the year ended December 31,:

2024	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Weighted Average Grant Date Fair Value	Weighted Average Intrinsic Value
Outstanding – December 31, 2023	1,844,781	$ 9.84	0.55	$ 1.36	$ -
Granted	5,530,198	0.55	9.68	0.55	0.39
Exercised	(165,622)	0.006	0.75	9.06	1.48
Expired	(1,679,159)	10.98	-	7.55	-
Outstanding – December 31, 2024	5,530,198	0.55	9.68	0.55	0.39
Exercisable – December 31, 2024	5,530,198	0.55	9.68	0.55	0.39
Non-exercisable – December 31, 2024	-	$ -	-	$ -	$ -

During the year ended December 31, 2024, 165,622 and 1,679,159 warrants were exercised and expired, respectively.

2023	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Weighted Average Grant Date Fair Value	Weighted Average Intrinsic Value
Outstanding – December 31, 2022	1,844,781	$ 9.84	1.39	$ 1.36	$ -
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Expired	-	-	-	-	-
Outstanding – December 31, 2023	1,844,781	9.84	0.55	1.36	-
Exercisable – December 31, 2023	1,844,781	9.84	0.55	1.36	-
Non-exercisable – December 31, 2023	-	$ -	-	$ -	$ -

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Balance as of December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 115,000	$ 115,000	$ -	$ -
Digital assets	$ 1,016,000	$ 1,016,000	$ -	$ -

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

The Company determines the fair value of its assets and liabilities based on the quoted market prices as of December 31, 2024 and 2023. For the marketable securities the market value is based on the quoted market price on the US exchange. For the digital assets and BTC Note, the Company used the quoted market price per Coinbase.

NOTE 11 – REVERSE MERGER

As described in Note 1, Legacy Ivy merged with Akerna on February 9, 2024. The merger was accounted for as a reverse recapitalization with Legacy Ivy as the accounting acquirer. The primary pre-combination assets of Akerna were cash and cash equivalents. Under reverse recapitalization accounting, the assets and liabilities of Akerna were recorded at their fair value which approximated book value due to the short-term nature of the accounts. No goodwill or intangible assets were recognized. Consequently, the consolidated financial statements of the Company reflect the operations of Legacy Ivy for accounting purposes, together with a deemed issuance of shares equivalent to the shares held by the former stockholders of Akerna, the legal acquirer, and a recapitalization of the equity of Legacy Ivy, the accounting acquirer.

As part of the reverse recapitalization, the Company acquired $500,000 of cash and cash equivalents. The Company also assumed accounts payable and accrued expenses of $2.8 million and the net book value is recorded in additional paid-in capital in the accompanying consolidated statements of stockholders' equity (deficit) for the year ended December 31, 2024. Akerna's operation had ceased concurrent with the merger and were deemed to be de minimis in value at the transaction date.

NOTE 12 – INCOME TAXES

For the period ended December 31, 2024 the Company generated no current income taxes due to the Company generating net operating losses whereas for the period ended December 31, 2023, the Company generated a current tax benefit of ($176,000). Additionally, no deferred income taxes have been recorded due to the uncertainty of the realization of any tax assets. On December 31, 2024, the Company has federal and state net operating loss carryforwards available to offset future taxable income of approximately $38,580,000. For federal purposes, there is an unlimited carryforward period, and for state purposes, the net operating losses begin to expire in 2041.

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

	2024	2023
Current provision for income taxes:		
Federal	$ -	$ (176,000)
State	-	-
Total current income tax	-	(176,000)
Deferred tax expense:		
Federal	-	-
State	-	-
Total deferred tax	-	-
Total income tax	$ -	$ (176,000)

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

	2024	2023
Taxes calculated at federal rate	21.0%	21.0%
Permanent differences	(0.5)	-
State tax, net of federal impact	3.9	3.2
Return to provision	-	(0.7)
Other	(2.9)	-
Change in valuation allowance	(21.5)	(23.0)
Provision for income taxes	0.0%	0.5%

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

	2024	2023
Deferred tax assets		
Net operating loss carryforwards	$ 9,436,000	$ 10,002,000
Stock based compensation	4,203,000	4,019,000
Accrued Expenses	252,000	208,000
Mining equipment	1,825,000	251,000
Digital asset Impairment	335,000	842,000
Total deferred tax assets	16,051,000	15,322,000
Deferred tax liability		
Mining equipment	-	
Change in FV of Derivative	-	(3,546,000)
Total deferred tax liability	-	(3,546,000)
Net deferred tax assets	16,051,000	11,776,000
Valuation allowance	(16,051,000)	(11,776,000)
Net deferred tax	$ —	$ —

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

For financial reporting purposes, the Company has incurred a loss in each period since its inception. Based on all available evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets on December 31, 2024, and 2023. During the years ended December 31, 2024, and 2023, the valuation allowance increased by $4,275,000 and $6,608,000, respectively. The increase was attributable to the increase in our net operating loss carryforwards and several other deferred tax assets. The total valuation allowance results from the Company's estimate of its inability to recover its net deferred tax assets.

On December 31, 2024, the Company has federal and state net operating loss carryforwards, which are available to offset future taxable income, of approximately $38,580,000 which for federal purposes has an unlimited carryforward period and begins to expire in 2041 for state purposes. These carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if the Company experienced one or more ownership changes that would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Sections 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred, NOL and tax credit carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate.

The Company files income tax returns in the United States and various state jurisdictions. Due to the Company's carryforward of net operating losses all tax years are open and subject to income tax examination by tax authorities. The Company's policy is to recognize interest expenses and penalties related to income tax matters as a tax expenses. As of December 31, 2024 and 2023, there are no unrecognized tax benefits, and there are no significant accruals for interest related to unrecognized tax benefits or tax penalties.

The Company is in the process of analyzing its NOL and has not determined if the company has had any change of control issues that could limit the future use of NOL. The NOL carryforwards that were generated after 2017 of approximately $38,580,000 may only be used to offset 80% of future taxable income and are carried forward indefinitely.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. The management of the Company determined there are no reportable events for the year ended December 31, 2024, except for the following.

Issuance of shares of common stock

In January 2025, the Company entered into a securities purchase agreement (the "Purchase Agreement") with several institutional and accredited investors and certain directors and officers of the Company (and certain of their affiliated parties) for the purpose of raising approximately $2,820,000 in gross proceeds for the Company. Of the gross proceeds, approximately $670,000 was received in December 2024 with approximately $2,150,000 received in January 2025. The Company incurred legal fees of approximately $75,000 associated with the Purchase Agreement. Pursuant to the terms of the Purchase Agreement, the Company sold in a registered direct offering an aggregate of (i) 6,941,856 shares (the "Shares") of the Company's common stock, par value $0.00001 per share and (ii) warrants to purchase 6,941,856 shares of the Company's common stock at an exercise price of $1.50 per share, at a combined purchase price per share and accompanying warrant equal to $0.40 for third-party investors and $0.516 for directors and officers of the Company.

In January 2025, the Company raised net proceeds of approximately $2,336,000 from the ATM for the issuance of 4,563,552 shares.

In January 2025, the Company entered into an investor relations consulting agreement. The agreement is for a period of six months with equal monthly payments of $12,500 and the issuance of 350,000 shares of the Company's common stock.

In January 2025, the Company issued 283,333 shares of the Company's common stock as payment for a consulting agreement.

In January 2025, the Company issued 591,155 shares of the Company's common stock in accordance with the vesting schedule for the Board RSUs.

Purchase of mining machines

In March 2025, the Company purchased 1,900 S19JPro series machines with an extended warranty. The purchase price was a cash payment of approximately $608,000 and the issuance of $100,000 of the Company's common stock. As of March 31, 2025, the Company paid $558,000 of the $608,000 cash payment due. The issuance of $100,000 of the Company's common stock remains outstanding.

Potential acquisitions

Captus Energy

On January 8, 2025, the Company and Alberta Ltd., entered into a Share and Unit Purchase Agreement (the "Captus Agreement") with BTG Energy Corp., a Canadian corporation ("BTG Energy"), BTG Power Corp., a Canadian corporation ("BTG Power") and West Lake Energy Corp., a Canadian corporation ("West Lake," and together with BTG Energy and BTG Power, the "Vendors"). Pursuant to the Captus Agreement, the Company will acquire from the Vendors all of the issued and outstanding shares or units, as applicable, of (i) Captus Generation Ltd. ("Captus GP") and BowArk Energy Ltd., each a Canadian corporation, and (ii) Captus General Limited Partnership, a Canadian limited partnership (collectively "Captus Energy," and the transaction contemplated by the Captus Agreement, the "Captus Acquisition").

Captus GP owns 850 acres in Pincher Creek, Alberta (the "Captus Site"). The acreage contains characteristics management considers to be highly suitable for the development of AI HPC. These characteristics include: 1) redundant natural gas lines, 2) grid connectivity, 3) a deplete reservoir that can be used for onsite carbon sequestration, 4) access to non-potable water and 5) proximity to telecom connectivity. Gryphon intends to develop the site for revenue producing activities.

The aggregate consideration payable by the Company to the Vendors is CAD $24.0 million (the "Cash Consideration"), subject to adjustment in accordance with the terms of the Captus Agreement. In November 2024, the Company paid a cash deposit of $143,759 (CAD $200,000) to Captus GP for the benefit of the Vendors (the "LOI Cash Deposit"). Within two business days of the date of the Captus Agreement, the Company paid a cash deposit of $704,641 (CAD $1,000,000) to Captus GP for the benefit of the Vendors (the "Signing Cash Deposit," and together with the LOI Cash Deposit, the "Cash Deposits"). The Cash Deposits may be applied towards the payment of the Cash Consideration in accordance with the terms of the Captus Agreement, and the remainder of the Cash Consideration will be paid by the Company upon closing.

The transaction remains subject to certain conditions, including the transfer and assignment of certain agreements from the Vendors to the Company. Pending approval by the Alberta Energy Regulator, BTG Energy and West Lake will hold certain well, pipeline and facility licenses in trust for an agreed fee.

In connection with the Captus Agreement, on January 8, 2025, as a material inducement to their agreeing to become employees of the Company, the Company granted a restricted stock award to each of Harry Andersen, Paul Connolly, Mark Taylor and Steve Giacomin (collectively, the "Restricted Stock Awards"). The Restricted Stock Awards were intended to constitute "employment inducement awards" under the Nasdaq Stock Market Rules. The aggregate restricted stock shares issued was 4,083,003.

Each of the Restricted Stock Awards vests in three equal installments on the first three anniversaries of the grant date subject to the grantee's continued engagement with the Company through each applicable vesting date, provided however, that the Restricted Stock Awards will accelerate and vest immediately upon the grantee's death, disability, termination by the Company without "cause" (as defined in each Restricted Stock Award agreement), or the consummation of a change in control of the Company.

On March 19, 2025, the Company's Board of Directors approved the execution of a strategic advisory business service agreement ("Advisory Agreement') with Bower Four Capital Corp. Pursuant to the Advisory Agreement, the Advisor will provide general strategic advice and guidance regarding the Company's business, proposed transactions and M&A activity. The term of the agreement will be for a period of thirty-six months subject to renewal for one or more additional six-month periods. If the Captus Acquisition closes, the Company will be required to issue 6,000,000 shares of the Company's common stock and a warrant to purchase 6,000,000 shares of the Company's common stock at $0.50 per share. As of March 31, 2025, the Advisory Agreement has not been executed by the parties thereto.

Erikson Purchase Agreement

On February 14, 2025, the Company gave Erikson notice of the cancellation of the Erikson Purchase Agreement.

Litigation

On March 7, 2025, The Company and Sphere 3D entered into a settlement and release agreement on mutually acceptable terms. The Settlement Agreement fully resolved all pending litigation between the Company and Sphere, and each party fully released the other party from any known or unknown and unsuspected claims. The Settlement Agreement further provided that each party will bear its own costs in connection with the litigation.

NASDAQ Compliance

On March 11, 2025, the Company received NASDAQ delisting notice for non-compliance with the Bid Price Rule as set forth in Listing Rule 5550(a)(2)

On March 14, 2025, the Company received NASDAQ delisting notice for non-compliance with the MVLS requirements as set forth in Listing Rule 5550(b)(2)

(2) Financial Statement Schedules:

All financial statement schedules are omitted because they are not applicable or the amounts are immaterial and not required, or the required information is presented in the financial statements and notes thereto beginning on page F-1 of this Report.

(3) Exhibits

Exhibit Number	Description
2.1+	Agreement and Plan of Merger, dated as of January 27, 2023, by and among Akerna Corp., Merger Sub and Gryphon (incorporated by reference to Exhibit 2.1 to Registration Statement on Form S-4/A filed on January 8, 2024)
2.2	First Amendment to Agreement and Plan of Merger, dated as of April 28, 2023, by and among Akerna Corp., Merger Sub and Gryphon (incorporated by reference to Exhibit 2.7 to Registration Statement on Form S-4/A filed on January 8, 2024)
2.3	Second Amendment to Agreement and Plan of Merger dated June 14, 2023, by and among Akerna Corp., Merger Sub and Gryphon (incorporated by reference to Exhibit 2.8 to Registration Statement on Form S-4/A filed on January 8, 2024)
2.4+	Asset Purchase Agreement, dated as of August 16, 2024, by and among Giga Caddo, LLC and Gryphon Digital Mining, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on August 20, 2024)
2.5	Amendment No. 1 to Asset Purchase Agreement, dated as of August 29, 2024, by and among Giga Caddo, LLC and Gryphon Digital Mining, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on August 29, 2024)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed on November 14, 2022)
3.2	First Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed on November 14, 2022)
3.3	Certificate of Amendment for Name Change (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on February 13, 2024)
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.4 to Annual Report on Form 10-K filed on April 1, 2024)
4.1	Description of Securities of the Registrant (incorporated by reference to Exhibit 4.1 to Annual Report on Form 10-K filed on April 1, 2024)
4.2	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4/A filed on January 8, 2024)
4.3	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-4/A filed on January 8, 2024)
4.4	Form of Common Warrant (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on January 13, 2025)
4.5	Pre-Funded Warrant (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on October 28, 2024)
4.6	$1.50 Warrant (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on October 28, 2024)

10.1	At the Market Offering Agreement, dated April 19, 2024, by and among the Company and B. Riley Securities, Inc., Ladenburg Thalmann & Co. Inc., Kingswood Investments, a division of Kingswood Capital Partners LLC, PI Financial (US) Corp. and ATB Capital Markets USA Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on April 19, 2024)
10.2	Terms Agreement, dated April 19, 2024, by and between the Company and Ladenburg Thalmann & Co. Inc. (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on April 19, 2024)
10.3	Debt Repayment and Exchange Agreement, dated as of October 25, 2024, by and among Gryphon Digital Mining, Inc. Gryphon Opco I LLC, Gryphon Opco II LLC, Ivy Crypto, Inc. and Anchorage Lending CA, LLC. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on October 28, 2024)
10.4	Loan, Guaranty and Security Agreement, dated as of October 25, 2024, by and among Gryphon Digital Mining, Inc. Gryphon Opco I LLC, Gryphon Opco II LLC, Ivy Crypto, Inc. and Anchorage Lending CA, LLC. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on October 28, 2024)
10.5+	Share and Unit Purchase Agreement, dated January 8, 2025, between the Company and BTG Energy Corp., BTG Power Corp., West Lake Energy Corp. and 2670786 Alberta Ltd. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on January 10, 2025)
10.6	Form of Restricted Stock Grant (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on January 10, 2025)
10.7++	Co-Location Mining Services Agreement, dated December 1, 2024, between the Company and Blockfusion USA, Inc. (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on January 10, 2025)
10.8+	Master Co-Location Agreement, dated January 3, 2025, between the Company and Mawson Hosting LLC (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on January 10, 2025)
10.9	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on January 13, 2025)
10.10#	Employment Agreement, dated September 17, 2024, between the Company and Steve Gutterman (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on September 19, 2024)
10.11#	Executive Employment Agreement, dated June 19, 2023, between Gryphon and Simeon Salzman (incorporated by reference to Exhibit 10.23 to Annual Report on Form 10-K filed on April 1, 2024)
10.12#	Amendment No. 1 to Employment Agreement, dated September 26, 2024, between the Company and Simeon Salzman (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on September 27, 2024)
10.13#	Employment Letter Agreement, dated December 12, 2024, between the Company and Eric Gallie (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 16, 2024)
16.1	Letter from Marcum LLP dated April 26, 2024 to the Securities and Exchange Commission regarding change in certifying accountant (incorporated by reference to Exhibit 16.1 to Current Report on Form 8-K filed on April 26, 2024)

19	Insider Trading Policy (incorporated by reference to Exhibit 19 to Annual Report on Form 10-K filed on April 1, 2024)
21*	Subsidiaries
23.1*	Consent of RBSM LLP
31.1*	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Executive Compensation Recovery Policy (incorporated by reference to Exhibit 97 to Annual Report on Form 10-K filed on April 1, 2024)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
** Furnished herewith
\+ The exhibits and schedules to this Exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby agrees to furnish a copy of any omitted schedules to the Commission upon request.
++ Portions of this Exhibit (indicated with [***]) have been omitted pursuant to Item 601(b)(10)(iv) as the registrant has determined that (i) the omitted information is not material and (ii) the omitted information is the type that the Registrant treats as private or confidential.
\# Management compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

March 31, 2025

Gryphon Digital Mining, Inc.

By: /s/ Steven Gutterman
Name: Steven Gutterman
Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven Gutterman Steven Gutterman	Chief Executive Officer, President and Director *(Principal Executive Officer)*	March 31, 2025
/s/ Simeon Salzman Simeon Salzman	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 31, 2025
/s/ Jessica Billingsley Jessica Billingsley	Director	March 31, 2025
/s/ Jimmy Vaiopoulos Jimmy Vaiopoulos	Director	March 31, 2025
/s/ Dan Grigorin Dan Grigorin	Director	March 31, 2025
/s/ Daniel Tolhurst Daniel Tolhurst	Director	March 31, 2025
/s/ Heather Cox Heather Cox	Director	March 31, 2025
/s/ Rob Chang Rob Chang	Director	March 31, 2025
/s/ Brittany Kaiser Brittany Kaiser	Director	March 31, 2025

Exhibit 21

SUBSIDIARIES OF GRYPHON DIGITAL MINING, INC.

Name of Subsidiary	Jurisdiction of Incorporation
Ivy Crypto, Inc.	Delaware
Gryphon Opco I LLC	Delaware
Gryphon Opco II LLC	Delaware
2670786 Alberta Ltd.	Canada

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Gryphon Digital Mining, Inc.'s Registration Statements:

1. Registration Statements on Form S-3 (File Nos. 333-277060, 333-278805, and 333-283440); and

2. Registration Statement on Form S-8 (File No. 333-278554)

of our report dated March 31, 2025, with respect to our audits of the consolidated financial statements of Gryphon Digital Mining, Inc., as of December 31, 2024 and 2023 and for each of the years in the two-year period ended December 31, 2024, which report is included in this Annual Report on Form 10-K of Gryphon Digital Mining, Inc. for the year ended December 31, 2024. Our report includes an explanatory paragraph as to the Company's ability to continue as a going concern.

/s/ RBSM LLP
RBSM LLP
Larkspur, California
March 31, 2025

Exhibit 31.1

CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a)
UNDER THE
SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven Gutterman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Gryphon Digital Mining, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant and its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2025

By: /s/ Steven Gutterman
Steven Gutterman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a)
UNDER THE
SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Simeon Salzman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Gryphon Digital Mining, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant and its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2025

By: /s/ Simeon Salzman
Simeon Salzman
Chief Financial Officer
(*Principal Financial Officer)*

Exhibit 32.1

CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER
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 Annual Report of Gryphon Digital Mining, Inc. (the "**Compan**y") on Form 10-K for the fiscal year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "**Report**"), I, Steven Gutterman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 31, 2025

By: /s/ Steven Gutterman
Steven Gutterman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF THE
PRINCIPAL FINANCIAL OFFICER
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 Annual Report of Gryphon Digital Mining, Inc. (the "**Compan**y") on Form 10-K for the fiscal year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "**Report**"), I, Simeon Salzman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 31, 2025

By: /s/ Simeon Salzman
Simeon Salzman
Chief Financial Officer
(Principal Financial Officer)