

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-K
(Mark One)

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

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

OR

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

For the transition period from _____ to _____

Commission File Number **001-32698**

MGT CAPITAL INVESTMENTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**2076 Foster Mill Drive
LaFayette, GA**

(Address of principal executive offices)

13-4148725

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

30728

(Zip Code)

(914) 630-7430

(Registrant's telephone number, including area code)

Securities registered under section 12(b) of the Act:
Not applicable

Securities registered under section 12(g) of the Act:
common stock, par value \$.001 per share

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 15(d) of the Exchange 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 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 requirement 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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting 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 checkmark 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.

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

As of June 30, 2023, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$3,456,493.

As of April 16, 2024, the registrant had outstanding 943,170,903 shares of common stock, \$0.001 par value.

MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARY
INDEX
(\$ in thousands, except share and per-share amounts)

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors” and the risks set out below, any of which may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- The uncertainty of profitability based upon our history of losses;
 - Risks related to failure to obtain adequate financing on a timely basis and on acceptable terms to continue as going concern;
- and
- Other risks and uncertainties related to our business plan and business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. Forward looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made, and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Information regarding market and industry statistics contained in this Annual Report on Form 10-K is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources. 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. As a result, investors should not place undue reliance on these forward-looking statements.

As used in this annual report, the terms “we”, “us”, “our”, “MGT” and the “Company” mean MGT Capital Investments, Inc. and its subsidiary, unless otherwise indicated.

All dollar amounts set forth in this Annual Report as of and for the year ended December 31, 2023 on this Form 10-K are in thousands, except per-share amounts.

PART I

Item 1. Business

The Company is a Delaware corporation incorporated in 2000. MGT was originally incorporated in Utah in 1977. MGT's corporate office is in LaFayette, Georgia.

Cryptocurrency Mining Business

Industry Summary

Bitcoin is a world-recognized cryptocurrency, which can be traded and converted into major fiat currencies on cryptocurrency exchanges. Cryptocurrencies are a medium of exchange that are transacted through and recorded on a decentralized distributed ledger system, called the "Blockchain." The Blockchain is built by a chronological addition of transactions, which are grouped into blocks. Each new block requires a mathematical problem to be solved before it can be confirmed and added to the Blockchain. The processing power used to solve these mathematical problems is measured by Hash Rate or Hashes per second ("H/s"). The complexity of these problems, also referred to as mining difficulty, increases with the network's growing Hash Rate.

Bitcoin mining entails solving these complex mathematical problems using custom designed and programmed application-specific integrated circuit ("ASIC") computers (also referred to as "miners"). Bitcoin miners perform a vital function on the Bitcoin Blockchain network, by performing these calculations and adding transaction blocks to the Blockchain ledger. When a miner is successful in adding a block to the Blockchain, it is rewarded with a fixed number of Bitcoin; a miner can also be compensated by network transaction fees.

Additional information about Bitcoin, Blockchain and cryptocurrencies can be found on publicly available educational sources such as www.Bitcoin.org.

Our Operations

Cryptocurrency mining

MGT conducts cryptocurrency activities at a company-owned and managed Bitcoin mining facility in LaFayette, Georgia. Located adjacent to a utility substation, the several-acre property has access to about 20 megawatts (MW) of electrical power, half of which is presently utilized by the Company. Business activities are comprised of leasing space to third parties and self-mining operations.

As of December 31, 2023 and April 16, 2024, the Company owned approximately 35 Antminer S19 Pro miners providing about 3 Ph/s in hash power for self-mining. We also offer third-party owners of miners a hosting service whereby MGT operates and maintains the miners for a fixed monthly fee. MGT's miners and those hosted for others are housed in a modified shipping container on the Company's owned property in Georgia.

The entire facility, including the land and improvements, five 2500 KVA 3-phase transformers, and three mining containers, are owned by MGT. Since April 2023, a single tenant is renting our property and electrical infrastructure to use for Bitcoin mining. The tenant has provided, at its cost, the approximately 2,000 miners and 9 containers needed for its activities. In addition, the tenant pays for its electricity consumption.

These measures improve utilization of our fixed asset base and better insulate us against the volatility of self-mining Bitcoin. The Company is exploring the 10 MW expansion potential at its current property as well as investigating other sites to develop Bitcoin mining facilities.

Bitcoin And Blockchain Overview

A Bitcoin is one type of a digital asset that is issued by, and transmitted through, an open source, math-based protocol platform using cryptographic security (the "Bitcoin Network"). The Bitcoin Network is an online, peer-to-peer user network that hosts the public Blockchain transaction ledger and the source code that comprises the basis for the cryptography and math-based protocols governing the Bitcoin Network. No single entity owns or operates the Bitcoin Network, the infrastructure of which is collectively maintained by a decentralized user base. Bitcoin can be used to pay for goods and services or can be converted to fiat currencies, such as the US Dollar, at rates determined on Bitcoin exchanges or in individual peer to peer end-user-to-end-user transactions.

Bitcoins are "stored" or reflected on the Blockchain in a decentralized manner on the computers of each Bitcoin Network user. The Blockchain records the transaction history of all Bitcoin in existence and, through the transparent reporting of transactions, allows the Bitcoin Network to verify the association of each Bitcoin with the digital wallet that owns it. The Bitcoin Network and Bitcoin software programs can interpret the Blockchain to determine the exact Bitcoin balance, if any, of any digital wallet listed in the Blockchain as having taken part in a transaction on the Bitcoin Network.

The Bitcoin Network, being decentralized, does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of Bitcoin. Rather, Bitcoin are created and allocated by the Bitcoin Network protocol through a “mining” process subject to a strict, well-known issuance schedule. The value of Bitcoin is determined by the supply and demand of Bitcoin in the Bitcoin exchange market (and in private peer to peer transactions), as well as the number of merchants that accept it. As Bitcoin transactions can be broadcast to the Bitcoin Network by any user’s Bitcoin software and Bitcoin can be transferred without the involvement of intermediaries or third parties, there are only minor transaction costs in direct peer-to-peer transactions on the Bitcoin Network. Third party service providers such as Bitcoin exchanges and third-party payment processing services may charge significant fees for processing transactions and for converting, or facilitating the conversion of, Bitcoin to or from fiat currency.

Miners dedicate substantial resources to mining. Given the increasing difficulty of the target established by the Bitcoin Network, miners must continually invest in expensive mining hardware to achieve adequate processing power to hash at a competitive rate.

Bitcoin is an example of a digital asset that is not a fiat currency (i.e., a currency that is backed by a central bank or a national, supra-national or quasi-national organization) and are not backed by hard assets or other credit. As a result, the value of Bitcoin is determined by the value that various market participants place on Bitcoin through their transactions.

The supply of Bitcoin is finite. Once 21 million Bitcoin are generated, the network will stop producing more. Currently, there are approximately 19.7 million Bitcoin in circulation, or 94% of the total supply of Bitcoin. Within the Bitcoin protocol is an event referred to as Bitcoin halving (“Halving”) where the Bitcoin provided upon mining a block is reduced by 50%. Halvings are scheduled to occur once every 210,000 blocks, or roughly every four years, until the maximum supply of 21 million Bitcoin is reached. The latest Halving is expected to occur in April 2024, resulting in a revised reward payout of 3.125 Bitcoin per block.

Given a stable hash rate, a Halving reduces the number of new Bitcoin being generated by the network. While the effect is to limit the supply of new coins, it has no impact on the quantity of total Bitcoin outstanding. As a result, the price of Bitcoin could rise or fall based on overall investor and consumer demand. Should the price of Bitcoin remain unchanged after the next Halving, the Company’s revenue from self-mining would be reduced by 50%, with a much larger negative impact to profit.

The cryptocurrency markets have grown rapidly in both popularity and market size. These markets are local, national and international and include an ever-broadening range of products and participants. There have been many documented instances of fraud involving companies engaged in the cryptocurrency industry and the use of cryptocurrencies. The United States Securities and Exchange Commission (the “SEC”), and other governmental agencies around the world, are evaluating the cryptocurrency markets and are likely to institute new rules and regulations within this market to protect investors and such regulations could result in the restriction of the acquisition, ownership, holding, selling, use or trading of our common stock.

Strategy

MGT’s strategy is to oversee the operations in La Fayette, Georgia, which include self-mining, hosting others’ miners for a fee, and leasing its physical space and electrical infrastructure. The Company’s immediate focus is to grow free cash flow, with a longer-term objective to expand its mining operations.

Competition

Our industry is very new and subject to rapid change and constant innovation. We face significant competition, including from companies that have entered this space earlier than us and are better capitalized, with vertically integrated business models. Some of these companies are our suppliers. We compete to attract, engage, and retain personnel, educated and skilled in the Blockchain and cryptocurrency mining space.

We compete with vertically integrated companies such as Bitmain that engage in both the design and distribution of mining machines, as well as cryptocurrency mining. We also compete with many other companies that are engaged in cryptocurrency mining, some of which have better access to mining hardware, lower operating expenses and lower cost of capital than MGT. These companies include Riot Blockchain, Inc. and Marathon Digital Holdings, Inc.

Employees

Currently, the Company has 2 full-time employees. Neither employee is represented by a union, and we believe our relationships with our employees are good.

Government Regulation

Government regulation of cryptocurrency 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 our activities and other activities in which we participate or may participate in the future. Other regulatory bodies are governmental or semi-governmental and have shown an interest in regulating or investigating companies engaged in the cryptocurrency business.

Businesses that are engaged in the transmission and custody of Bitcoin and other digital assets, including brokers and custodians, can be subject to U.S. Treasury Department regulations as money services businesses as well as state money transmitter licensing requirements. Bitcoin and other digital assets are subject to anti-fraud regulations under federal and state commodity laws, and digital asset derivative instruments are substantively regulated by the U.S. Commodity Futures Trading Commission. Certain jurisdictions, including, among others, New York and a number of countries outside the United States, have developed regulatory requirements specifically for digital assets and companies that transact in them.

Regulations may substantially change in the future and it is presently not possible to know how regulations will apply to our businesses, or when they will be effective. As the regulatory and legal environment evolves, we may become subject to new laws, further regulation by the SEC and other agencies, which may affect our mining and other activities. For instance, various bills have also been proposed in Congress related to our business, which may be adopted and have an impact on us. For additional discussion regarding our belief about the potential risks existing and future regulation pose to our business, see the Section entitled “Risk Factors” herein.

In addition, since 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.

Available Information

MGT maintains a website at www.mgtci.com. The Company makes available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including any amendments to the foregoing reports, as soon as is reasonably practicable after such material is electronically filed with, or furnished to, the SEC. These materials along with our Code of Business Conduct and Ethics are also available through our corporate website at www.mgtci.com. The public may also access, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports as filed with the SEC under the Securities Exchange Act of 1934, as amended on the SEC’s website at <http://www.sec.gov>. Any amendments to, and waivers of, our Code of Business Conduct and Ethics will be posted on our corporate website. The Company is not including the information contained at mgtci.com as a part of this Annual Report.

Item 1A. Risk Factors

Discussion of our business and operations included in this Annual Report should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties, together with other factors described elsewhere in this report, have the potential to affect our business, financial condition, results of operations, cash flows, strategies, or prospects in a material and adverse manner. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance. Each of the risks described below could adversely impact the value of our securities. These statements, like all statements in this report, speak only as of the date of this Annual Report (unless another date is indicated), and we undertake no obligation to update or revise the statements in light of future developments.

The Company generates limited revenue from operations upon which an evaluation of our prospects can be made. The Company's prospects must be considered keeping in mind the risks, expenses and difficulties frequently encountered in the establishment of a new business in a constantly changing industry. There can be no assurance that the Company will be able to achieve profitable operations in the foreseeable future, if at all.

Summary of Risk Factors

Our business and an investment in our common stock is subject to numerous risks and uncertainties, including those highlighted in the section immediately following this summary. Some of these risks include:

- We have a history of operating losses, have been and will continue to be reliant on debt and equity financings to fund our operations, and we may not be able to raise capital when needed or otherwise take action necessary to achieve or sustain profitability.
- Our auditors have expressed substantial doubt about our ability to continue as a going concern.
- Our mining operating costs, including the costs to operate, maintain, repair and replace our mining equipment, have historically outpaced our mining revenues, which has and could continue to put a strain on our business or increase our losses.
- We are reliant upon Mr. Robert B. Ladd, our Chief Executive Officer and sole executive officer, the loss of whom could materially harm our ability to continue or grow our operations as planned or at all and Mr. Ladd may be forced to resign based on the SEC's request that he be barred from serving as an officer or director of a public company in an SEC action which was brought against him.
- The Company's internal control of financial reporting has material weaknesses. Due to the small size of the Company, the Company does not maintain sufficient segregation of duties to ensure the processing, review and authorization of all transactions including non-routine transactions.
- The cryptocurrency mining industry is highly competitive, with many of our competitors having better access to capital and may buy mining equipment at scale. The competition has intensified as the price of Bitcoin has appreciated in recent years, which could have a material adverse effect on our results of operations if we are unable to keep up.
- Because we have a single mining facility at one location, if we were to experience damage or loss of this facility, which may be uninsured or underinsured, your investment in us would be at risk.
- Our operations and the results thereof are subject to risks arising from Internet disruptions or delays, cybersecurity threats, incorrect digital recording of transactions, and other contingencies resulting from holding and transacting in digital assets. Further, due to current lack of regulation, we may be unable to seek or obtain recourse if such contingencies were to occur.
- Our operations and ability to generate revenue depends on a steady supply of low-cost electricity. We do not have a contract in place with the City of LaFayette for provision of electricity. The price of electricity is based on a wholesale generation cost per kWh, plus applicable transmission fees, load optimization fees, City administration costs and taxes.
- The future development and growth of cryptocurrencies such as Bitcoin is subject to a variety of factors that are difficult to predict and evaluate. If the market for Bitcoin does not grow as we expect, our business, operating results, and financial condition could be adversely affected.
- Certain features of Bitcoin's Blockchain, such as "forking" in which one type of Bitcoin could turn into many due to source code variation, or Halving which reduces the rewards for mining efforts by 50% every 210,000 blocks that are solved, pose the risk of adversely affecting our ability to generate revenue.
- Our operating results have and will significantly fluctuate due to the highly volatile nature of Bitcoin, and if the price of Bitcoin declines, including potentially due to political, economic, or other forces beyond our control, it would materially adversely affect our business. Our current miners are designed primarily to mine Bitcoin and cannot be used to mine other cryptocurrencies, which magnifies the risk.

- Our reliance on third party “mining pools,” which enable us to cooperate with other Bitcoin mining enterprises to receive Bitcoin with less variance in probability of reward by sharing Bitcoin earned pro rata based on contribution to a block solved, subjects us to risks of inaccurate sharing of rewards and the loss of other at-will participants in the pool.
- Highly-publicized instances of fraud and alleged fraud in the cryptocurrency industry in recent years have increased investor distrust of the entire industry and increased the pressure for regulators to enact restrictions. Both of these factors could adversely affect our access to capital and operations.
- We may become subject to an uncertain and rapidly evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations, including those imposing restrictions or bans on Bitcoin mining due to concerns about high electrical power usage or noise concerns, could adversely affect our business, operating results, and financial condition.
- The markets for Bitcoin and other cryptocurrencies may be under-regulated and, as a result, the market price of Bitcoin may be subject to significant volatility or manipulation, which could decrease consumer confidence in cryptocurrencies and have a material adverse effect on our business and results of operations.
- Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities, which could have a material adverse effect on us, including restricting the Company’s access to capital.
- If a malicious actor or botnet obtains control of the Bitcoin network, such actor or botnet could manipulate the Blockchain to adversely affect us.
- Because cryptocurrencies may be determined to be investment securities, we may inadvertently violate or become subject to 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.
- Our stock price is subject to significant volatility due to a variety of factors, many of which are beyond our control, including its status as a “penny stock,” the fact that it is not listed on a national securities exchange, and its potential connection to the price of Bitcoin or other cryptocurrencies, which could adversely affect investors.
- We have not paid cash dividends to our stockholders and do not intend to do so in the foreseeable future.
- Substantial future sales of our common stock by us or our stockholders could have a depressive effect on our stock price. For example, Company has issued convertible debt and warrants that allow the holders to exercise for an indeterminate, and potentially material, number of shares of our common stock on a cashless basis.

Risks Related to Our Cryptocurrency Mining Business

We have a history of operating losses, and we may not be able to achieve or sustain profitability.

Our primary focus is on our Bitcoin mining operation located at our Lafayette, Georgia facility where, as of December 31, 2023 and April 16, 2024, we operated a total of 35 Antminer S19 Pro miners. Our current strategy will continue to expose us to the numerous risks and volatility associated within this sector, including due to the high costs of purchasing miners and sourcing power for them, while monitoring the price of Bitcoin, which has historically been volatile. Further, we have experienced recurring losses and negative cash flows from operations. Our net losses for the years ended December 31, 2023 and 2022 were \$6,108 and \$5,978, respectively.

To date, we have relied on debt or equity financings to fund our operations, and if the price of Bitcoin is not sufficiently high to enable us to sell the Bitcoin we mine at prices above our cost to mine it, then we are likely to continue to be unable to fund our operations without raising additional capital. Further, even if prices are sufficiently high for our mining activities, we are likely to need to raise additional capital to fund the acquisition of new miners to repair or replace our existing miners and expand our number of miners to be competitive.

We expect to incur additional net losses over the next several years as we seek to expand operations. The amount of future losses and when, if ever, we will achieve profitability are uncertain. If we are unsuccessful at executing on our business plan, our business, prospects, and results of operations may be materially adversely affected.

Our auditors have issued a “going concern” audit opinion expressing substantial doubt about our ability to continue as a going concern.

Our independent auditors have indicated in their report on our December 31, 2023 and 2022 financial statements that there is substantial doubt about our ability to continue as a going concern. A “going concern” opinion indicates that the financial statements incorporated in this Annual Report have been prepared assuming that we will continue as a going concern for one year from the date the financial statements are issued and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. Therefore, you should not rely on our balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to shareholders, in the event of liquidation.

Our mining operating costs have historically outpaced our mining revenues, which has and could continue to put a strain on our business or increase our losses.

Our mining operations are costly and our expenses may increase in the future. This expense increase may not be offset by a corresponding increase in revenue. Our expenses may be greater than we anticipate, and our investments to make our business more efficient may not succeed and may outpace monetization efforts. Increases in our costs without a corresponding increase in our revenue would increase our losses and could seriously harm our business and financial performance.

The cost of obtaining new and replacement miners and parts has historically been and will likely continue to be highly capital intensive which may have a material and adverse effect on our business and results of operations.

Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining Bitcoin are lower than the price of the Bitcoin we mine when we sell them. Our miners are subject to ordinary wear and tear from operation and may also face more significant malfunctions caused by factors which may be beyond our control. Circumstances such as these, or a general need to replace outdated miners in the future, are highly cost intensive and can be a serious hindrance on our mining operations and ability to generate revenue or obtain profitability.

Additionally, as the mining technology evolves, we may need to acquire newer models of miners to remain competitive in the market. Over time, we may replace those miners which are no longer functional or efficient or powerful enough with new miners purchased from third-party manufacturers, the cost of which may be higher than what we spent on prior models and/or such that we will need to raise more capital to do so. For instance, the price of Bitcoin miners has historically been somewhat correlated to the price of Bitcoin, which has appreciated in recent years. Depending on the price of new miners and our operational needs at the time we decide to replace miners in the future, we may have to do so at higher costs than we could have previously, which would add to our losses. Alternatively, even absent defects or reductions in computing power, mining machine models are upgraded frequently, and we are and will continue to be subject to either higher competitive pressure as a result, or will be forced to expend large amounts of capital to remain competitive and maintain optimal hash rates.

Any upgrading we need or choose to undertake requires substantial capital investment, and we may face challenges in locating the requisite capital in a timely manner and/or on terms favorable to us or not highly dilutive to our investors. If we are unable to obtain adequate numbers of new and replacement miners in sufficient quantities or without delay, we may be unable to compete in our highly competitive and continuously developing industry. If this happens, we may not be able to mine Bitcoin or other cryptocurrency as efficiently or in sufficient amounts relative to our competition or at all and, as a result, our business and financial results could suffer which could, in turn, have a material adverse effect on the trading price of our common stock.

The loss of our sole executive officer, Robert B. Ladd, could have a material adverse effect on us.

Our success is largely dependent on the continued services of Mr. Robert B. Ladd, our President, Chief Executive Officer and acting Chief Financial Officer. The loss of the services of Mr. Ladd, including as a result of the SEC Action described in the following risk factor (in which the SEC has among other things moved for a final judgment barring Mr. Ladd from serving as an officer or director of a public company such as us), would leave us without executive leadership, which could diminish our business and growth opportunities. We will also need to build an executive management team around Mr. Ladd, which could be a time consuming and expensive process and divert management's attention from other pressing matters concerning the Company's operations or growth. The market for highly qualified personnel in this industry is very competitive and we may be unable to attract such personnel in a timely manner, on favorable terms or at all. If we are unable to attract such personnel, our business could be harmed. If we fail to procure the services of additional executive management or implement and execute an effective contingency or succession plan for Mr. Ladd, the loss of Mr. Ladd would significantly disrupt our business.

Other than Mr. Ladd, we have no other officers and only one other director. The loss of Mr. Ladd would have a material adverse effect on us. We do not have key man insurance on the life of Mr. Ladd. Mr. Ladd's Amended and Restated Executive Employment Agreement (the "Employment Agreement"), which was executed on April 6, 2018, and amended on November 11, 2020, permits him to resign for good reason which includes a material breach of the agreement by the Company. In the event he terminates his Employment Agreement for Good Reason, this would result in the Company owing him approximately \$510 and would leave the Company without an executive officer which may have a material adverse effect upon us, your investment, and hamper the ability of the Company to continue operations.

The crypto exchange used by the Company to monetize its self-mined Bitcoin experienced difficulties beginning in early 2023 and was ultimately shut down. The Company was unable to find a suitable replacement given its low transaction frequency and small trade volumes. As a consequence, the Company uses a personal brokerage account/crypto wallet of its CEO to effect the sales of its mined Bitcoin. These transactions occur approximately monthly and are executed and documented to provide no cost to the Company and no benefit to our CEO. The loss of Mr. Ladd would end this practice.

The SEC has filed an action against the Company's Chief Executive Officer alleging violations of federal securities laws which could result in liabilities for the Company.

On September 7, 2018, the SEC commenced a legal action, *SEC v. Barry C. Honig et al.* (the "SEC Action"), in the United States District Court for the Southern District of New York naming as defendant Mr. Robert B. Ladd, our Chief Executive Officer. An amended complaint in the SEC Action was filed on March 8, 2019. On May 24, 2019, the SEC issued a subpoena in the SEC Action to the Company and on October 31, 2019, the SEC issued subpoenas in the SEC Action to our Chairman and our independent director. The SEC filed a second amended complaint in the SEC Action on March 16, 2020 asserting additional civil charges against Mr. Ladd. The SEC Action asserts civil charges against multiple individuals and entities, including former shareholders of the Company, who are alleged to have violated the securities laws by engaging in "pump and dump" schemes in connection with certain microcap stocks and three entities, including the Company (the Company is not named as a defendant). To date, all defendants, except Mr. Ladd, have entered settlement agreements in the SEC Action. In September 2023, the Court denied Mr. Ladd's motion for summary judgment and granted the SEC's motion for summary judgment partially. The SEC successfully argued that Mr. Ladd made material misstatements on various forms and releases, thereby violating securities laws. The SEC's strict liability claims were granted in part, with evidence showing Mr. Ladd violated registration and reporting requirements, but denied a claim regarding Mr. Ladd's control over certain securities. On February 23, 2024, the SEC filed a notice of motion seeking certain actions including a final judgment granting the SEC the following: (i) approximately \$1.1 million in civil penalties, (ii) a bar prohibiting Mr. Ladd from serving as an officer or director of a public company, and (iii) injunctions against future violations of the federal securities laws for which Mr. Ladd was found liable by the Court.

To the extent the SEC Action pertains to Mr. Ladd in his capacity as an officer of the Company, we are required to indemnify him in his defense of the SEC Action and cannot predict the likelihood or amount of expenses this will entail. Further, the SEC Action has diverted and may continue to divert Mr. Ladd's attention from his management duties to the Company. If the outcome of this litigation results in the Company losing Mr. Ladd's services, including if the SEC's February 2024 motion for him to be barred from serving as an officer or director is granted by the Court, we may be unable to find a suitable replacement in a reasonable time or without incurring significant costs or experiencing operational disruptions. Further, we cannot predict whether the SEC Action might result in future actions, penalties or other liabilities against the Company, and we may incur costs in responding to related requests for information and subpoenas, and if instituted, in defending against any resulting governmental proceedings that may be instituted against the Company.

The Company's directors' and officers' insurance policies have been exhausted and will cause the Company to increase spending on legal expenses.

Under its certificate of incorporation and Bylaws, Mr. Ladd's Employment Agreement, and certain indemnification agreements, the Company has obligations to indemnify current and former directors and certain current and former employees. Based on cumulative legal fees and settlements incurred, the Company has fully exhausted its directors' and officers' insurance coverage. Additional expenses currently expected to be incurred, including in connection with the SEC Action which is still ongoing, and that may occur in the future, or liabilities that may be imposed in connection with actions against certain of the Company's past and present directors and officers and certain current and former employees who are entitled to indemnification will be funded by the Company with its existing cash resources. Such expenses could have a material impact on the Company's financial condition, results of operations and cash flows.

The Company's internal control of financial reporting has material weaknesses.

Due to the small size of the Company, the Company does not maintain sufficient segregation of duties to ensure the processing, review and authorization of all transactions including non-routine transactions.

There are several new and existing competitors in our industry that are purchasing mining equipment at scale, which may cause delays or difficulty in us obtaining new miners, which could materially and adversely affect our business and results of operations.

Many of the competitors in our industry have also been purchasing mining equipment at scale, which has caused a world-wide shortage of mining equipment and extended the corresponding delivery schedules for new miner purchases. There can be no assurances the mining equipment manufacturers on which we rely such as Bitmain will be able to keep pace with the surge in demand for mining equipment if and when we decide to upgrade and/or expand upon our current miners. Additionally, the supply of the materials used to produce miners, such as the ASIC computer chips that are the primary feature in their computing power, may become subject to shortages, which could also either increase the cost beyond what we can reasonably afford or reduce their availability without unreasonable delay or at all. It is uncertain how manufacturers will respond to these trends and whether they can deliver on the schedules promised to any or all of their customers in the future. In the event Bitmain or other manufacturers are not able to keep pace with demand or avoid supply shortages, we may not be able to purchase miners from Bitmain or other manufacturers in sufficient quantities, at reasonable prices or on the delivery schedules that meet our business needs, which could have a material adverse effect on our business and results of operations.

To the extent that the profit margins of Bitcoin mining operations are not high, operators of Bitcoin mining operations or other participants in the Bitcoin industry are more likely to immediately sell Bitcoins in the market, thereby constraining growth of the price of Bitcoin that could adversely impact us.

Over the years, Bitcoin mining operations have shifted from individual users mining with computer processors, graphics processing units and first-generation ASIC servers to larger enterprises with newer, more “professionalized” sources of processing power which has been predominantly added by “professionalized” mining operations and resulting demand for more professionalized and powerful miners having faster hash rates. These professionalized mining operations may use proprietary hardware or sophisticated ASIC machines acquired from ASIC manufacturers. Acquiring this specialized hardware at scale requires the investment of significant up-front capital, and mine operators incur significant expenses related to the operation of this hardware at scale, such as the leasing of operating space, which is often done in data centers or warehousing facilities, obtaining and paying for an electricity supply to run the miners and employing technicians to operate the mining facilities.

As a result, these professionalized mining operations are of a greater scale than prior miners and have more defined and regular expenses and liabilities. Because these regular expenses and liabilities require professionalized mining operations to maintain profit margins on the sale of Bitcoin, to the extent the price of Bitcoin declines and such profit margin is constrained, such miners are incentivized to sell Bitcoin earned from mining operations more rapidly than individual miners who in past years were more likely to hold newly mined Bitcoin for longer periods. The immediate selling of newly mined Bitcoin greatly increases the trading volume of Bitcoin, creating downward pressure on the market price of Bitcoin rewards.

The extent to which the value of Bitcoin mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such an operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined Bitcoin rapidly if it is operating at a low profit margin and it may partially or completely cease operations if its profit margin is negative. In a low profit margin environment, a higher percentage could be sold more rapidly, thereby potentially depressing Bitcoin prices. Lower Bitcoin prices could result in further tightening of profit margins for professionalized mining operations creating a network effect that may further reduce the price of Bitcoin until mining operations with higher operating costs become unprofitable forcing them to reduce mining power or cease mining operations temporarily.

We may be unable to raise additional capital needed to grow our business.

We will likely continue to operate at a loss, at least until our business strategy is implemented, or if Bitcoin or other cryptocurrency prices decline, and we expect to need to raise additional capital to expand our operations and pursue our growth strategies, including potentially the acquisition of new or additional miners, and to respond to competitive pressures or unanticipated working capital requirements. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of such debt would have priority over the holders of common stock on order of liquidation preference. We may be required to accept terms that restrict our ability to incur additional indebtedness or take other actions including terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

Because our miners are designed specifically to mine Bitcoin, our future success will depend in large part upon the value of Bitcoin, and any sustained decline in its value could adversely affect our business and results of operations.

Our operating results will depend in large part upon the value of Bitcoin because it is the primary cryptocurrency we currently mine, and is the primary cryptocurrency of our clients and our tenant. Specifically, our revenues, and the revenues from our clients and tenant derive from Bitcoin mining operations and are based upon two factors: (1) the number of Bitcoin rewards successfully mined and (2) the value of Bitcoin. This means that our operating results will be subject to swings based upon increases or decreases in the value of Bitcoin. Furthermore, our business strategy focuses solely on producing Bitcoin (as opposed to other cryptocurrencies), and our current ASIC miners principally utilize the “SHA-256 algorithm,” which is designed primarily for mining Bitcoin. We, therefore, cannot use these miners to mine other cryptocurrencies, such as Ethereum, that are not mined utilizing this algorithm. If other cryptocurrencies overtake Bitcoin in terms of acceptance, including potentially due to environmental or social reasons given the higher carbon footprint of Bitcoin when compared to Ethereum and other cryptocurrencies, the value of Bitcoin could decline. Further, if Bitcoin were to switch its proof of work algorithm from SHA-256 to another algorithm for which our miners would not be suited or if the value of Bitcoin were to decline for other reasons, particularly if such decline were significant or over an extended period of time, we would likely incur very significant costs in retooling or replacing our existing miners with miners better suited for this new protocol and our operating results could be adversely affected. This could result in a material adverse effect on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations, and thus harm investors.

Bitcoin is subject to Halving, meaning that the Bitcoin rewarded for solving a block will be reduced in the future and its value may not commensurately adjust to compensate us for such reductions, and the overall supply of Bitcoin is finite.

Bitcoin is subject to Halving, which is the process by which the Bitcoin reward for solving a block is reduced by 50% every 210,000 blocks that are solved. This means that the amount of Bitcoin we (or any other miner) are rewarded for solving a block in the Blockchain is permanently cut in half. For example, the next Halving is expected to occur in April 2024, resulting in a revised payout of 3.125 Bitcoin per block solved, down from the previous reward rate of 6.25 Bitcoin per block solved. There can be no assurance that the price of Bitcoin will sufficiently increase to justify the increasingly high costs of mining for Bitcoin given the Halving feature. If a corresponding and proportionate increase in the trading price of these cryptocurrencies does not follow these anticipated Halving events, the revenue we earn from our mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations. To illustrate, even if the price of Bitcoin remains at its price as of today, all other factors being equal (including the same number of miners and a stable hash rate) our revenue would decrease substantially upon the next Halving.

Further, due to the Halving process, unless the underlying code of the Bitcoin Blockchain is altered (which may be unlikely or difficult given its decentralized nature), the supply of Bitcoin is finite. Once 21 million Bitcoin have been generated by virtue of solving blocks in the Blockchain, the network will stop producing more. Currently, there are approximately 19.7 million Bitcoin in circulation representing about 94% of the total supply of Bitcoin under the current source code. For the foregoing reasons, the Halving feature exposes us to inherent uncertainty and reliance upon the historically volatile price of Bitcoin, rendering an investment in us particularly speculative, especially in the long-term. If the price of Bitcoin does not significantly increase in value, your investment could become worthless.

We are subject to risks associated with our need for significant electrical power and our current Electricity Agreement.

Our Bitcoin mining operations have required significant amounts of electrical power, and, to the extent we purchase additional miners or acquire new miners which require higher energy inputs, our electricity requirements would grow. If we are unable to continue to obtain sufficient electrical power to operate our miners on a cost-effective basis, we may not realize the anticipated benefits of our significant capital investments in new miners. Even at our current energy usage, there can be no guarantee that our operational costs will not increase in the future, including based on future negotiations for a new electricity contract with City of Lafayette, Georgia, a municipal corporation of the State of Georgia (“the City”), there can be no assurance that we can reach an agreement with the City with acceptable price, volume and other terms, if at all. Currently we are in a month-to-month agreement with the City, which subjects us to substantial uncertainty and could result in substantially higher costs in future periods, or the loss of access to electricity on which our operations and those of our clients and tenant depend. . The City is our only supplier of electricity at our location.

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

Interruptions to internet access could disrupt our operations, which could adversely affect our business and results of operations.

Our cryptocurrency mining operations require access to high-speed internet to be successful. If we lose internet access for a prolonged period, we may be required to reduce our operations or cease them altogether. A disruption of the Internet may affect the use of cryptocurrencies and subsequently the value of our securities. Generally, cryptocurrencies and our business of mining cryptocurrencies is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of Bitcoin and our ability to mine Bitcoin. If this occurs, our business and results of operations may suffer, and our investors may be materially and adversely affected.

Bitcoin has forked multiple times and additional forks may occur in the future which may affect the value of Bitcoin held or mined by the Company.

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 transaction 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 network of a particular cryptocurrency could adversely affect an investment in our securities or our ability to operate.

Since August 1, 2017, Bitcoin's Blockchain was forked multiple times creating new types of Bitcoin cryptocurrencies. Each fork has resulted in a new Blockchain being created with a shared history, and a new path forward. The value of the newly created Bitcoin cryptocurrencies that have or may result may or may not have value in the long run and may affect the price of Bitcoin if interest is shifted away from Bitcoin to the newly created digital assets. The value of Bitcoin after the creation of a fork is subject to many factors including the value of the fork product, market reaction to the creation of the fork product, and the occurrence of forks in the future. As such, the value of Bitcoin could be materially reduced if existing and future forks have a negative effect on Bitcoin's value.

Our mining operations, including the miners, the container, the land and the facility as a whole in which our miners are operated, are subject to real estate risks and potential damage and contingencies for which we are not covered by insurance.

Our current mining operations are exclusively conducted at our Lafayette, GA facility. This facility is, and any future mines we may establish, will be subject to a variety of risks relating to housing all of our operations, which include expensive revenue generating equipment at a single physical location. We also face risks because we own the land underlying the facility rather than rent, and therefore face risks inherent in the ownership of real estate. Further, the space we lease to our tenant could be damaged by the tenant, resulting in losses to us, which we may be unable to recoup from insurance or the tenant. While we have insurance covering general liability and property theft and damage, we may be underinsured for some of the risks we face due to our single facility and ownership of the underlying land, including:

- the possibility of construction or repair defects or other structural or building damage;
- any noncompliance with or liabilities under applicable environmental, noise, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms;
- claims by employees and others for injuries sustained at our facility;
- theft, arson or other crimes upon our facility;
- adverse changes in national and local economic and market conditions;
- declines in the value of the real estate; and
- the potential for uninsured or underinsured property losses.

For example, our facility 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 facility. The security and other measures we take to protect against these risks may not be sufficient. Additionally, our mine could be materially adversely affected by a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity. Given our constant power requirement to operate our miners and generate revenue, it would not be feasible to run miners on back-up power generators in the event of a power outage. We do not carry insurance that would cover losses resulting from any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the miners in our network, such miners may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues which could have otherwise been derived from such miners. Additionally, to the extent the miners, the modified containers in which they are held, or the land itself is permanently damaged, we may not be able to bear the cost of repair or replacement. Should any of these events transpire, we may not be able to recover, could lose a material amount of potential revenue, and our business and results of operations could be materially harmed as a result. Further, we may be unable to replace our fire and theft insurance which exposes us to further risk of loss.

The Company's reliance on a third-party mining pool service provider for our mining revenue payouts may have a negative impact on the Company's operations.

We receive Bitcoin mining rewards from our mining activity through a third-party mining pool operator. Mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network. The rewards are distributed by the pool operator, proportionally to our contribution to the pool's overall mining power, used to generate each block. Should the pool operator's system suffer downtime due to a cyber-attack, software malfunction or other similar issues, it will negatively impact our ability to mine and receive revenue. Furthermore, we are dependent on the accuracy of the mining pool operator's record keeping to accurately record the total processing power provided to the pool for a given Bitcoin mining application in order to assess the proportion of that total processing power we provided. We would have limited means of recourse against the mining pool operator if we determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for our efforts, which would have an adverse effect on our business and operations.

There is a possibility of cryptocurrency mining algorithms transitioning to proof of stake validation and other mining related risks, which could make us less competitive and ultimately adversely affect our business and the value of our stock.

Proof of stake is an alternative method in validating cryptocurrency transactions that is less dependent on the consumption of electricity. Should the algorithm shift from a proof of work validation method to a proof of stake method, mining would likely require less energy, which may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. We, as a result of our efforts to optimize and improve the efficiency of our Bitcoin mining operations, may be exposed to the risk in the future of losing the relative competitive advantage we may have over some of our competitors as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. This is because we have invested heavily in setting up our facility based on the mining algorithms method of validation. Such events could have a material adverse effect on our ability to continue as a going concern, which could have a material adverse effect on our business, prospects or results of operations, the value of Bitcoin.

We may be accused of infringing intellectual property rights of third parties.

We may be subject to legal claims of alleged infringement of the intellectual property rights of third parties. Due to the open-source and constantly evolving nature of our business, we may not always be able to determine that we are using or accessing protected information or software. For example, there could be issued patents of which we are not aware that our activities or the equipment or software we use may infringe. The ready availability of damages, royalties and the potential for injunctive relief has increased the defense litigation costs of patent infringement claims, especially those asserted by third parties whose sole or primary business is to assert such claims. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, and the payment of damages or settlement amounts. Additionally, we may become subject to injunctions prohibiting us from using software or business processes we currently use or may need to use in the future or requiring us to obtain licenses from third parties when such licenses may not be available on financially feasible terms or terms acceptable to us or at all. In addition, we may not be able to obtain on favorable terms, or at all, licenses or other rights with respect to intellectual property we do not own in providing ecommerce services to other businesses and individuals under commercial agreements.

Risks Related to Our Dependence on Bitcoin

The trading price of shares of our common stock may increase or decrease as does the trading price of Bitcoin, which subject investors to pricing risks, including "bubble" type risks, and volatility.

Because of our dependence on Bitcoin, the trading prices of our common stock may at times be tied to the trading prices of Bitcoin. Specifically, we may experience adverse effects on our stock price when the value of Bitcoin drops. Furthermore, if the market for Bitcoin company stocks or the stock market in general experiences a loss of investor confidence, the trading price of our stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock could be subject to arbitrary pricing factors that are not necessarily associated with traditional factors that influence stock prices or the value of non-cryptocurrency assets such as revenue, cash flows, profitability, growth prospects or business activity since the value and price, as determined by the investing public, may be influenced by uncertain contingencies such as future anticipated adoption or appreciation in value of cryptocurrencies or Blockchains generally, and other factors over which we have little or no influence or control.

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

During the year ended December 31, 2023, the trading price of Bitcoin increased significantly, from a low closing value of approximately \$17 per Bitcoin in January 2023, to a high closing value of approximately \$44 per Bitcoin in December 2023. Thus far in 2024, the prices of Bitcoin continued to climb, reaching a high of \$73 in March 2024. While Bitcoin prices are currently relatively high, there can be no assurances that volatility in the trading price of Bitcoin will not continue in the future, including a potential drop in the price as has occurred in the past. Accordingly, since the trading price of our securities may at times be connected to the trading price of Bitcoin, if the trading price of Bitcoin again experiences a significant decline, we could experience a similar decline in the trading price for shares of our common stock. If this occurs, you may not be able to sell the shares of our common stock which you purchased at or above the price you paid for them or at all. In addition, because our operating results and financial condition are tied to the price of Bitcoin, should that price decline, it would materially adversely affect our operating results and financial condition.

The markets for Bitcoin and other cryptocurrencies and the existing markets may be under regulated and, as a result, the market price of Bitcoin may be subject to significant volatility or manipulation, which could decrease consumer confidence in cryptocurrencies and have a materially adverse effect on our business and results of operations.

Cryptocurrencies that are represented and trade on a ledger-based platform and those who hold them may not enjoy the same benefits as traditional securities available on trading markets and their investors. 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 platforms 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 lax 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.

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

These factors may inhibit consumer trust in and market acceptance of cryptocurrencies as a means of exchange which could have a material adverse effect on our business, prospects, or operations and potentially the value of any Bitcoin or other cryptocurrencies we mine or otherwise acquire.

The development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies, including Bitcoin, to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs cryptocurrency assets based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of cryptocurrencies 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:

- the progress of worldwide growth in the adoption and use of Bitcoin and other cryptocurrencies as a medium of exchange;
- governmental and organizational regulation of Bitcoin and other cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences, including as may result from coverage of Bitcoin or other cryptocurrencies by journalists and other sources of information and media;
- 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 and scaling of mining equipment by well-capitalized market participants;
- 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 Bitcoin or other cryptocurrencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to Bitcoin and other cryptocurrencies; and
- the impact of regulators focusing on cryptocurrencies and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the Bitcoin network could adversely affect an investment in us.

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

Currently, there is relatively small use of Bitcoins in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect an investment in us.

As relatively new products and technologies, Bitcoins and the Bitcoin network have only recently become widely accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of Bitcoins by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of Bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of Bitcoins. A lack of expansion by Bitcoins into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the price of Bitcoin, either of which could adversely impact an investment in us.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities.

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 cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, including in China, where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. Government action in the U.S. involving cryptocurrencies and related activities may cause this trend to expand in the U.S. We also may be unable to obtain or maintain these services for our business as a result of these trends, which may also adversely impact the price of Bitcoin. 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 may be decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies, and could decrease their usefulness and harm their public perception in the future.

As an example of adverse events affecting the crypto landscape, in November 2023 Binance, the world's largest crypto exchange, undertook to exit the U.S. and paid a \$4.4 billion fine to settle charges by the U.S. Department of Justice, Treasury and the Commodity Futures Trading Commission that the exchange violated sanctions and facilitated human and narcotics trafficking. Further, in March 2023 two large financial institutions in the U.S., Silicon Valley Bank and Signature Bank, which both serviced customers involved with crypto assets, collapsed as continued negative economic prospects and failures to obtain payment from borrowers, together with a large number of withdrawals, caused these banks to encounter substantial financial difficulty leading up to their failures. In response to these events, the Federal Deposit Insurance Corporation ("FDIC") transferred all the deposits, both insured and uninsured, of these banks to corresponding "bridge banks" operated by the FDIC as it markets the institution to potential bidders. The impact of these developments on the Company and on the crypto asset industry and the economy in general, and whether and to what extent they signal a continuing trend impacting the industry and potentially our business, remain unclear.

The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if crypto exchanges and other industry participants exit the U.S. markets and 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 and derivatives on commodities 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 our relationships with financial institutions and impede our ability to convert cryptocurrencies to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to monetize our mining efforts, which could have a material adverse effect on our business, prospects or operations and harm investors.

Political or economic crises may motivate large-scale sales of cryptocurrencies, which could result in a reduction in values of cryptocurrencies such as Bitcoin and adversely affect an investment in us.

Geopolitical crises may motivate large-scale sales of cryptocurrencies, which could rapidly decrease the price of cryptocurrencies such as Bitcoin. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in cryptocurrencies as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in digital asset values and could adversely affect an investment in us.

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

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

It may be illegal now, or in the future, to acquire, own, hold, sell or use digital assets in one or more countries, and ownership of, holding or trading in our securities may also be considered illegal and subject to sanction.

As digital assets have grown in both popularity and market size, governments around the world have reacted differently to digital assets; 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. Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations.

The emergence of competing Blockchain platforms or technologies may harm our business as presently conducted.

If Blockchain platforms or technologies which compete with Bitcoin and its Blockchain, including competing cryptocurrencies which our miners may not be able to mine, such as cryptocurrencies being developed or may be developed by popular social media platforms, online retailers, or government sponsored cryptocurrencies, consumers may use such alternative platforms or technologies. If that were to occur, we would face difficulty adapting to emergent such digital ledgers, Blockchains, or alternative platforms or digital assets. This may adversely affect us by preventing us from realizing the anticipated profits from our investments and forcing us to expend additional capital in an effort to adapt. Further, to the extent we cannot adapt, be it due to our specialized miners or otherwise, we could be forced to cease operations. Such circumstances would have a material adverse effect on our business, and in turn investors' investments in our securities.

Cryptocurrencies 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. Therefore, scaling cryptocurrencies will be essential to the widespread acceptance of cryptocurrencies as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many cryptocurrency networks face significant scaling challenges, such as limitations on how many transactions can occur per second. There can be no guarantee that any of the systems in place or being considered to increasing the scale of settlement of cryptocurrency transactions will be effective, or how long they will take to become effective, which could adversely affect an investment in our securities.

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

The global market for cryptocurrency 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 certain cryptocurrencies are mined permit the creation of a limited, predetermined amount of digital currency, while others have no limit established on total supply. Increased numbers of miners and deployed mining power globally will likely continue to increase the available supply of Bitcoin and other cryptocurrencies, which may depress their market price. Further, large "block sales" involving significant numbers of Bitcoin following appreciation in the market price of Bitcoin may also increase the supply of Bitcoin available on the market, which, without a corresponding increase in demand, may cause its price to fall. Additionally, to the extent that other vehicles investing in cryptocurrencies or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for cryptocurrencies, large redemptions of the securities of those vehicles and the subsequent sale of cryptocurrencies by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the cryptocurrency inventory we hold. Such events could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin or other cryptocurrencies we mine.

The Bitcoin we mine may be subject to loss, damage, theft or restriction on access.

There is a risk that some or all of the Bitcoin we mine could be lost or stolen. In general, cryptocurrencies are stored in cryptocurrency sites commonly referred to as “wallets” by holders of cryptocurrencies which may be accessed to exchange a holder’s cryptocurrency assets. Access to our Bitcoin could also be restricted by cybercrime (such as a denial of service attack). While we take steps to attempt to secure the Bitcoin we hold, there can be no assurance our efforts to protect our digital assets will be successful.

Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrencies, such as by attacking the cryptocurrency network source code, exchange miners, third-party platforms, cold and hot storage locations or software, or by other means. Any of these events may adversely affect our operations and, consequently, our ability to generate revenue and become profitable. The loss or destruction of a private key required to access our digital wallets may be irreversible and we may be denied access for all time to our Bitcoin holdings. Our loss of access to our private keys or our experience of a data loss relating to our digital wallets could adversely affect our business.

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. We are required to publish the public key relating to digital wallets in use when we verify the receipt of transfers and disseminate such information into the network, but we will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, we will be unable to access our 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 our mined Bitcoin could have a material adverse effect on our results of operations and ability to continue as a going concern, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine.

Incorrect or fraudulent cryptocurrency transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrency transactions, such as a result of a cybersecurity breach against our Bitcoin holdings, could adversely affect our investments and assets. This is because cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the cryptocurrencies from the transaction. Once a transaction has been verified and recorded in a block that is added to a Blockchain, an incorrect transfer of a cryptocurrency or a theft thereof generally will not be reversible and we may not have sufficient recourse to recover our losses from any such transfer or theft. Further, it is possible that, through computer or human error, or through theft or criminal action, our cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. If an errant or fraudulent transaction in our Bitcoin were to occur, we would have very limited means of seeking to reverse the transaction or seek recourse. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our business.

Security threats to us could result in a loss of Company’s Bitcoin holdings.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the Bitcoin exchange market since the launch of the Bitcoin network. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm our business operations or result in loss of our Bitcoin and lost revenue. Furthermore, we believe that to the extent we hold greater amounts of Bitcoin, we may become a more appealing target for security threats such as hackers and malware.

The security system and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of ours, or otherwise, and, as a result, an unauthorized party may obtain access to our, private keys, data or Bitcoins. Additionally, outside parties may attempt to fraudulently induce employees of ours to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security system occurs, the market perception of the effectiveness of our security system could be harmed, which could adversely affect an investment in us. In the event of a security breach, we may be forced to cease operations, or suffer a reduction in our digital assets, the occurrence of each of which could adversely affect an investment in us.

If a malicious actor or botnet obtains control of more than 50% of the processing power on a cryptocurrency network, such actor or botnet could manipulate Blockchains to adversely affect us, which would adversely affect an investment in us or our ability to operate.

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 a cryptocurrency, it may be able to alter Blockchains on which transactions of cryptocurrency reside and rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new units or transactions using such control. The malicious actor could “double-spend” its own cryptocurrency (i.e., spend the same Bitcoin in more than one transaction) and prevent the confirmation of other users’ transactions for as long as it maintained control. To the extent that such malicious actor or botnet does not yield its control of the processing power on the network or the cryptocurrency community does not reject the fraudulent blocks as malicious, reversing any changes made to Blockchains may not be possible. The foregoing description is not the only means by which the entirety of Blockchains or cryptocurrencies may be compromised but is only an example.

Although there are no known reports of malicious activity or control of Blockchains achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold in Bitcoin. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin community, and the administrators of mining pools, do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a botnet or malicious actor obtaining control of the Blockchain’s processing power will increase, because such botnet or malicious actor could more readily infiltrate and seize control over the Blockchain by compromising a single mining pool, if the mining pool compromises more than 50% of the mining power on the Blockchain, than it could if the mining pool had a smaller share of the Blockchain’s total hashing power. Conversely, if the Blockchain remains decentralized it is inherently more difficult for the botnet or malicious actor to aggregate enough processing power to gain control of the Blockchain. If this were to occur, the public may lose confidence in the Bitcoin Blockchain, and Blockchain technology more generally. This would likely have a material and adverse effect on the price of Bitcoin, which could have a material adverse effect on our business, financial results and operations, and harm investors.

If the Bitcoin rewards for solving blocks are not sufficiently high, miners may not have adequate incentive to continue mining and may cease mining operations, which may make the Blockchains they support with their mining activity less stable.

As the number of cryptocurrency rewards awarded for solving a block in a Blockchain decreases, the relative cost of producing a single cryptocurrency will also increase, unless there is a corresponding increase in demand for that cryptocurrency. Even relatively stable demand may not be sufficient to support the costs of mining, because as new miners begin working to solve blocks, the relative amount of energy expended to obtain a cryptocurrency award will tend to increase. This increased energy directly relates to an increased cost of mining, which means an increased cost of obtaining a cryptocurrency award. This increased cost, if not met with a corresponding increase in the market price for the cryptocurrency resulting from increased scarcity and demand, may lead miners, such as us, to conclude they do not have an adequate incentive to continue mining and, therefore, may cease their mining operations. This could in turn reduce the sustainability of the Bitcoin Blockchain, which is dependent upon continued mining to solve the block’s algorithms and process transactions in Bitcoin. If this were to occur, this could have a material adverse effect on our business, financial results and operations.

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

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

We have an evolving business model which is subject to various uncertainties.

As cryptocurrency assets and Blockchain technologies become more widely available, we expect the services and products associated with them to evolve. An example of this is our decision to lease space for a third party cryptocurrency miner to utilize. In order to stay current with the industry, our business model may need to evolve further as well. From time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities in this business sector and we may lose out on those opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

Risks Related to Governmental Regulation and Enforcement

Regulatory changes or actions may alter the nature of an investment in us or restrict the use of cryptocurrencies in a manner that adversely affects our business, prospects or operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies; certain governments have deemed them illegal, and others have allowed their use and trade with no or minimal restriction, while in some jurisdictions, such as in the U.S., cryptocurrencies are subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. Ongoing and future regulatory actions could have a material adverse effect on our business, prospects or operations.

Because cryptocurrencies may be determined to be securities, we may become subject to the Investment Company Act of 1940 and be subject to comprehensive regulatory requirements that we would likely be unable to afford.

While we do not believe that we are primarily engaged in the business of investing, reinvesting, or trading in securities, nor do we hold ourselves out as being engaged in those activities, we may become subject to the Investment Company Act of 1940 (the “1940 Act”) based on our Bitcoin holdings. Under the 1940 Act, an entity may be deemed to be an investment company if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis.

As a result of our Bitcoin holdings resulting from our mining activities, to the extent Bitcoin or another cryptocurrency we may hold is determined by the SEC or a state legislator to be a security, our holdings could exceed 40% of our total assets such that we may trigger the threshold described above and become an inadvertent investment company unless we can rely on an applicable exemption.

Classification as an investment company under the 1940 Act requires registration with the SEC. Such registration is time consuming, expensive and restrictive and would require a substantial and onerous restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Further, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the 1940 Act regime. The cost of such compliance would result in the Company incurring substantial additional expenses, and such costs or the failure to register if required would have a materially adverse impact on our operations.

Despite regulatory developments in this field, some ambiguity persists, as the identification of crypto assets as securities or otherwise can be a complex matter. Notably, the SEC has identified certain crypto assets as securities in the context of ongoing legal actions involving industry participants, such as those involving Ripple, Coinbase, and Binance. The potential for and resolutions of ongoing enforcement actions and legal proceedings are still pending, potentially leaving room for further clarification to be sought regarding uncertainties on the regulatory treatment of specific crypto assets, and government agencies’ actions have demonstrated a general skepticism and distrust of certain elements of the industry and those who operate within it. Moreover, based upon decided federal court cases, it appears that the federal courts of appeals, and possibly the U.S. Supreme Court, may ultimately settle unresolved legal issues with respect to the identification of certain crypto assets as securities.

Similarly, in March 2023 the New York Attorney General became the first U.S. regulator to claim in court that Ethereum, one of the major cryptocurrencies, is a security in its lawsuit against KuCoin, a crypto asset exchange. If we become subject to regulatory scrutiny or enforcement actions by securities regulators by virtue of our involvement with cryptocurrencies, it could result in expensive litigation and penalties and cessation of the allegedly noncompliant operations, which would materially adversely harm us, including due to our recent shift of focus to our non-custodial staking-as-a-service business and the costs and efforts deployed towards its development. These or additional developments that may arise underscore the risks in our business, particularly our reliance on and involvement with Bitcoin.

Current interpretations require the regulation of Bitcoin under the CEA by the CFTC, and we may be required to register and comply with such regulations. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

Current and future legislation, the Commodity Futures Trading Commission (the “CFTC”) and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which Bitcoin and other cryptocurrencies are treated for classification and clearing purposes. In particular, derivatives on these assets are not excluded from the definition of “commodity future” by the CFTC. We cannot be certain as to how future regulatory developments will impact the treatment of Bitcoin and other cryptocurrencies under the law.

Bitcoins have been deemed to fall within the definition of a commodity and, we may be required to register and comply with additional regulation under the Commodity Exchange Act (“CEA”), including additional periodic report and disclosure standards and requirements. Moreover, we may be required to register as a commodity pool operator and to register us as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

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

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

Governmental action against the Blockchain and Bitcoin mining may have a materially adverse effect on the industry, and could affect us if widely adopted.

We could become subject to regulations aimed at preventing what are perceived as some of the negative attributes of Bitcoin and Bitcoin mining. For example, China imposed bans on cryptocurrencies and related activities in the U.S., the SEC and other governmental authorities have brought legal actions and taken other steps to impose regulations and enforcement proceedings affecting the cryptocurrency industry. This could demonstrate the beginning of a regulatory trend in response to concerns of overconsumption as it relates to environmental impact and energy conservation, under-regulation and risk of illicit activity, and similar action in a jurisdiction in which we operate could have devastating effects to our operations. If further regulation follows, it is possible that our industry may not be able to adjust to a sudden and dramatic overhaul to our ability to deploy energy towards the operation of mining equipment.

Because we are unable to influence or predict future regulatory actions taken by governments, we may face difficulty monitoring and responding to rapid regulatory developments affecting Bitcoin mining, which may have a materially adverse effect on our industry and, therefore, our business and results of operations. If further regulatory action is taken by governments in the United States or elsewhere, our business may be materially harmed.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, and other federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”).

The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited reports to shareholders will cause our expenses to be higher than they would have been if we were privately held. It may be time consuming, difficult and costly for us to develop, implement and maintain the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these rules and regulations to increase our compliance costs and make certain activities more time consuming and costly. The impact of the SEC’s July 25, 2017 report on Digital Securities (the “DAO Report”) as well as enforcement actions will increase our compliance and legal costs. As a public company, we also expect that these rules and regulations will make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Accounting and other evolving treatment of cryptocurrencies by the SEC and others could continue to pose challenges and risks to our business, including enhanced disclosure obligations and resulting costs. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in our industry including changes which adversely affect Bitcoin;

- the continued volatility of the price of Bitcoin;
- our ability to obtain working capital financing;
- progress and publications of the commercial acceptance of Bitcoin and other cryptocurrencies;
- additions or departures of key personnel including our executive officers;
- sales of our common stock;
- any public announcement of entering into new agreements and terms thereof, including with respect to the purchase of miners and contracts for the supply of electricity to our facility;
- conversion of our convertible notes and the subsequent sale of the underlying common stock;
- business disruptions caused by earthquakes, tornadoes or other natural disasters;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- adverse regulatory developments; and
- economic and other external factors.

In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. As a result, you may be unable to resell your shares at a desired price.

Economic downturns and market conditions beyond our control could adversely affect our business, financial condition and results of operations.

We will need to raise additional capital to fund our working capital needs and business plan. Our ability to obtain financing, if and when necessary, may be impaired by such factors as the capital markets (both in general and in the particular industry in which we operate), the national and global economies and the condition of the market for microcap securities. Further, factors such as high inflation, increased central bank interest rates in response, the geopolitical conflict in Ukraine and the Middle East and potential economic downturns including the recession we may be entering combined with investor uncertainties may increase our requirements for capital, particularly if such economic downturn persists for an extended period of time, and may limit or hinder our ability to obtain the funding we require. If the amount of capital we are able to raise from financing activities, together with any revenues we may generate from future operations, is not sufficient to satisfy our capital needs, we may be required to reduce or cease our operations, divest our assets at unattractive prices or obtain financing on unattractive terms. Further, the terms of securities we issue in future capital raising transactions may be more favorable to new investors, and may include liquidation preferences, superior voting rights or the issuance of other derivative securities, which could have a further dilutive effect on or subordinate the rights of existing investors. To the extent we incur indebtedness to raise capital, the terms of such indebtedness may impose restrictive covenants or operational limitations that hinder our business, and would provide the holder(s) with a priority over our stockholders in our assets in the event of a liquidation, if convertible into shares of common stock, would also pose the risk of dilution. If any of the foregoing should happen, our stockholders could lose some or all of their investment.

We have not paid cash dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

Because our common stock does not trade on a national securities exchange, the prices of our common stock may be more volatile and lower than if we were listed.

Our common stock trades on the OTC Pink the “OTCPK”) operated by OTC Markets Group Inc. This market is not a national securities exchange. While our common stock trading has been relatively active, generally the OTCPK does not have the same level of activity as a national securities exchange like Nasdaq. Most institutions will not purchase a security unless it is on a national securities exchange. In addition, they do not purchase stocks that trade below \$5.00 per share. We may, in the future, take certain steps, including utilizing investor awareness campaigns, press releases, road shows and conferences to increase awareness of our business and any steps that we might take to bring us to the awareness of investors may require we compensate consultants with cash and/or stock. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business and trading may be at an inflated price relative to the performance of our company due to, among other things, availability of sellers of our shares.

Our common stock is deemed a “penny stock,” which makes it more difficult for our investors to sell their shares.

Our common stock is subject to the “penny stock” rules adopted under Section 15(g) of the Securities Exchange Act of 1934 (the “Exchange Act”). The penny stock rules generally apply to companies whose common stock trades at less than \$5.00 per share, subject to specific exceptions. Such exceptions include among others any equity security listed on a national securities exchange and any equity security issued by an issuer that has (i) net tangible assets of at least \$2,000, if such issuer has been in continuous operation for three years, (ii) net tangible assets of at least \$5,000, if such issuer has been in continuous operation for less than three years, or (iii) average annual revenue of at least \$6,000 for the last three years. The “penny stock” designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce its liquidity.

Moreover, as a result of apparent regulatory pressure from the SEC and the Financial Industry Regulatory Authority, a growing number of broker-dealers decline to permit investors, or otherwise make it difficult, to purchase and sell “penny stocks.” The “penny stock” designation may have a depressive effect upon our common stock price. If we remain subject to the penny stock rules for

any significant period, it could have an adverse effect on the market, if any, for our securities. Because our common stock is subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Our amended and restated certificate of incorporation allows for our board to create new series of preferred stock without further approval by our shareholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further shareholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, provide holders of the preferred anti-dilution protection, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing shareholders.

Substantial future sales of our common stock by us or by our existing shareholders could cause our stock price to fall.

Additional equity financings or other share issuances by us, including shares issued in connection with strategic alliances and corporate partnering transactions, and shares issued on the conversion of outstanding notes, could adversely affect the market price of our common stock. Sales by existing shareholders of a large number of shares of our common stock in the public market or the perception that additional sales could occur could cause the market price of our common stock to drop.

For these reasons and others, an investment in our securities is risky and you should invest only if you can withstand a total loss of, and wide fluctuations in, the value of your investment.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Like all companies that utilize technology, we are subject to threats of breaches of our technology systems. To mitigate the threat to our business, we take a comprehensive approach to cybersecurity risk management. Our Board and our management oversee our risk management program, including the management of cybersecurity risks. We have established policies, standards, processes and practices for assessing, identifying, and managing material risks from cybersecurity threats, including those discussed in our Risk Factors. We have devoted resources to implement and maintain security measures to meet regulatory requirements and shareholder expectations, and we intend to continue to make investments to maintain the security of our data and cybersecurity infrastructure. While there can be no guarantee that our policies and procedures will be properly followed in every instance or that those policies and procedures will be effective, we believe that the Company's sustained investment in these efforts and technologies have put the Company in a position to protect against potential compromises, and we do not believe that risks from prior cybersecurity threats have materially affected our business to date. We can provide no assurance that there will not be incidents in the future or that past or future attacks will not materially affect us, including our business strategy, results of operations, or financial condition.

Item 2. Properties

Our principal corporate office was located at 150 Fayetteville Street, Suite 1110 Raleigh, NC 27601, occupied under a lease that expired in January 2023 at a monthly rent of \$3, with a security deposit of \$3 required upon execution of the lease. Since then, we maintain virtual principal corporate office in Melbourne, FL. In addition, we maintain a virtual office in DE.

Our operations are located at our Bitcoin mining facility on 6 acres in LaFayette, GA which we acquired in May 2019. We believe our mining facility is in good condition and is sufficient to conduct our operations.

Item 3. Legal Proceedings

See Item 1A Risk Factors under the Risk Factor titled "The SEC has filed an action against the Company's Chief Executive Officer alleging violations of federal securities laws which could result in liabilities for the Company," for a description of the September 2018 SEC Action against the Company's Chief Executive Officer alleging violations of federal securities laws and developments with respect thereto, which could result in liabilities of the Company.

Item 4. Mine Safety Disclosures

None.

PART II

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

Market Information

Our common stock is traded on the OTC Pink tier of OTC Markets LLC under the symbol "MGTI."

Holdings

On April 16, 2024, the Company's common stock closed on the OTC Pink tier of OTC Markets LLC at \$0.0026 per share and there were 365 stockholders of record.

Dividends

The Company has never declared or paid cash dividends on its common stock and has no intention to do so in the foreseeable future.

Unregistered sales of equity securities

During the year ended December 31, 2023, 8,868,134 warrants were exercised on a cashless basis for the issuance of 80,000,000 shares of common stock. In issuing the securities described above, the Company relied upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

During the year ended December 31, 2023, the Company issued 34,000,000 shares of common stock to Minerset Farms in accordance with the terms of the property lease agreement. In issuing the securities described above, the Company relied upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

On July 20, 2023, the Company issued 11,400,000 shares of common stock as part of the settlement of 22,800,000 outstanding warrants. In issuing the securities described above, the Company relied upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

On July 25, 2023, 20,000,000 shares of common stock were issued for the partial conversion of the September 2022 Note. In issuing the securities described above, the Company relied upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Repurchases of Equity Securities

[None.]

Item 6. Reserved

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

Overview

MGT conducts cryptocurrency activities at a company-owned and managed Bitcoin mining facility in LaFayette, Georgia. Located adjacent to a utility substation, the several-acre property has access to about 20 megawatts (MW) of electrical power, half of which is presently utilized by the Company. Business activities are comprised of self-mining operations and leasing space to third parties.

As of December 31, 2023 and April 16, 2024, the Company owned 35 Antminer S19 Pro miners providing about 3 Ph/s in hash power for self-mining. We also offer third-party owners of miners a hosting service whereby MGT operates and maintains the miners for a fixed monthly fee. MGT's miners and those hosted for others are housed in a modified shipping container on the Company's owned property in Georgia.

The entire facility, including the land and improvements, five 2500 KVA 3-phase transformers, and three mining containers, are owned by MGT. Since April 2023, a single tenant is renting our property and electrical infrastructure to use for Bitcoin mining. The tenant has provided, at its cost, the approximately 2,000 miners and 9 containers needed for its activities. In addition, the tenant pays for its electricity consumption.

These measures improve utilization of our fixed asset base and better insulate us against the volatility of self-mining Bitcoin. The Company is exploring the 10 MW expansion potential at its current property as well as investigating other sites to develop Bitcoin mining facilities.

Critical accounting policies and estimates

Use of estimates and assumptions and critical accounting estimates and assumptions

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and also affect the amounts of revenues and expenses reported for each period. Actual results could differ from those which result from using such estimates. Management utilizes various other estimates, including but not limited to determining the estimated lives of long-lived assets, determining the potential impairment of long-lived assets, the fair value of conversion features, valuation of derivative liabilities and the valuation allowance for deferred tax assets. The results of any changes in accounting estimates are reflected in the financial statements in the period in which the changes become evident. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period that they are determined to be necessary.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method on the various asset classes over their estimated useful lives, which range from one to ten years when placed in service. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. Deposits on property and equipment are initially classified as Other Assets and upon delivery, installation and full payment, the assets are classified as property and equipment on the balance sheet.

Revenue recognition

Revenue recognition

Cryptocurrency mining

The Company recognizes revenue under Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, (“ASC 606”). The core principle of the 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 bundle of goods or services is identified that is distinct.

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 of 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.

The Company has entered into digital asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and 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 the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are recorded as a component of cost of revenues), for successfully adding a block to the Blockchain. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power to solve complex cryptographic algorithms in support of the Bitcoin Blockchain (in a process known as "solving a block") is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's agreements with mining pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt. In 2023, the FASB issued ASU 2023-08, which addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, with changes in fair value recorded in net income in each reporting period. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets. The ASU's amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. There was no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, prior to the issuance of ASU 2023-08 and management has exercised significant judgment in determining the appropriate accounting treatment for the current year. The Company is currently evaluating the impact ASU 2023-08 will have on its future financial statements.

Hosting Revenues

We receive revenues from third parties renting capacity at our facility and from hosting miners owned by others. The Company recognized \$324 and \$640 from these sources during the years ended December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, two customers accounted for 99% and 83%, respectively of hosting revenue.

Gain (Loss) on Modification/Extinguishment of Debt

In accordance with ASC 470, a modification or an exchange of debt instruments that adds or eliminates a conversion option that was substantive at the date of the modification or exchange is considered a substantive change and is measured and accounted for as extinguishment of the original instrument along with the recognition of a gain/loss. Additionally, under ASC 470, a substantive modification of a debt instrument is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. A substantive modification is accounted for as an extinguishment of the original instrument along with the recognition of a gain/loss.

Fair Value Measurements and Disclosures

ASC 820 “Fair Value Measurements and Disclosures” provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 Significant unobservable inputs that cannot be corroborated by market data.

As of December 31, 2023 the Company had a Level 3 financial instrument related to the derivative liability related to the conversion feature of convertible debt and the issuance of warrants. As of December 31, 2022 the Company had a Level 3 financial instrument related to the derivative liability related to the conversion feature of convertible debt and the issuance of warrants.

Recent accounting pronouncements

Note 3 to our audited financial statements appearing elsewhere in this report includes Recent Accounting Pronouncements.

Results of operations

Years ended December 31, 2023 and 2022

Revenues

Our revenues for the year ended December 31, 2023 decreased by \$410, or 51%, to \$399 as compared to \$809 for the year ended December 31, 2022.

Our revenue is derived from cryptocurrency mining which totaled \$75 during 2023. The decrease in revenues is a result of fewer Bitcoins mined due to a lower number of miners in operation and higher difficulty rate. We also receive revenues from third parties renting capacity at our facility and from hosting miners owned by others. The Company recognized \$324 and \$640 from these sources during the years ended December 31, 2023 and 2022, respectively. The decrease in Hosting services revenues is due to \$340 of hosting services revenues classified as issuance of equity in respect of the shares issued as per the contract.

Operating Expenses

Operating expenses for the year ended December 31, 2023 decreased by \$1,486, or 45%, to \$1,808 as compared to \$3,294 for the year ended December 31, 2022. The decrease in operating expenses was comprised of a decrease in cost of revenues of \$1,080 and decrease in general and administrative expenses of \$406.

The decrease in cost of revenues of \$1,080, or 69% to \$476 as compared to \$1,556 for the year ended December 31, 2022, was primarily due to a decrease in electricity costs of \$1,139, and mark to market revaluation of \$6, partially offset by an increase in depreciation of \$65. The decrease in general and administrative expenses of \$406, or 23% to \$1,332 as compared to \$1,738 for the year ended December 31, 2022, was primarily due to a decrease in consulting, legal and lease expenses.

Other Income and Expense

For the year ended December 31, 2023, non-operating expense of \$4,699 consisted of accretion of debt discount of \$1,269, loss on the change in fair value of warrant derivative liabilities of \$2,685, loss on the change in fair value of derivative liability of \$249, loss on settlement of derivative of \$302, interest expense of \$90 and loss on lease incentive of \$184, partially offset by gain on sale of property and equipment of \$70 and gain on settlement of debt of \$10.

For the year ended December 31, 2022, non-operating expense of \$3,493 consisted of accretion of debt discount of \$5,406, loss on settlement of derivative of \$757, interest expense of \$23, non-current asset impairment of \$54, loss on early termination of land lease of \$8, and loss on disposal of leasehold improvements of \$4, offset by non-operating income of gain on the change in fair value of warrant derivative liabilities of \$1,726, the change in fair value of derivative liability of \$984 and other non-operating income of \$49.

Liquidity and capital resources

Sources of Liquidity

We have historically financed our business through the sale of debt and equity interests. In September 2022, we raised \$1,335 from the sale of a \$1,500 Original Issue Discount Secured Convertible Promissory Note (the "Note"). As amended in December 2023, the Note: (i) is convertible into 40% of the Company's outstanding shares of the Company's common stock on the conversion date of the Note on a post-conversion basis, (ii) matures December 31, 2024 and (iii) bears an interest rate of 6% per annum. In addition, upon conversion, the Company issues to the investor three series of warrants of which each of the warrants is exercisable into 60% of the Conversion Shares. In August 2022, the Company also issued to one investor 22,800,000 shares of common stock and 22,800,000 warrants to purchase common stock for consideration of \$228.

On March 16, 2023 the Company entered into a partnership agreement and a property lease agreement with another cryptocurrency mining company (See Note 10 to the financial statements). Pursuant to the lease agreement, the Company agreed to lease Spaces of the Company's six acre mining facility for rental payments of \$5 per Space per month and payment of the electricity costs and deposit requirements arising from the Spaces. In connection with the Lease Agreement, Tenant agreed to make an initial deposit of \$229 for the initial electricity deployment for five MW. In December 2023, the Tenant added an additional space to the total amount of spaces leased.

Pursuant to the partnership agreement, the Company agreed to issue 500,000 shares of its common stock per month for each rented Space, and to also issue an additional number of shares of common stock annually equal to shares issued during the year under the agreement. During the year ended December 31, 2023, the Company received \$345, issued 34 million shares of common stock and reduced the lease liability by \$68. Lease payments received under these agreements are treated as sales of equity in the Company's financial statements.

We have incurred significant operating losses since inception and continue to generate losses from operations and as of December 31, 2023 have an accumulated deficit of \$432,039. At December 31, 2023, our cash and cash equivalents were \$8, and we had a working capital deficit of \$9,720.

The Company will need to raise additional capital to fund operating losses and grow its operations. There can be no assurance however that the Company will be able to raise additional capital when needed, or at terms deemed acceptable, if at all. The Company's ability to raise additional capital will also be impacted by the volatility of Bitcoin and the ongoing SEC enforcement action against our Chief Executive Officer, both of which are highly uncertain, cannot be predicted and could have an adverse effect on the Company's business and financial condition. The issuance of any additional shares of Common Stock, preferred stock or convertible securities could be substantially dilutive to our shareholders. Such factors raise substantial doubt about the Company's ability to sustain operations for at least one year from the issuance of these audited financial statements. The accompanying audited financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The price of Bitcoin is volatile, and fluctuations are expected. Declines in the price of Bitcoin have had a negative impact in our operating results and liquidity and could harm the price of our common stock. Movements may be influenced by various factors, including, but not limited to, government regulation, security breaches experienced by service providers, as well as political and economic uncertainties around the world. Since we record revenues partly based on the price of earned Bitcoin and we may retain such Bitcoin as an asset or as payment for future expenses, the relative value of such revenues may fluctuate, as will the value of any Bitcoin we retain.

The high and low exchange rate per Bitcoin for the year ending December 31, 2023, as reported by Coindesk.com, were approximately \$44 and \$17 respectively.

Common Stock Issuances

During the year ended December 31, 2023, 8,868,134 warrants with an embedded conversion feature were exercised on a cashless basis for the issuance of 80,000,000 shares of common stock.

During the year ended December 31, 2023, the Company issued 34,000,000 were issued in respect of the Lease Agreement.

On July 20, 2023, the Company issued 11,400,000 shares of common stock as part of the settlement of 22,800,000 outstanding warrants.

On July 25, 2023, 20,000,000 shares of common stock were issued for the partial conversion of the September 2022 Note.

Debt Financing

On September 12, 2022, the Company entered into a securities purchase agreement, pursuant to which the Company received \$1,335 in exchange for the issuance of a secured convertible promissory note (the "September 2022 Note") in the principal amount of \$1,500 with an original issue discount of \$165. Any time prior to a change of control transaction, the September 2022 Note is convertible into 30% of the outstanding shares of the Company's common stock on the conversion date on a post-conversion basis (the "Conversion Shares"). The September 2022 Note matures December 31, 2023 and bears interest at a rate of 6% per annum. The September 2022 Note provides for customary events of default, the occurrence of which would result in 110% the principal and other accrued amounts outstanding under the September 2022 Note to become immediately due and payable, with the interest rate increasing to 12%. At inception the Company recorded a debt discount of \$1,500 and non-cash interest as accretion of debt discount of \$5,324. During 2022, the Company recorded an additional accretion of debt discount of \$82, and the total accretion of debt discount for the year ended December 31, 2022 was \$5,406. During the year ended December 31, 2023, the Company recorded accretion of debt discount of \$1,262.

On December 19, 2023, the Company exchanged the September 2022 Note for a new note (the "December 2023 Note") with substantially the same terms with the exception of a maturity date of December 31, 2024 and with a conversion feature based on a 40% of the Company's common stock in a fully diluted basis. The Company accounts for liability classified conversion features and warrants at fair value. As all components of the September 2022 Note are accounted for at fair value both before and after the modification, any changes in the fair value was reflected in earnings. The Company analyzed for the cash flows of the plain debt pre and post modification and concluded that the changes in cash flows were less than 10% and hence modification accounting was applied. The Company continues to amortize the debt discount using the effective interest method of the modified debt. The principal balance of the December 2023 Note is \$1,579, has a debt discount of \$257, and bears interest at a rate of 6% per annum. During the year ended December 31, 2023, the Company recorded accretion of debt discount of \$7 in respect of the December 2023 Note.

Cash Flows

	Year ended December 31,	
	2023	2022
Cash provided by / (used in)		
Operating activities	\$ (710)	\$ (2,149)
Investing activities	-	(68)
Financing activities	180	1,525
Net decrease in cash and cash equivalents	\$ (530)	\$ (692)

Operating activities

Net cash used in operating activities was \$710 for the year ended December 31, 2023 as compared to \$2,149 for the year ended December 31, 2022. The amount in 2023 primarily consisted of a net loss of \$6,133 offset by non-cash charges of \$4,869 (including: depreciation expense of \$260, loss on settlement of derivative of \$302, amortization of note discount \$1,269, loss on settlement of derivative of \$2,685, loss on lease incentive of \$184 and loss on the change in fair value of derivative liability of \$249 partially offset by gain on settlement of debt \$10 and gain on sale of property and equipment of \$70), and increased by a change in working capital excluding cash of \$554. The amount in 2022 primarily consisted of a net loss of \$5,978 offset by non-cash charges of \$3,715 (including: depreciation expense of \$196, non-current asset impairment expense of \$54, loss on disposal of leasehold improvements of \$4, loss on early termination of land lease of \$8, loss on settlement of derivative of \$757, amortization of note discount \$5,406, partially offset by gain on change in fair value of warrant derivative liability of \$1,726 and gain on the change in fair value of derivative liability \$984), and increased by a change in working capital excluding cash of \$114.

Investing activities

Net cash used by investing activities was \$0 for the year ended December 31, 2023 as compared to net cash used by investing activities of \$68 for the year ended December 31, 2022.

Financing activities

During the year ended December 31, 2023, cash provided by financing activities totaled \$180 which includes \$340 from the issuance of stock under the lease agreement, \$25 from proceeds from loans payable and \$15 from proceeds of related party loans payable offset by repayment of loan payable of \$200.

During the year ended December 31, 2022, cash provided by financing activities totaled \$1,525 which includes \$1,335 in net proceeds from the issuance of convertible notes payable, \$228 from the sale of common stock and \$33 from proceeds from loans payable offset by repayment of loan payable of \$71.

Off-balance sheet arrangements

As of December 31, 2023, we had no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The Company is not exposed to market risk related to interest rates on foreign currencies. Inflation, particularly in the price of electricity has materially affected us during the past fiscal year; and we believe that inflation may significantly impact our business in 2024. We do not believe that our business is seasonal in nature.

Item 8. Financial Statements and Supplementary Data

See Financial Statements and Schedules attached hereto.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer (our principal executive) and acting Chief Financial Officer (our principal financial officer and principal accounting officer) carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based on this evaluation, our Chief Executive Officer and acting Chief Financial Officer concluded that our disclosure controls and procedures (as defined in paragraph (e) of Rules 13a-15 and 15d-15 under the Exchange Act) were not effective as December 31, 2023.

Limitations on Internal Control over Financial Reporting

An internal control system over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles in the United States, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive) and acting Chief Financial Officer (our principal financial officer and principal accounting officer), we performed a complete documentation of the Company's significant processes and key controls, and conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2023, due to the material weaknesses described below.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as 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 the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We determined that our internal control of financial reporting had the following material weakness:

- Due to the small size of the Company, the Company does not maintain sufficient segregation of duties to ensure the processing, review and authorization of all transactions including non-routine transactions.
- In addition, the Company uses a personal brokerage account/crypto wallet of its CEO to effect the sales of its mined Bitcoin. These transactions occur approximately monthly and are executed and documented to provide no cost to the Company and no benefit to our CEO.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting since the Company is a smaller reporting company under the rules of the SEC.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2023, there were no changes in internal control over financial reporting.

Item 9B. Other Information. None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections. Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert B. Ladd	65	President, Chief Executive Officer, acting Chief Financial Officer and Director
Michael Onghai	53	Chairman of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee Member, Independent Director

Directors are elected based on experience, qualifications and in accordance with the Company's by-laws to serve until the next annual stockholders meeting and until their successors are elected in their stead. Officers are appointed by the Board and hold office until their successors are chosen and qualified, until their death or until they resign or have been removed from office. All corporate officers serve at the discretion of the Board. There are no family relationships between any director or executive officer and any other director or executive officer of the Company.

Robert B. Ladd joined the Company in December 2010 as a Director. He was named Interim President and CEO in February 2011, and appointed President and CEO in January 2012, positions held continuously with the exception of November 2016 through August 2017, a period during which Mr. Ladd was President. He also served as our Interim CFO from November 2015 through February 2018 and acting Chief Financial Officer since July 1, 2020. On September 10, 2018, Mr. Ladd took a leave of absence from his positions as President and Chief Executive Office and was reappointed as President and Chief Executive Officer on May 1, 2019. Mr. Ladd was the Managing Member of Laddcap Value Advisors, LLC, which served as the investment manager for various private partnerships, including Laddcap Value Partners LP. Prior to forming his investment partnership in 2003, Mr. Ladd was a Managing Director at Neuberger Berman Group. Mr. Ladd is a former Director of InFocus Systems, Inc. (NASDAQ – INFS, 2007 to 2009), and served on the boards of Delcath Systems, Inc. (NASDAQ – DCTH, 2006–2012) and Pyxis Tankers (NASDAQ – PXS, 2016 – 2017). Mr. Ladd has earned his designation as a Chartered Financial Analyst (1986). Based on Mr. Ladd's familiarity with the Company in serving as our Chief Executive Officer since 2011 and his overall background and experience as an executive in the financial industry, the Nominating and Corporate Governance Committee of the Board concluded that Mr. Ladd has the requisite experience, qualifications, attributes and skill necessary to serve as a member of the Board.

Michael Onghai was appointed a director in May 2012. Mr. Onghai has been the CEO of LookSmart (OTC: LKST), since February 2013. He has been the founder and Chairman of AppAddictive, an advertising and social commerce platform since July 2011. Mr. Onghai is the President of Snowy August Management LLC, a special situations fund concentrating on the Asian market, spin-offs and event-driven situations. Mr. Onghai is the founder of Stock Sheet, Inc., and Daily Stocks, Inc. – the web's early providers of financial information and search engine related content for financial information. Mr. Onghai has founded several other internet technology companies for the last two decades. Mr. Onghai is an advisor to several internet incubators and is a panelist who advises FundersClub on which companies to accept for its pioneering venture capital platform. Mr. Onghai has earned his designation as a Chartered Financial Analyst (2006) and holds a B.S. in Electrical Engineering and Computer Science from the University of California, Los Angeles and graduated from the Executive Management Certificate Program in Value Investing (The Heilbrunn Center for Graham & Dodd Investing) Graduate School of Business at Columbia Business School. The Board believes that Mr. Onghai has the experience, qualifications, attributes and skills necessary to serve as a director and chairman of the Audit Committee because of his years of business experience and financial expertise.

Family Relationships

There are no family relationships among any of the Company's directors and executive officers.

Board Role in Risk Oversight

The Board's primary function is one of oversight. The Board as a whole works with the Company's management team to promote and cultivate a corporate environment that incorporates enterprise-wide risk management into strategy and operations. Management periodically reports to the Board about the identification, assessment and management of critical risks and management's risk mitigation strategies. Each committee of the Board is responsible for the evaluation of elements of risk management based on the committee's expertise and applicable regulatory requirements. In evaluating risk, the Board and its committees consider whether the Company's programs adequately identify material risks in a timely manner and implement appropriately responsive risk management strategies throughout the organization. The audit committee focuses on assessing and mitigating financial risk, including risk related to internal controls, and receives at least quarterly reports from management on identified risk areas. In setting compensation, the compensation committee strives to create incentives that encourage behavior consistent with the Company's business strategy, without encouraging undue risk-taking. The nominating committee considers areas of potential risk within corporate governance and compliance, such as management succession. Each of the committees reports regularly to the Board as a whole as to their findings with respect to the risks they are charged with assessing.

Code of Business Conduct and Ethics

On July 11, 2018, the Board revised the Code of Business Conduct and Ethics which applies to all directors and employees including the Company's principal executive officer, principal financial officer and principal accounting officer or persons performing similar functions. Prior to July 11, 2018, the Company's employees and directors were subject to the previous Code of Ethics adopted by the Board on June 25, 2012.

Copies of the Code of Business Conduct and Ethics can be obtained, without charge by writing to the Corporate Secretary at MGT Capital Investments, Inc., 1862 They Dr, Melbourne, FL 32940, or through our corporate website at mgctci.com.

Insider Trading Policy

The Company has implemented an Insider Trading Policy applicable to its officers, directors and employees with access to material nonpublic information, as well as such persons' family members, which prohibits such persons from conducting transactions involving the purchase or sale of the Company's securities while in possession of material nonpublic information. A copy of the Company's Insider Trading Policy is filed as Exhibit 19.1 of this Report.

While the granting of options and other equity awards to officers, directors and other employees is not expressly addressed in the Insider Trading Policy described above, the Company follows the same principles set forth in such Policy when granting equity awards, including options, to its officers, directors and other employees with access to material nonpublic information. Generally the Board or Compensation Committee does not approve grants of such awards close in time to the disclosure of material nonpublic information, and does not take material nonpublic information into account when determining the timing and terms of such an award. Further, the Company does not have a policy or practice of timing the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

Audit Committee and Audit Committee Financial Expert

On November 25, 2004, the Board established an Audit Committee to carry out its audit functions. At December 31, 2023, the membership of the Audit Committee was Michael Onghai.

The Board has determined that Michael Onghai, an independent director, is the Audit Committee financial expert, as defined in Regulation S-K promulgated under the Exchange Act, serving on its Audit Committee.

Item 11. Executive Compensation

Summary Compensation Table

The following table summarizes Fiscal Years 2023 and 2022 compensation for services in all capacities of the Company's named executive officers:

<u>Name</u>	<u>Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Stock awards</u>	<u>All other compensation</u>	<u>Total compensation</u>
Robert B. Ladd	President, Chief Executive Officer and Acting Chief Financial Officer	2023	\$ 255	\$ -	\$ -	\$ -	\$ 255
		2022	\$ 255	\$ -	\$ -	\$ -	\$ 255

Employment Agreements

Robert B. Ladd

On April 1, 2018, the Company entered into an Amended and Restated Executive Employment Agreement (the “Employment Agreement”) with Mr. Ladd, which was executed on April 6, 2018. The Employment Agreement provides that Mr. Ladd has been reappointed as President and Chief Executive Officer of the Company for an initial term of two years. Mr. Ladd is entitled to receive an annualized base salary of \$360 and is also eligible for a cash and/or equity bonus as the Compensation Committee may determine, from time to time, based on meeting performance objectives and bonus criteria to be mutually identified by Mr. Ladd and the Compensation Committee. In connection with the execution of the Employment Agreement, the Company issued to Mr. Ladd 600,000 shares of the Company’s restricted common stock, pursuant to the Company’s 2016 Stock Option Plan, vesting over a two-year period. On September 10, 2018 through May 1, 2019, Mr. Ladd took a leave of absence as an executive and officer of the Company in order to focus on allegations levied against him in an SEC complaint filed on September 7, 2018.

On November 11, 2020, the Company and Mr. Ladd agreed to amend the Employment Agreement, by resetting its effective date to November 1, 2020, and reducing the annualized base salary to \$240.

As part of Company-wide cost of living wage adjustments, Mr. Ladd’s annualized base salary was increased to \$255 in February 2022.

Outstanding Equity Awards at December 31, 2023

Outstanding Stock Awards for Fiscal Years 2023 and 2022

None

Director Compensation

The following table sets forth the compensation of persons who served as a member of our Board of Directors during all of 2023 other than Robert B. Ladd, who is not compensated separately for Board service.

Name	Fees Earned Or			All Other Compensation	Total
	Paid in Cash	Stock Awards			
Michael Onghai	\$ 32	\$ -	\$ -	\$ 32	

Directors are reimbursed for their out-of-pocket expenses incurred in connection with the performance of Board duties.

Independent Director Compensation

In February 2022, the Company changed its cash compensation policy for independent directors. Each independent director will receive annual compensation of \$32, up from \$30 previously.

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

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding beneficial ownership and voting power of the common stock as of April 16, 2024, of:

- each person serving as a director, a nominee for director, or executive officer of the Company;
- all executive officers and directors of the Company as a group; and
- all persons who, to our knowledge, beneficially own more than five percent of the common stock.

“Beneficial ownership” here means direct or indirect voting or investment power over outstanding stock and stock which a person has the right to acquire now or within 60 days after December 31, 2023. See the accompanying footnotes to the tables below for more detailed explanations of the holdings. Except as noted, to our knowledge, the persons named in the tables beneficially own and have sole voting and investment power over all shares listed.

Percentage beneficially owned is based upon 943,170,903 shares of common stock issued and outstanding as of April 16, 2024.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	[Percentage of Beneficial Ownership]
<i>Current Directors and Officers:</i>		
Robert B. Ladd	1,773,334	0.19%
Michael Onghai	586,000	0.06%
All directors and executive officers (2 persons)	2,359,334	0.25%
<i>5% Owners</i>		
Streeterville Capital LLC 303 E Wacker Drive, Suite 1040 Chicago, IL 60601	70,306,713	9.99%

- (1) Unless otherwise noted, the addresses for the above persons are in care of the Company at 2076 Foster Mill Rd, LaFayette, GA 30728.
- (2) According to Forms 13G file with the SEC on January 17, 2023, Streeterville Capital LLC, Bucktown Capital LLC and affiliated entities, all controlled by John M. Fife, own a total of 56,234,492 warrants exercisable into an indeterminate number of shares of common stock on a cashless basis, subject to a blocker that prevents the holder from owning in excess of 9.99% of the Company's shares outstanding.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below provides information on our equity compensation plans as of December 31, 2023:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)		\$	
Equity compensation plans not approved by security holders			
Total		\$	

- (1) On September 8, 2016, the Company's stockholders approved the MGT Capital Investments, Inc. 2016 Equity Incentive Plan. The Company received approval to issue up to a maximum of 18,000,000 shares of common stock, including 6,000,000 options. As of December 31, 2022, the Company has issued 6,000,000 options and 6,897,414 shares under this plan. All options expired on January 31, 2020.

Item 13. Certain Relationships and Related Transactions and Director Independence

The crypto exchange used by the Company to monetize its self-mined Bitcoin experienced difficulties beginning in early 2023 and was ultimately shut down. The Company was unable to find a suitable replacement given its low transaction frequency and small trade volumes. As a consequence, the Company uses a personal brokerage account/crypto wallet of its CEO to effect the sales of its mined Bitcoin. These transactions occur approximately monthly and are executed and documented to provide no cost to the Company and no benefit to our CEO.

On August 1, 2023 an executive loaned the Company \$15. The loan bears interest at an annual rate of 4.43%. A maturity date has not yet been set. During the year ended December 31, 2023, the Company recorded \$0.3 of interest expense in respect of this loan. In addition, an executive is owed \$15 for his payment of a vendor invoice on behalf of the Company.

Director Independence

Michael Onghai is considered independent under Section 803A of NYSE MKT rules.

Item 14. Principal Accountant Fees and Services

Effective January 5, 2017, RBSM LLP became our current independent auditor. The following is a summary of the fees billed by our independent auditors for professional services rendered for the fiscal years ended December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
Audit fees	\$ 118	\$ 126
Tax fees	–	–
Audit-related fees	–	–
Other fees	–	–
	<u>\$ 118</u>	<u>\$ 126</u>

Audit fees consist of fees billed for services rendered for the audit of our financial statements and review of our financial statements included in our quarterly reports on Form 10-Q.

Tax fees consist of fees billed for professional services related to the preparation of our U.S. federal and state income tax returns and tax advice.

Audit-related fees consist of fees reasonably related to the performance of the audit or review of the Company's financial statements that are not reported as "Audit Fees."

All other fees consist of fees for other miscellaneous items, including fees related to registrations statements.

All services provided by the Company's independent auditor were approved by the Company's audit committee.

Pre-Approval Policy of Services Performed by Independent Registered Public Accounting Firm

The Audit Committee's policy is to pre-approve all audit and non-audit related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated the pre-approval authority to its chairperson when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval and the fees for the services performed to date.

PART IV**Item 15. Exhibits and Financial Statement Schedules.****Financial Statements**

The financial statements of the Company for the fiscal years covered by this Annual Report are located on pages F-1 to F-37 of this Annual Report.

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Restated Certificate of Incorporation of MGT Capital Investments, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K filed with the SEC on April 16, 2019).</u>
3.2	<u>Amended and Restated Bylaws of MGT Capital Investments, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 30, 2014).</u>
4.1	<u>Certificate of Designation of 12% Series B Preferred Stock of MGT Capital Investments, Inc., filed with the Delaware Secretary of State on January 11, 2019 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on January 14, 2019).</u>

4.3	<u>Description of MGT Capital Investment, Inc.'s Securities (incorporated by reference to Exhibit 4.3 to the Annual Report on Form 10-K filed with the SEC on March 30, 2020).</u>
10.1	<u>MGT Capital Investments, Inc. 2016 Equity Incentive Plan (incorporated by reference to Annex B to the Definitive Proxy Statement on Schedule 14A filed with the SEC on August 15, 2016).</u>
10.2	<u>Employment Agreement, by and between MGT Capital Investments, Inc. and Robert Ladd, dated as of April 1, 2018 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 12, 2018).</u>
10.3	<u>Amendment to Employment Agreement, dated November 11, 2020, by and between MGT Capital Investments, Inc. and Robert Ladd (incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K filed with the SEC on April 15, 2021).</u>
10.4	<u>Securities Purchase Agreement dated July 21, 2021, by and between MGT Capital Investments, Inc. and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 27, 2021).</u>
10.5	<u>Form of Warrant, issued by MGT Capital Investments, Inc. to Streeterville Capital LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on July 27, 2021).</u>
10.6	<u>Exchange Agreement dated September 30, 2021, by and between MGT Capital Investments, Inc. and Bucktown Capital, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 4, 2021).</u>
10.7	<u>Form of Warrant, issued by MGT Capital Investments, Inc. to Bucktown Capital LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 4, 2021).</u>
10.8	<u>Securities Purchase Agreement dated August 5, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on August 11, 2022).</u>
10.9	<u>Form of Warrant issued by Company to Investor dated August 5, 2022 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on August 11, 2022).</u>
10.10	<u>Securities Purchase Agreement dated August 5, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed with the SEC on August 12, 2022).</u>
10.11	<u>Securities Purchase Agreement, dated September 12, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on form 8-k filed September 14, 2022).</u>
10.12	<u>Common Stock Purchase Warrant dated September 12 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed September 14, 2022).</u>
10.13	<u>Secured Convertible Promissory Note dated September 12, 2022 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 14, 2022).</u>
10.14	<u>Form of Lease Agreement with Minerset Holdings LLC Exhibit dated March 16, 2023 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed March 22, 2023).</u>
10.15	<u>Form of Property Lease Agreement with Minerset Farms dated March 16, 2023 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on March 22, 2023).</u>
10.16	<u>Secured Convertible Promissory Note (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on December 20, 2023).</u>
10.17	<u>Exchange Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 20, 2023).</u>
10.18	<u>Original Issue Discount Note dated March 6, 2024*</u>
19.1	<u>Insider Trading Policy*</u>
31	<u>Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer and Principal Accounting Officer*</u>
32	<u>Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer and Principal Financial Officer*</u>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document*

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document*

104 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

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

MGT CAPITAL INVESTMENTS, INC

April 16, 2024

By: /s/ Robert B. Ladd

Robert B. Ladd
President (Principal Executive Officer)

Pursuant to the requirements of the 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert B. Ladd</u> Robert B. Ladd	President, Chief Executive Officer, Acting Chief Financial Officer and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	April 16, 2024
<u>/s/ Michael Onghai</u> Michael Onghai	Director	April 16, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
MGT Capital Investments, Inc.

Opinion on the Financial Statement

We have audited the accompanying balance sheets of MGT Capital Investments, Inc. (the Company) as of December 31, 2023 and 2022, the related statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statement). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, 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 2 to the financial statements, the Company has suffered recurring losses from operations and will require additional capital to continue as a going concern. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our 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 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 Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters or on the accounts or disclosures to which they relate.

Cryptocurrency Mining Revenue Recognition

Critical Audit Matter Description

As described in Note 3 to the financial statements, the Company recognizes revenue by providing computing power to mining pool operators in exchange for a fractional share of a fixed Bitcoin award, less net digital asset fees due to the mining pool operator over the measurement period. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving an algorithm. During the year ended December 31, 2023, the Company recognized net bitcoin mining revenue of \$74,746. The Company's management has exercised judgment in their determination of how existing GAAP should be applied to the accounting for and disclosure of bitcoin mining revenue recognized.

The principal consideration over identifying the valuation of the Bitcoin Mining Revenue as a critical audit matter was due to the significant audit effort required to perform audit procedures over the Company's mining activities over the private key(s). During 2023, the Company was unable to find a crypto exchange in the US that would allow it open an account in the Company's name in order to conduct transactions that would monetize the Bitcoin. The Company uses a personal crypto wallet of the Chief Executive Officer (CEO) of the Company to receive the bitcoin earned and effect sales of the mined Bitcoin.

How the Critical Audit Matter was Addressed in the Audit

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included the following:

- Performed an observation of the Company's mining hardware located at the Company's facility, which included observing physical controls over the miners.
- Evaluated management's rationale for the application of ASC 606 to account for bitcoin awards earned;
- Evaluated management's disclosures of its bitcoin activities in the financial statement footnotes;
- Independently verified certain financial data and wallet records directly to publicly available blockchain records to test the occurrence and accuracy of mining revenue as the operator.
- Undertook an analytical review of total bitcoin mining revenue expected to be recognized by the Company by assessing the total hash power contributed onto the network by the Company against total block rewards and transaction fees issued over the year.
- Compared the transfers between the Company's and CEO's wallet records to publicly available blockchain records;
- Recalculated or tested the valuation of bitcoin coins earned based on market prices at the point in time the bitcoin coins were earned using independent digital asset prices and comparing those to the prices selected by the Company.
- Tested 100% of the net cash proceeds, including those sales conducted utilizing the personal wallet held by an officer of the Company and tested that the net proceeds were distributed to the Company.
- Applied auditor judgment in determining the nature and extent of audit evidence required, especially related to assessing the existence of the digital assets and whether the Company controls the digital assets. Evaluated the sufficiency and appropriateness of audit evidence obtained by assessing the results of procedures performed over the digital asset transactions and holdings.

/s/ RBSM LLP

We have served as the Company's auditor since 2017.

Las Vegas, Nevada

April 16, 2024

PCAOB ID: 587

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MGT CAPITAL INVESTMENTS, INC.
BALANCE SHEET
(Dollars in thousands, except per-share amounts)

	December 31,	
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 8	\$ 538
Accounts receivable	17	-
Prepaid expenses and other current assets	-	4
Intangible digital assets	-	11
Total current assets	25	553
Non-current assets		
Property and equipment, at cost, net	907	1,098
Other assets	-	3
Total assets	\$ 932	\$ 1,654
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 404	\$ 11
Accounts payable - related party	15	-
Accrued expenses and other payables	244	115
Contract liability	-	30
Security deposit	45	-
Note payable	25	200
Note payable, related party	15	-
Convertible note payable, net of discount	1,329	82
Operating lease liability	96	-
Warrant derivative liability	4,253	1,727
Derivative liability	3,344	3,223
Total current liabilities	9,770	5,388
Non-current liabilities		
Operating lease liability long-term	20	-
Total liabilities	9,790	5,388
Commitments and Contingencies (Note 10)		
Stockholders' Deficit		
Undesignated preferred stock, \$0.001 par value, 8,489,800 shares authorized. No shares issued and outstanding at December 31, 2023 and December 31, 2022.	-	-
Series B preferred stock, \$0.001 par value, 10,000 shares authorized. No shares issued or outstanding at December 31, 2023 and December 31, 2022.	-	-
Series C convertible preferred stock, \$0.001 par value, 200 share authorized. 0 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	-	-
Common stock, \$0.001 par value; 2,500,000,000 shares authorized; 849,170,903 and 703,770,903 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively.	849	704
Additional paid-in capital	422,332	421,468
Accumulated deficit	(432,039)	(425,906)
Total stockholders' deficit	(8,858)	(3,734)
Total Liabilities and Stockholders' Deficit	\$ 932	\$ 1,654

The accompanying notes are an integral part of these financial statements

MGT CAPITAL INVESTMENTS, INC.
STATEMENTS OF OPERATIONS
(Dollars in thousands, except per-share amounts)

	For the Year Ended December 31,	
	2023	2022
Revenue		
Bitcoin mining	\$ 75	\$ 169
Hosting services	324	640
Total revenue	399	809
Operating expenses		
Cost of revenue	476	1,556
General and administrative	1,356	1,738
Total operating expenses	1,832	3,294
Operating loss	(1,433)	(2,485)
Other non-operating income (expense)		
Interest expense	(91)	(23)
Change in fair value of warrant derivative liability	(2,685)	1,726
Change in fair value of derivative liability	(249)	984
Loss on settlement of derivative	(302)	(757)
Accretion of debt discount	(1,269)	(5,406)
Gain on sale of property and equipment	70	-
Gain (loss) on settlement of debt	10	-
Other income	-	49
Loss on Lease Incentive	(184)	-
Loss on early termination of land lease	-	(8)
Loss on early termination of leasehold improvements	-	(4)
Non-current asset impairment expense	-	(54)
Total non-operating expense	(4,700)	(3,493)
Net loss	\$ (6,133)	\$ (5,978)
Per-share data		
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	761,862,958	663,993,369

The accompanying notes are an integral part of these financial statements

MGT CAPITAL INVESTMENTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in thousands, except per-share amounts)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance at December 31, 2021	-	-	606,970,903	\$ 607	\$ 420,450	\$ (419,928)	\$ 1,129
Issuance of common stock and warrants	-	-	22,800,000	23	164	-	187
Cashless exercise of warrants and extinguishment of related warrant derivative liability	-	-	74,000,000	74	854	-	928
Net loss	-	-	-	-	-	(5,978)	(5,978)
Balance at December 31, 2022	-	\$ -	703,770,903	\$ 704	\$ 421,468	\$ (425,906)	\$ (3,734)
Issuance of common stock and warrants	-	-	-	-	-	-	-
Cashless exercise of warrants and extinguishment of related warrant derivative liability	-	-	91,400,000	91	370	-	461
Issuance of shares in respect of lease agreement	-	-	34,000,000	34	374	-	408
Conversion of convertible note into Common Stock	-	-	20,000,000	20	120	-	140
Net loss	-	-	-	-	-	(6,133)	(6,133)
Balance at December 31, 2023	-	\$ -	849,170,903	\$ 849	\$ 422,332	\$ (432,039)	\$ (8,858)

The accompanying notes are an integral part of these financial statements

MGT CAPITAL INVESTMENTS, INC.
STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per-share amounts)

	For the Year Ended December 31,	
	2023	2022
Cash Flows From Operating Activities		
Net loss	\$ (6,133)	\$ (5,978)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	260	196
Gain on sale of property and equipment	(70)	-
Loss on early termination of land lease	-	8
Loss on early termination of leasehold improvements	-	4
Change in fair value of warrant derivative liability	2,685	(1,726)
Change in fair value of derivative liability	249	(984)
Loss on settlement of derivative	302	757
Loss on Lease Incentive	184	-
Non-current asset impairment expense	-	54
Amortization of note discount	1,269	5,406
Gain on settlement of debt	(10)	-
Change in operating assets and liabilities		
Accounts receivable	(17)	180
Prepaid expenses and other current assets	4	117
Intangible digital assets	11	(11)
Other assets	3	-
Operating lease liability	-	(5)
Accounts payable	394	38
Accounts payable - related party	15	-
Accrued expenses	129	10
Contract liability	(30)	30
Security deposit	45	(245)
Net cash used in operating activities	(710)	(2,149)
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(68)
Net cash used in investing activities	-	(68)
Cash Flows From Financing Activities		
Proceeds from convertible note payable	-	1,335
Proceeds from sale of stock under equity purchase agreement, net of issuance costs	-	228
Proceeds from issuance of stock under lease agreement	340	-
Repayment of loan payable	(200)	(71)
Proceeds from loans payable	25	33
Proceeds from notes payable, related party	15	-
Net cash provided by financing activities	180	1,525
Net change in cash and cash equivalents	(530)	(692)
Cash and cash equivalents, beginning of year	538	1,230
Cash and cash equivalents, end of year	<u>\$ 8</u>	<u>\$ 538</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 28</u>	<u>\$ -</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities		
Cashless exercise of warrants and extinguishment of related warrant derivative liability	<u>\$ 461</u>	<u>\$ 988</u>
Discount related to convertible promissory note	<u>\$ -</u>	<u>\$ 1,500</u>
Derivative liabilities related to convertible debt and warrants	<u>\$ -</u>	<u>\$ 6,761</u>
Accounts payable settled with loan payable	<u>\$ 140</u>	<u>\$ 38</u>
Accounts payable settled with bank note	<u>\$ -</u>	<u>\$ 200</u>

The accompanying notes are an integral part of these financial statements

MGT CAPITAL INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Dollars in thousands, except share and per-share amounts)

Note 1. Organization and Basis of Presentation

Organization

The Company is a Delaware corporation incorporated in 2000. MGT was originally incorporated in Utah in 1977. MGT's corporate office is in Raleigh, North Carolina.

Current Operations

Cryptocurrency mining

MGT conducts cryptocurrency activities at a company-owned and managed Bitcoin mining facility in LaFayette, Georgia. Located adjacent to a utility substation, the several-acre property has access to about 20 megawatts (MW) of electrical power, half of which is presently utilized by the Company. Business activities are comprised of self-mining operations, providing hosting services, and leasing space to third parties.

As of December 31, 2023 and April 16, 2024, the Company owned 35 Antminer S19 Pro miners, providing about 3 Ph/s in hash power for self-mining. We also offer third-party owners of miners a hosting service whereby MGT operates and maintains the miners for a fixed monthly fee. MGT's miners and those hosted for others are housed in a modified shipping container on the Company's owned property in Georgia.

The entire facility, including the land and improvements, five 2500 KVA 3-phase transformers, and three mining containers, are owned by MGT. Since April 2023, a single tenant is renting our property and electrical infrastructure to use for Bitcoin mining. The tenant has provided, at its cost, the approximately 2,000 miners and 9 containers needed for its activities. In addition, the tenant pays for its electricity consumption.

These measures improve utilization of our fixed asset base and better insulate us against the volatility of self-mining Bitcoin. The Company is exploring the 10 MW expansion potential at its current property as well as investigating other sites to develop Bitcoin mining facilities.

Basis of presentation

The accompanying financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and applicable rules and regulations of the United States Securities and Exchange Commission ("SEC").

Inflation

Electricity and other prices are vulnerable to inflation which may increase the Company's mining costs and operating expenses.

MGT CAPITAL INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 2. Going Concern and Management's Plans

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2023, the Company had incurred significant operating losses since inception and continues to generate losses from operations. As of December 31, 2023, the Company had an accumulated deficit of \$432,039. As of December 31, 2023 MGT's cash and cash equivalents were \$8.

The Company will require additional funding to grow its operations. Further, depending upon operational profitability, the Company may also need to raise additional funding for ongoing working capital purposes. There can be no assurance however that the Company will be able to raise additional capital when needed, or at terms deemed acceptable, if at all. The Company's ability to raise additional capital is impacted by the volatility of Bitcoin mining economics and the SEC's ongoing enforcement action against our Chief Executive Officer, both of which are highly uncertain, cannot be predicted, and could have an adverse effect on the Company's business and financial condition.

Since January 2022, the Company has secured working capital through the issuance of a convertible note, the sale of equity and warrants, and the sale of assets.

Such factors raise substantial doubt about the Company's ability to sustain operations for at least one year from the issuance of these financial statements. The accompanying financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

Use of estimates and assumptions and critical accounting estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and also affect the amounts of revenues and expenses reported for each period. Actual results could differ from those which result from using such estimates. Management utilizes various other estimates, including but not limited to determining the estimated lives of long-lived assets, determining the potential impairment of long-lived assets, the fair value of warrants issued, the fair value of conversion features, and the valuation allowance for deferred tax assets. The results of any changes in accounting estimates are reflected in the financial statements in the period in which the changes become evident. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period that they are determined to be necessary.

Cash and cash equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when acquired to be cash equivalents. The Company's combined accounts were \$8 and \$538 as of December 31, 2023 and 2022, respectively. Accounts are insured by the FDIC up to \$250 per financial institution. The Company has not experienced any losses in such accounts with these financial institutions. As of December 31, 2023 and 2022, the Company had \$0 and \$37, respectively, in excess over the FDIC insurance limit.

Accounts Receivable

Accounts receivable are generally unsecured. The Company establishes an allowance for doubtful accounts receivable based on the age of outstanding invoices and management's evaluation of collectability. Accounts are written off after all reasonable collection efforts have been exhausted and management concludes that likelihood of collection is remote. Any future recoveries are applied against the allowance for doubtful accounts. As of December 31, 2023 and December 31, 2022, we did not believe we needed to reserve for any doubtful accounts, respectively.

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Cryptocurrencies

Cryptocurrencies, (including bitcoin and bitcoin cash) are included in current assets in the accompanying balance sheets. Any cryptocurrencies purchased are recorded at cost and cryptocurrencies awarded to the Company through its mining activities are accounted for in connection with the Company's revenue recognition policy disclosed in this note.

Cryptocurrencies held are accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured.

In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Any purchases of cryptocurrencies by the Company are included within investing activities in the accompanying statements of cash flows, while cryptocurrencies awarded to the Company through its mining activities are included within operating activities on the accompanying statements of cash flows. The sales of cryptocurrencies are included within investing activities in the accompanying statements of cash flows and any realized gains or losses from such sales are included in other income (expense) in the statements of operations. The Company accounts for its gains or losses in accordance with the first in first out (FIFO) method of accounting.

Halving – The Bitcoin blockchain and the cryptocurrency reward for solving a block is subject to periodic incremental halving. Halving is a process designed to control the overall supply and reduce the risk of inflation in cryptocurrencies using a Proof-of-Work consensus algorithm. At a predetermined block, the mining reward is cut in half, hence the term "Halving." A Halving for bitcoin occurred on May 12, 2020, with a revised reward payout of 6.25 Bitcoin per block. Many factors influence the price of Bitcoin and potential increases or decreases in prices in advance of or following a future halving is unknown.

The following table presents the activities of digital currencies for the years ended December 31, 2023 and 2022:

Digital currencies at December 31, 2021	\$	-
Additions of digital currencies from mining		169
Realized gain on sale of digital currencies		(2)
Sale of digital currencies		(156)
Digital currencies at December 31, 2022		<u>11</u>
Additions of digital currencies from mining		75
Realized loss on sale of digital currencies		3
Sale of digital currencies		(89)
Digital currencies at December 31, 2023	\$	<u>-</u>

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method on the various asset classes over their estimated useful lives, which range from one to ten years when placed in service. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. Deposits on property and equipment are initially classified as Other Assets and upon delivery, installation and full payment, the assets are classified as property and equipment on the balance sheet.

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Leases

The Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right of use asset and 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. Variable lease expenses, if any, are recorded when incurred.

Derivative Instruments

Derivative financial instruments are recorded in the accompanying balance sheets at fair value in accordance with ASC 815. When the Company enters into a financial instrument such as a debt or equity agreement (the "host contract"), the Company assesses whether the economic characteristics of any embedded features are clearly and closely related to the primary economic characteristics of the remainder of the host contract. When it is determined that (i) an embedded feature possesses economic characteristics that are not clearly and closely related to the primary economic characteristics of the host contract, and (ii) a separate, stand-alone instrument with the same terms would meet the definition of a financial derivative instrument, then the embedded feature is bifurcated from the host contract and accounted for as a derivative instrument. The estimated fair value of the derivative feature is recorded in the accompanying balance sheets separately from the carrying value of the host contract. Subsequent changes in the estimated fair value of derivatives are recorded as a gain or loss in the Company's statements of operations.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever facts or circumstances either internally or externally may suggest that the carrying value of an asset may not be recoverable, should there be an indication of impairment, we test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset to the carrying amount of the asset or asset group. Any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly as the company reviews financial information. The Company currently operates in the Digital Currency Blockchain segment with our mining facility located in the United States. The Company also provides hosting services which are also located in the United States. The Company has employees only in the United States and views its operations as one operating segment as management reviews financial information on a consolidated basis in making decisions regarding resource allocations and assessing performance.

Revenue recognition

Cryptocurrency mining

The Company recognizes revenue under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, ("ASC 606"). The core principle of the 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

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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 bundle of goods or services is identified that is distinct.

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 of 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.

The Company has entered into digital asset mining pools by agreeing to terms and conditions, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and 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 the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are recorded as a component of cost of revenues), for successfully adding a block to the Blockchain. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power to solve complex cryptographic algorithms in support of the Bitcoin Blockchain (in a process known as "solving a block") is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's agreements with mining pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt. In 2023, the FASB issued ASU 2023-08, which addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, with changes in fair value recorded in net income in each reporting period. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets. The ASU's amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. There was no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, prior to the issuance of ASU 2023-08 and management has exercised significant judgment in determining the appropriate accounting treatment for the current year. The Company is currently evaluating the impact ASU 2023-08 will have on its future financial statements.

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Hosting Revenues

We receive revenues from third parties renting capacity at our facility and from hosting miners owned by others. The Company recognized \$324 and \$640 from these sources during the years ended December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, two customers accounted for 99% and 83%, respectively, of hosting revenue.

Other Income

Other income for the year ended December 31, 2022 consisted of a commercial vendor settlement and the sale of some spare parts.

Gain (Loss) on Modification/Extinguishment of Debt

In accordance with ASC 470, a modification or an exchange of debt instruments that adds or eliminates a conversion option that was substantive at the date of the modification or exchange is considered a substantive change and is measured and accounted for as extinguishment of the original instrument along with the recognition of a gain or loss. Additionally, under ASC 470, a substantive modification of a debt instrument is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. A substantive modification is accounted for as an extinguishment of the original instrument along with the recognition of a gain or loss.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". ASC 740 requires an asset and liability approach for financial accounting and reporting for income taxes and established for all the entities a minimum threshold for financial statement recognition of the benefit of tax positions and requires certain expanded disclosures. The provision for income taxes is based upon income or loss after adjustment for those permanent items that are not considered in the determination of taxable income. Deferred income taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In management's opinion, adequate provisions for income taxes have been made. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Loss per share

Basic loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss attributable to common shareholders by the sum of the weighted average number of common shares outstanding plus potential dilutive common shares outstanding during the period. Potential dilutive securities, comprised of unvested restricted shares, convertible debt stock warrants, stock options, convertible debt and convertible preferred stock are not reflected in diluted net loss per share because such potential shares are anti-dilutive due to the Company's net loss.

Accordingly, the computation of diluted loss per share for the year ended December 31, 2023 excludes 1,202,410,574 shares issuable upon the exercise of outstanding warrants and 621,691,357 shares issuable upon the conversion of convertible notes payable. The computation of diluted loss per share for the year ended December 31, 2022 excludes 682,563,502 shares issuable upon the exercise of outstanding warrants and 335,293,895 shares issuable upon the conversion of convertible notes payable.

Fair Value Measure and Disclosures

ASC 820 "Fair Value Measurements and Disclosures" provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 Significant unobservable inputs that cannot be corroborated by market data.

As of December 31, 2023, the Company had a Level 3 financial instrument related to the conversion feature derivative liability and the warrant derivative liability. As of December 31, 2022, the Company had a Level 3 financial instrument related to the warrant derivative liability.

Management's evaluation of subsequent events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the review, other than what is described in Note 14 – Subsequent Events, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements.

Recent accounting pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, when adopted, will have a material effect on the accompanying financial statements, other than those disclosed below.

On December 13, 2023, the FASB issued ASU 2023-08, which addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, with changes in fair value recorded in net income in each reporting period. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets. The ASU's amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted. The Company is currently evaluating the impact ASU 2023-08 will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, a new standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard was effective for the Company on January 1, 2023. The new standard did not have a material impact on the financial statements for the year ended December 31, 2023.

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, "*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)*" ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU's amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2020-06 will have on its financial statements.

Note 4. Accounts Receivable

Accounts receivable balance of \$17 as December 31, 2023 consisted primarily of receivables in respect of electricity for hosting. There was no balance of accounts receivable at December 31, 2022.

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Note 5. Property and Equipment and Other Assets

Property and equipment consisted of the following:

	As of	
	December 31, 2023	December 31, 2022
Land	\$ 55	\$ 55
Computer hardware and software	10	10
Bitcoin mining machines	70	274
Infrastructure	1,185	1,185
Containers	403	403
Property and equipment, gross	1,723	1,927
Less: Accumulated depreciation	(816)	(829)
Property and equipment, net	<u>\$ 907</u>	<u>\$ 1,098</u>

The Company recorded depreciation expense of \$260 and \$196 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, the Company recorded gains on sale of property and equipment of \$70 and \$0, respectively. For the year ended December 31, 2022, the Company recorded a loss of \$4 resulting from the abandonment of certain leasehold improvements.

Other assets consisted of the following:

	As of	
	December 31, 2023	December 31, 2022
Security deposits	\$ -	\$ 3
Other Assets	\$ -	\$ 3

The Company paid \$3 related to its office lease in Raleigh, NC which was returned to us in the year ended December 31, 2023.

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Note 6. Notes Payable

September 2022 Note

On September 12, 2022, the Company entered into a securities purchase agreement, pursuant to which the Company received \$1,335 in exchange for the issuance of a secured convertible promissory note (the “September 2022 Note”) in the principal amount of \$1,500 with an original issue discount of \$165. Any time prior to a change of control transaction, the September 2022 Note is convertible into 30% of the outstanding shares of the Company’s common stock on the conversion date on a post-conversion basis (the “Conversion Shares”). The September 2022 Note matures December 31, 2023 and bears interest at a rate of 6% per annum. The September 2022 Note provides for customary events of default, the occurrence of which would result in 110% the principal and other accrued amounts outstanding under the September 2022 Note to become immediately due and payable, with the interest rate increasing to 12%. At inception the Company recorded a debt discount of \$1,500 and non-cash interest as accretion of debt discount of \$5,324. During 2022, the Company recorded additional accretion of debt discount of \$82, and the total accretion of debt discount for the year ended December 31, 2022 was \$5,406. During the year ended December 31, 2023, the Company recorded accretion of debt discount of \$1,262.

December 2023 Note

On December 19, 2023, the Company exchanged the September 2022 Note for a new note (the “December 2023 Note”) with substantially the same terms with the exception of a maturity date of December 31, 2024 and with a conversion feature based on a 40% of the Company’s common stock in a fully diluted basis. The Company accounts for liability classified conversion features and warrants at fair value. As all components of the September 2022 Note are accounted for at fair value both before and after the modification, any changes in the fair value was reflected in earnings. The Company analyzed for the cash flows of the plain debt pre and post modifications and concluded that the changes in cash flows were less than 10% and hence modification accounting was applied. The Company continues to amortize the debt discount using the effective interest method of the modified debt. The principal balance of the December 2023 Note is \$1,579, has a debt discount of \$257, and bears interest at a rate of 6% per annum. During the year ended December 31, 2023, the Company recorded accretion of debt discount of \$7 in respect of the December 2023 Note.

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Additionally, the Company issued to the lender three series of warrants (collectively, the “Warrants”). Each of the Series of Warrants is exercisable into 60% of the Conversion Shares and has a term of three years. The Warrants have exercise prices as follows:

- Series X Warrant, the lower of \$0.02 and 120% of the closing price on the date of exercise;
- Series Y Warrant, the lower of \$0.04 and 150% of the closing price on the date of exercise; and
- Series Z Warrant, the lower of \$0.06 and 200% of the closing price on the date of exercise.

The Company has previous warrants outstanding whereby it cannot conclude that it has enough authorized and unissued shares to satisfy the settlement requirements for those already outstanding warrants. As a result, the equity environment would be considered tainted, and the conversion feature and the attached warrants are treated as derivative liabilities.

On July 25, 2023, the lender converted \$65 of the September 2022 Note into 20,000,000 shares of Common Stock with a fair value of \$140. As a result of the conversion of the \$65 of the September 2022 Note, net of \$43 of debt discount and the settlement of \$118 of the related derivative liability, the Company recorded \$10 as a gain on the settlement of debt.

In addition to the conversion, the Company issued 36,000,000 warrants to purchase shares of Common Stock, with exercise prices of \$0.0083, \$0.0104, \$0.0138 each for 12,000,000 warrants. The warrants are exercisable at any time and have a three-year exercise period. As the Company has previous warrants outstanding whereby it cannot conclude that it has enough authorized and unissued shares to satisfy the settlement requirements for those already outstanding warrants. As a result, the equity environment would be considered tainted, and the conversion feature and the attached warrants are treated as derivative liabilities.

Derivative Liability

The Company valued the derivative liability relating to the embedded conversion feature using the Monte Carlo Simulation Method because of the unknown stock price at the future time of conversion. The Monte Carlo Simulation was calculated using the following assumptions:

	December 31, 2023	December 31, 2022
Stock price	\$ 0.003	\$ 0.004
Term (years)	1.00	1.00
Annual volatility	108.59%	152.48%
Annual expected return	10.24%	11.89%
Discount rate	4.79%	4.73%
Dividend yield	0%	0%

The Company’s activity in its convertible debt related derivative liability was as follows for the year ended December 31, 2022:

Balance of derivative liability at January 1, 2022	\$ -
Transfer in due to issuance of convertible promissory note with embedded conversion features	4,207
Change in fair value of derivative liability	(984)
Balance of derivative liability at December 31, 2022	\$ 3,223
Settlement of derivative liability at debt conversion	(128)
Change in fair value of derivative liability	249
Balance of derivative liability at December 31, 2023	\$ 3,344

As of December 31, 2023, the fair value of the derivative liability was \$3,344 and for the year ended December 31, 2023 the Company recorded a loss of \$249 from the change in fair value of derivative liability as non-operating income in the statements of operations. As of December 31, 2022, the fair value of the derivative liability was \$3,223 and for the year ended December 31, 2022 the Company recorded a gain of \$984 from the change in fair value of derivative liability as non-operating income in the statements of operations.

Warrant Derivative Liabilities

As of December 31, 2023, the fair value of the warrant derivative liabilities was \$4,253 and for the year ended December 31, 2023 the Company recorded a loss of \$2,685 from the change in fair value of derivative warrant liability as non-operating income in the statements of operations. The Company valued the warrant derivative liabilities other than the warrants issued as part of the debt financing using the Black-Scholes option pricing model using the following assumptions as of December 31, 2023: 1) stock price of \$0.003, 2) exercise prices of \$0.03 - 0.12, 3) remaining lives of 2.05 – 2.56 years, 4) dividend yields of 0%, 5) risk free rates of 4.01 – 4.23%, and 6) volatility of 157.7 – 312.4 %. The Company valued the warrant derivative liability relating to warrants issued in the 2022 debt financing using the binomial lattice model because of the variable exercise price with the following assumptions as of December 31, 2023: 1) stock price of \$0.004, 2) remaining life of 1.70 years, 3) dividend yield of 0%, 4) risk free rate of 4.23%, and 5) volatility of 344.4%.

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As of December 31, 2022, the fair value of the warrant derivative liabilities was \$1,727 and for the year ended December 31, 2022 the Company recorded a gain of \$1,726 from the change in fair value of derivative warrant liability as non-operating income in the statements of operations. The Company valued the warrant derivative liabilities other than the warrants issued as part of the debt financing using the Black-Scholes option pricing model using the following assumptions as of December 31, 2022: 1) stock price of \$0.004, 2) exercise prices of \$0.03 - 0.12, 3) remaining lives of 2.60 – 3.56 years, 4) dividend yields of 0%, 5) risk free rates of 4.22%, and 6) volatility of 166.3 - 174.3%. The Company valued the warrant derivative liability relating to warrants issued in the 2022 debt financing using the binomial lattice model because of the variable exercise price with the following assumptions as of December 31, 2022: 1) stock price of \$0.004, 2) remaining life of 2.70 years, 3) dividend yield of 0%, 4) risk free rate of 4.22%, and 5) volatility of 174%.

The Company's activity in its derivative liabilities was as follows for the year ended December 31, 2023:

Balance of derivative liability at December 31, 2021	\$	1,130
Transfer in due to issuance of warrants with embedded conversion features		2,554
Transfer out upon conversion of convertible notes and warrants with embedded conversion provisions		(231)
Change in fair value of warrant liability		(1,726)
Balance of warrant derivative liabilities at December 31, 2022	\$	1,727
Transfer out upon conversion of convertible notes and warrants with embedded conversion provisions		(157)
Change in fair value of warrant liability		2,685
Balance of warrant derivative liabilities at December 31, 2023	\$	4,253

The Company recorded loss on settlement of derivative liability in the amount of \$302 for the year ended December 31, 2023. The Company recorded loss on settlement of derivative liability in the amount of \$757 for the year ended December 31, 2022.

Fluctuations in the Company's stock price are a primary driver for the changes in the derivative valuations during each reporting period. As the stock price increases for each of the related derivative instruments, the value to the holder of the instrument generally increases, therefore increasing the liability on the Company's balance sheet. Additionally, stock price volatility is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments. The simulated fair value of these liabilities is sensitive to changes in the Company's expected volatility. Increases in expected volatility would generally result in higher fair value measurement. A 10% change in pricing inputs and changes in volatilities and correlation factors would not result in a material change in our Level 3 fair value.

	December 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
Liabilities				
Derivative liability	\$ -	\$ -	\$ 3,344	\$ 3,344
Warrant derivative liability	\$ -	\$ -	\$ 4,253	\$ 4,253
December 31, 2022				
	Level 1	Level 2	Level 3	Fair Value
Liabilities				
Derivative liability	\$ -	\$ -	\$ 3,223	\$ 3,223
Warrant derivative liability	\$ -	\$ -	\$ 1,727	\$ 1,727

Note 7. Loans Payable

The Company received \$71 from loans payable on June 30, 2022. The loans bore annual interest of 7% and did not have a set maturity date. The loans were repaid on September 13, 2022.

As part of a payment to the City of LaFayette, the bank erroneously created a note payable in the amount of \$200 in respect of the payment instead of drawing funds from the Company's account at the bank. The note bore no interest and did not have a maturity date. The note was settled with funds from the Company's account on January 3, 2023.

On November 20, 2023, the lender of the September 2022 and December 2023 Notes provided the Company with a non-convertible loan in the amount of \$25. The loan bears interest at an annual rate of 12% and the maturity date is November 19, 2024. During the year ended December 31, 2023, the Company recorded interest expense in the amount of \$0.3 in respect of this loan.

Loans Payable – Related Party

On August 1, 2023 an executive loaned the Company \$15. The loan bears interest at an annual rate of 4.43%. A maturity date has not yet been set. During the year ended December 31, 2023, the Company recorded \$0.3 of interest expense in respect of this loan.

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Note 8. Leases

In December 2019, the Company entered a new office lease in connection with the relocation of its executive office to Raleigh, North Carolina. The Company accounted for its new office lease as an operating lease under the guidance of Topic 842. Rent expense under the new lease is \$3 per month, with annual increases of 3% during the three-year term. The Company used an incremental borrowing rate of 29.91% based on the weighted average effective interest rate of its outstanding debt. At lease inception, the Company recorded a Right of Use Asset of \$79 and a corresponding Lease Liability of \$79. The Company terminated this lease in the fourth quarter of 2022.

On November 1, 2021, the Company entered into a lease agreement to lease a contiguous portion of land to its existing property, as a planting area for trees intended to mitigate noise from the Company's cryptocurrency mining operations. The agreement calls for yearly installments of \$3 for the first five years, with an option to extend this lease for another five-year period at a rate not to exceed 105% of the current lease payment. On each anniversary date, the Company will pay \$3 in advance, with payment for the first year paid upon execution of the lease. The Company used an incremental borrowing rate of 8.0% based on the interest rate incorporated in the most recent promissory note. At lease inception, the Company recorded a Right of Use Asset of \$22 and a corresponding Lease Liability of \$22. The Company terminated this lease in the fourth quarter of 2022. As a result of the termination, the Company recorded a loss on the early termination of a land lease in the amount of \$8.

The Company did not record rent expense for the year ended December 31, 2023. The Company recorded rent expense of \$43 for the year ended December 31, 2022.

Note 9. Common Stock, Preferred Stock and Warrants

Common stock

Common Stock Issuances

On August 5, 2022, the Company issued 22,800,000 shares of common stock and 22,800,000 warrants to purchase common stock for consideration of \$228.

During the year ended December 31, 2022, 18,380,379 warrants with an embedded conversion feature were exercised on a cashless basis for the issuance of 74,000,000 shares of common stock.

On July 21, 2023, 22,800,000 warrants were settled with the issuance of 11,400,000 shares of common stock.

On July 25, 2023, 20,000,000 shares of common stock were issued for the partial conversion of the September 2022 Note (see Note 6).

During the year ended December 31, 2023, 8,868,360 warrants with an embedded conversion feature were exercised on a cashless basis for the issuance of 80,000,000 shares of common stock.

During the year ended December 31, 2023, 34,000,000 shares of common stock were issued in respect of the Lease Agreement (see Note 8).

Preferred Stock

In January 2019, the Company's Board of Directors approved the authorization of 10,000 shares of Series B Preferred Stock with a par value of \$0.001 and a Stated Value of \$100 each ("Series B Preferred Shares"). The holders of the Series B Preferred Shares shall be entitled to receive, when, as, and if declared by the Board, out of funds legally available for such purpose, dividends in cash at the rate of 12% of the Stated Value per annum on each Series B Preferred Share. Such dividends shall be cumulative and shall accrue without interest from the date of issuance of the respective share of the Series B Preferred Shares. Each holder shall also be entitled to vote on all matters submitted to stockholders of the Company and shall be entitled to 55,000 votes for each Series B Preferred Share owned at the record date for the determination of stockholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of stockholders is solicited. In the event of a liquidation event, any holders of the Series B Preferred Shares shall be entitled to receive, for each Series B Preferred Shares, the Stated Value in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders. The Series B Preferred Shares are not convertible into shares of the Company's common stock. No shares of Series B Preferred Shares have been issued or are outstanding.

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In April 2019, the Company's Board of Directors approved the authorization of 200 Series C Preferred Shares with a par value of \$0.001 ("Series C Preferred Shares"). The holders of the Series C Preferred Shares have no voting rights, receive no dividends, and are entitled to a liquidation preference equal to the stated value. At any time, the Company may redeem the Series C Preferred Shares at 1.2 times the stated value. Given the right of redemption is solely at the option of the Company, the Series C Preferred Shares are not considered mandatorily redeemable, and as such are classified in shareholders' equity on the Company's balance sheet.

Each Series C Preferred Share is convertible into shares of the Company's common stock in an amount equal to the greater of: (a) 200,000 shares of common stock or (b) the amount derived by dividing the stated value by the product of 0.7 times the market price of the Company's common stock, defined as the lowest trading price of the Company's common stock during the ten-day period preceding the conversion date. The holder may not convert any Series C Preferred Shares if the total amount of shares held, together with holdings of its affiliates, following a conversion exceeds 9.99% of the Company's common stock.

The common shares issued upon conversion of the Series C Preferred Shares were registered under the Company's then-effective registration statement on Form S-3. In April and July 2019, the Company sold 200 Series C Preferred Shares for \$1,990, net of issuance costs. During the second and third quarters of 2019, holders converted 50 Series C Preferred Shares into 14,077,092 shares of common stock and 35 Series C Preferred Shares into 13,528,575 shares of common stock, respectively. 115 shares of Series C Preferred Stock were issued and outstanding as of December 31, 2021. The remaining 115 shares of Series C Preferred Stock were converted into 29,870,130 shares of common stock during the year ended December 31, 2021.

Warrants

On August 5, 2022, the Company sold 22,800,000 shares of common stock and issued three warrants, each to purchase 76,000,000 shares of common stock for consideration of \$228,000. Subject to the terms and adjustments in the Warrants, the Warrants are exercisable at initial prices of \$0.03, \$0.06, and \$0.12 per share, for three years from August 5, 2022.

During the year ended December 31, 2022, 18,380,379 warrants were exercised on a cashless basis for the issuance of 74,000,000 shares of common stock. Upon cashless exercise, the Company calculated the fair value of derivative liability on warrants of \$231, compared it to the fair value of 74,000,000 shares of \$988 and recorded a loss on extinguishment of \$757. The Company valued the warrant derivative liability using the Black-Scholes option pricing model using the following assumptions on the date of each exercise: 1) stock prices of \$0.007 - \$0.019, 2) exercise prices of \$0.05, 3) remaining lives of 3.5 – 4.2 years, 4) dividend yields of 0%, 5) risk free rates of 1.53% -3.79%, and 6) volatility of 169.28% - 175.6%.

During the year ended December 31, 8,868,360 warrants were exercised on a cashless basis for the issuance of 80,000,000 shares of common stock. Upon cashless exercise, the Company calculated the fair value of derivative liability on warrants of \$44, compared it to the fair value of 80,000,000 shares of \$346 and recorded a loss on extinguishment of \$302. The Company valued the warrant derivative liability using the Black-Scholes option pricing model using the following assumptions on the date of exercise: 1) stock price of \$0.0023-0.01, 2) exercise price of \$0.05, 3) remaining life of 2.2-3.1 years, 4) dividend yield of 0%, 5) risk free rate of 3.76-4.37%, and 6) volatility of 171.4-309.3%.

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The following table summarizes information about shares issuable under warrants outstanding during the year ended December 31, 2023:

	<u>Warrant shares outstanding</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining life</u>	<u>Intrinsic value</u>
Outstanding at January 1, 2022	74,614,871	\$ 0.05	4.47	\$ -
Issued	626,329,010	0.07	3.00	-
Exercised	(18,380,379)	0.05		-
Expired or cancelled	-		-	-
Outstanding and exercisable at December 31, 2022	<u>682,563,502</u>	<u>0.06</u>	<u>3.18</u>	<u>-</u>
Issued	551,515,432	-	-	-
Exercised	(31,668,360)	0.05	-	-
Outstanding and exercisable at December 31, 2023	<u><u>1,202,410,574</u></u>	<u><u>\$ 0.03</u></u>	<u><u>2.75</u></u>	<u><u>\$ -</u></u>

(*) Of the 551,515,432 warrants issued during the year ended December 31, 2023 and 1,202,410,574 warrants outstanding and exercisable at December 31, 2023, the weighted average exercise price and weighted average remaining life was not included for 551,515,432 and 1,119,044,442 warrants, respectively, because their exercise price is variable. Of the 626,329,010 shares issued during the year ended December 31, 2022 and 682,563,502 shares outstanding and exercisable at December 31, 2022, the weighted average exercise price and weighted average remaining life was not included for 603,529,010 warrants because their exercise price is variable. See Note 7 for the exercise prices of Series X, Y, and Z warrants. Series X, Y, and Z warrants expire on September 11, 2025.

Note 10. Commitments and Contingencies

Bitcoin Production Equipment and Operations

On March 16, 2023 the Company entered into a partnership agreement (the “Partnership Agreement”) and a property lease agreement (the “Lease Agreement”, and together with the Partnership Agreement, collectively, the “Agreement”) with another cryptocurrency mining company (“Tenant”). Pursuant to the Lease Agreement, the Company agreed to lease to Tenant portions of the Company’s six acre mining facility in Lafayette, GA in increments of up to 10 spaces that are 40 feet in length and eight feet in height each (“Spaces”), together with related utilities access including electricity of up to one megawatt (“MW”) per Space, for deploying mining equipment, in exchange for rental payments of \$5 per Space per month (provided the Spaces are powered) and payment of the electricity costs and deposit requirements arising from the Spaces. In connection with the Lease Agreement, Tenant agreed to make an initial deposit of \$229 for the initial electricity deployment for five MW.

Pursuant to the Partnership Agreement, the Company agreed to issue Tenant 500,000 shares its common stock per month for each rented Space (the “Monthly Issuances”), and to also issue an additional number of shares of common stock annually equal to 100% of the Monthly Issuances for the applicable year (the “Annual Issuances,” and together with the Monthly Issuances, collectively, the “Issuances”). Further, pursuant to the Partnership Agreement, the Company provided Tenant with the option (the “Option”) to lend MGT up to \$1 million evidenced by a convertible promissory note that is convertible into 25% of the Company’s outstanding common stock, assuming all \$1 million is lent, on a pro-forma, post-issuance basis (the “Note”), together with an accompanying warrant to purchase 60% of the shares of common stock underlying the Note (the “Warrant”). The terms of the Note and Warrant would be substantially similar to the September 2022 Note and accompanying warrants that were issued by the Company along with that note. If the Option is exercised, the parties may elect to substitute the \$1 million purchase price, in whole or in part, with equipment and infrastructure improvements to enable the Company to have access to up to an additional 10 MWs of electricity to the facility’s currently available electrical power capacity. The Company’s facility currently has electrical capacity of up to 10 MW. The Agreement has a term of 24 months.

The Company considered the terms of the Option under ASC 815 and concluded that the Option is a non-option embedded derivative with no initial fair value and would not require bifurcation from the host contract. ASC 606 states that consideration payable to a customer should be recorded as a direct reduction to the transaction price. Therefore, the Company determined the transaction should be accounted for on a net basis, and the fair value of the equity should be recorded as a direct deduction from rental revenue. The Company determined that the share issuances would be treated as lease incentives and ASC 842-10-30-5 requires lease incentives to be recorded as a reduction of fixed payments when determining lease payments. The Company concluded that the equity portion of the agreement should be recorded at fair value on the grant date. Upon recording the equity at fair value at the time of issuance and taking into consideration that revenue should be reduced by the fair value of equity, the Company determined that the fair value of the equity exceeds the total cash to be received based on the fair value of the contract at the date of issuance, resulting in a contract loss at inception.

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Total lease payments to be received	\$	920,000
Total shares		FMV on grant date
184,000,000	x	0.006
Loss at Inception	\$	<u>(184,000)</u>

The Company applied the guidance under ASU 2021-05 and determined that it would be appropriate to account for the entire loss at commencement and recognize that loss as a future equity commitment. The loss is based on the difference between the amount of cash to be received under the contract and the fair value of the stock to be issued under the contract. At lease inception, the Company recorded a lease incentive loss of \$184 and recorded an operating lease liability in the corresponding amount. The lease liability will be reduced over the lease term period in conjunction with the issuance of the shares. During the year ended December 31, 2023, the Company received \$345, issued 34 million shares of common stock and reduced the lease liability by \$68.

Legal proceedings

In September 2018, the SEC commenced a legal action, in the United States District Court for the Southern District of New York naming the CEO of the Company as a defendant. In September 2023, the Court denied the CEO's motion for summary judgment and granted the SEC's motion for summary judgment partially.

On February 23, 2024, the SEC filed a notice of motion seeking certain actions including a final judgment granting the SEC the following: (i) approximately \$1.1 million in civil penalties, (ii) a bar prohibiting the CEO from serving as an officer or director of a public company, and (iii) injunctions against future violations of the federal securities laws for which the CEO was found liable by the Court.

Electricity Contract

MGT's prior electricity agreement with the City of LaFayette expired on September 30, 2021. The Company and City of LaFayette are currently operating on a month-to-month basis without a contract.

Note 11. Related Party Transactions

The crypto exchange used by the Company to monetize its self-mined Bitcoin experienced difficulties beginning in early 2023 and was ultimately shut down. The Company was unable to find a suitable replacement given its low transaction frequency and small trade volumes. As a consequence, the Company uses a personal brokerage account/crypto wallet of its CEO to effect the sales of its mined Bitcoin. These transactions occur approximately monthly and are executed and documented to provide no cost to the Company and no benefit to our CEO.

Loans Payable – Related Party

On August 1, 2023 an executive loaned the Company \$15. The loan bears interest at an annual rate of 4.43%. A maturity date has not yet been set. During the year ended December 31, 2023, the Company recorded \$0.3 of interest expense in respect of this loan.

Accounts Payable – Related Party

During the year ended December 31, 2023, an executive paid consultants reimbursable by the Company in the amount of \$15, which are outstanding as of December 31, 2023.

Note 12. Income Taxes

Significant components of deferred tax assets were as follows:

	As of December 31,	
	2023	2022
U.S. federal tax loss carry-forward	\$ 18,656	\$ 18,349
U.S. State tax loss carry-forward	382	304
Equity based compensation	8,567	8,567
Fixed assets, intangible assets and goodwill	(51)	(50)
Accruals	2	12
Long-term investments	(7)	(7)
Total deferred tax assets	27,549	27,175
Less: valuation allowance	(27,549)	(27,175)
Net deferred tax asset	\$ -	\$ —

As of December 31, 2023, the Company had the following tax attributes:

	Amount	Begins to expire
U.S. federal net operating loss carry-forwards	\$ 88,840	Fiscal 2023
U.S. State net operating loss carry-forwards - Georgia	8,406	Unlimited
U.S. State net operating loss carry-forwards - North Carolina	7,955	Fiscal 2031

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The reconciliation of income tax expense computed at the U.S. federal statutory rate to the income tax provision for the years ended December 31, 2023 and 2022 is as follows:

	As of December 31,	
	2023	2022
Expected Federal Tax	-21.0%	-21.0%
State income taxes (net of federal benefit)	-1.2%	-1.9%
Permanent adjustments	15.5%	12.3%
True up of prior year deferred tax assets	0.0%	-0.7%
Change in state tax rate	0.0%	-2.6%
Expiration of tax attributes	0.6%	0.0%
Change in valuation allowance	6.1%	13.9%
Effective tax rate	0.0%	0.0%

As it is not more likely than not that the resulting deferred tax benefits will be realized, a full valuation allowance has been recognized for such deferred tax assets. For the year ended December 31, 2023, the valuation allowance increased by \$374. Federal and state laws impose substantial restrictions on the utilization of tax attributes in the event of an “ownership change,” as defined in Section 382 of the Internal Revenue Code. As of December 31, 2023, the Company performed a high-level review of its changes in ownership and determined that a change of control event likely occurred under Section 382 of the Internal Revenue Code and the Company’s net operating loss carryforwards are likely to be limited.

The Company has adopted the provisions of ASC 740-10-25, which provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities.

Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company had no tax positions relating to open income tax returns that were considered to be uncertain.

The Company files income tax returns in the U.S. federal jurisdiction, and Georgia jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2017.

Note 13. Employee Benefit Plans

The Company maintains defined contribution benefit plans under Section 401(k) of the Internal Revenue Code covering substantially all qualified employees of the Company (the “401(k) Plan”). Under the 401(k) Plan, the Company may make discretionary contributions of up to 100% of employee contributions. During the years ended December 31, 2023 and 2022, the Company made contributions to the 401(k) Plan of \$7 and \$10, respectively.

Note 14. Subsequent Events

On January 11, 2024, the Company issued 30,000,000 shares of common stock in connection with the conversion of the December 2023 Note in the principal amount of \$48,310.

On January 25, 2024, the Company issued 24,000,000 shares of common stock in connection with the conversion of the December 2023 Note in the principal amount of \$39,152.

On March 6, 2024, the Company issued 32,000,000 shares of common stock in connection with the conversion of the December 2023 Note in the principal amount of \$49,040.

On March 6, 2024, the Company issued a \$125,000 Original Issue Discount Note for proceeds of \$75,000. The Note accrues at the annual rate of 12% until maturity. Maturity is one year from issuance, or such shorter period as defined in the Note, incorporated herein.

Subsequent to the balance sheet date, the Company issued 8,000,000 shares to Minerset Farms in accordance with the terms of its Partnership Agreement (See Note 10).

ORIGINAL ISSUE DISCOUNT PROMISSORY NOTE

Issue date: March 6, 2024
Principal amount: \$125,000
Purchase price: \$75,000

FOR VALUE RECEIVED, MGT Capital Investments, Inc., a Delaware corporation (the “**Borrower**”) promises to pay to the order of Project Nickel LLC, a Delaware limited liability company (the “**Lender**”), the principal sum of One-Hundred Twenty-five Thousand Dollars (US \$150,000.00) (the “**Loan**”) and to perform and observe all the obligations, covenants and promises contained herein. The total principal amount, together with interest from the date of disbursement, on the outstanding balance thereof, shall be paid on the terms set forth in this Promissory Note (the “**Note**”).

Interest and Principal. The outstanding principal balance, together with accrued and unpaid interest and any other amounts due under this Note shall be due and payable in full on the earliest date to occur of: (i) March 5, 2025; (ii) an Acceleration Event (as defined below); or (iii) an Event of Default (as defined below), (the “**Maturity Date**”).

As used herein, the term “**Applicable Interest Rate**” means Twelve Percent (12.00%) per annum. All interest calculations hereunder shall be based on a 365-day year for the actual number of days elapsed during which the principal balance of this Note is outstanding. Interest shall accrue monthly and be payable on the Maturity Date.

As used herein, the term “**Acceleration Event**” shall mean the first to occur of the following events: (i) upon the closing of the first sale or a series of sales of equity securities by the Borrower after the date hereof which results in proceeds to the Borrower in the aggregate amount of at least \$1,000,000.00, (ii) a Change of Control of the Borrower, (iii) a breach or default by Borrower of the Original Issue Discount Secured Convertible Promissory Note outstanding between the parties.

As used herein, “**Change of Control**” shall mean any one or more of the following: the sale (whether in a single transaction or series of transactions), pledge or other transfer of interests (whether by merger, consolidation or otherwise), conveyance or other disposition of all or substantially all of Borrower’s property or business; the sale of Borrower common stock in an amount which represents at least 50.1% of the common stock outstanding, post issuance.

Default. The occurrence of any one or more of the following shall constitute an “**Event of Default**” under this Note: (i) Borrower fails to pay when and as due and payable any amounts payable by Borrower to Lender under the terms of this Note within five (5) days of the date when due; (ii) Borrower (a) files a petition in bankruptcy or a petition to take advantage of any insolvency act; (b) makes an assignment for the benefit of creditors; (c) consents to, or acquiesces in, the appointment of a receiver, liquidator or trustee of him/herself or of the whole or any substantial part of his/her properties or assets; (d) files a petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the federal bankruptcy law or any other applicable law; or (e) has a bankruptcy, reorganization or other action under any insolvency act involuntarily commenced against Borrower which is not vacated or stayed within 30 days of commencement; (iii) Borrower defaults in any other obligation Borrower owes to Lender or its affiliates, subject to expiration of any applicable notice or cure period; (iv) Borrower defaults in the performance of any of the agreements, conditions, covenants, provisions or stipulations contained herein or under any other document evidencing and/or securing the Note, subject to expiration of any applicable notice or cure period; (v) a final judgment or judgments is entered, or an order or orders of any judicial authority or governmental entity is issued against Borrower, in the aggregate, exceeds Twenty-five Thousand (\$25,000.00) outstanding at any one time; or (vi) an Acceleration Event.

Remedies. Upon the occurrence of an Event of Default, Lender may at any time, at its option and without notice to the Borrower, thereafter exercise any one or more of the following rights, powers and remedies: (a) Lender may accelerate the Maturity Date and declare due and payable immediately the entire unpaid balance of principal with interest accrued on it at the applicable rate specified above to the date of default and after that date at a “default rate” which shall be Eighteen Percent (18.0%). Borrower agrees that in determining whether any interest payable under this Note exceeds the highest rate permitted by law, any non-principal payment including, without limitation, late charges or default fees shall be deemed, to the extent permitted by law, to be an expense, fee, premium or penalty rather than interest. or (c) Lender may exercise any of its other rights, powers and remedies under this Note, the Loan Documents (as hereinafter defined) or at law or in equity.

1. **No Waiver.** Lender’s failure to exercise its option to accelerate the indebtedness evidenced by this Note shall not constitute a waiver of the right to exercise that option at any other time so long as that Event of Default remains outstanding and uncured, or to exercise it upon the occurrence of another default. Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies under this Note unless the waiver is in writing and signed by Lender, and then only to the extent specifically set forth in the writing. A waiver of one event shall not be construed as continuing or as a bar to or waiver of any right or remedy to a subsequent event.

2. **Remedies Cumulative.** The remedies of Lender as provided in this Note and the Loan Documents shall be cumulative and concurrent, may be pursued singly, successively, or together at the sole discretion of Lender and may be exercised as often as occasion for their exercise shall occur, and in no event shall the failure to exercise any such right or remedy be construed as a waiver or release of it.

3. **Waiver.** Borrower, hereby waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note and agrees that the liability of each of them shall be unconditional without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Lender.

4. **Governing Law.** This instrument shall be governed by and construed according to the laws of the State of Delaware (without giving effect to its conflict of law provisions).

LENDER AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, VERBAL OR WRITTEN STATEMENTS OR ACTIONS OF EITHER PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

5. **Assignment.** Lender may assign this Note without notice to, or the prior written consent of, the Borrower.

6. Borrower's Representations and Warranties. Borrower hereby represents and warrants to Lender, as follows: (i) Borrower has the power and requisite authority to execute, deliver and perform its obligations under this Note and, to the extent applicable, is duly authorized to, and has taken all action necessary to authorize Borrower to, execute, deliver and perform its obligations under this Note; (ii) the Note constitutes the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting the rights of creditors generally, and general principles of equity; (iii) no consent, approval, authorization or order of any court or governmental authority or any third party is required in connection with the execution and delivery by Borrower of this Note or for Borrower to consummate the transactions contemplated hereby other than those that have been obtained by Borrower, and the execution, delivery and performance of this Note and each of the other Loan Documents does not and will not conflict with, violate or result in a material breach of any provision of any applicable law, rule, regulation or order; (iv) there are no judgments, actions, suits, proceedings or claims pending or, to the knowledge of Borrower, threatened, against or affecting Borrower.

7. Counterparts; Electronic Signatures. This Note may be executed in counterparts, including by means of electronic signature, with the same effect as if the parties executing the counterparts had all executed one counterpart, and all counterparts together shall be construed as one document. Executed counterparts of this Note with signatures sent by electronic mail (i.e., in PDF format) or signed electronically via DocuSign® or other means of electronic signature may be used in the place of original signatures on this Note. Delivery by electronic transmission of an executed counterpart of any signature page to this Note shall have the same effectiveness as delivery of a manually executed counterpart thereof, and the parties hereto intend to be bound by the signatures of the electronically mailed or signed signatures and the delivery of the same shall be effective as delivery of an original executed counterpart of this Note. The parties to this Note hereby waive any defenses to the enforcement of the terms of this Note based on the form of the signature, including, without limitation, the use of electronic transmission of a signature page hereto, including, but not limited to the delivery of an electronic signature, and hereby agree that such electronically mailed or signed signatures shall be conclusive proof, admissible in judicial proceedings, of the parties' execution of this Note. For avoidance of doubt, the term "electronic signature" as used herein, means an electronic symbol or process that is attached to, or logically associated with, a document and executed or adopted by a person with an intent to authenticate or adopt the document.

IN WITNESS WHEREOF, Borrower, intending to be legally bound, has duly executed and delivered this Note as of the first date above written.

BORROWER:

MGT CAPITAL INVESTMENTS, INC.

By: _____

Name: Robert Ladd

Title: President and CEO

MGT CAPITAL INVESTMENTS, INC.
INSIDER TRADING POLICY

The Insider Trading and Securities Fraud Enforcement Act (the “**Act**”) authorizes the Securities and Exchange Commission (“**SEC**”) and the Justice Department to vigorously prosecute insider trading that is based on information acquired in the workplace and imposes substantial penalties on individuals for insider trading. In addition, the Act places direct responsibility on companies to monitor the securities transactions of their employees. Onerous penalties may be assessed against MGT Capital Investments, Inc. (the “**Company**”) for the insider trading violations of its employees. Accordingly, if the Company does not take active steps to adopt preventative policies and procedures covering securities transactions by Company personnel, the consequences could be severe.

The Company has also adopted this Insider Trading Policy to avoid damage to its reputation for integrity and ethical conduct. We all strive to establish a reputation for observing the highest standards of conduct, and even the appearance of improper conduct must be avoided.

Consequences of Insider Trading Violations

The civil and criminal penalties for insider trading violations under the Act are as follows:

- For individuals who trade on inside information (or who tip information to others):
 - A civil penalty of up to three times the profit gained or loss avoided;
 - A criminal fine (no matter how small the profit) of up to \$1 million; and
 - A maximum jail term of ten years.

- For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:
 - A civil penalty of the greater of (i) \$1 million or (ii) three times the profit gained or loss avoided as a result of the employee’s violation; and
 - A maximum criminal penalty of \$2.5 million.

Moreover, anyone who fails to comply with any of the policies or procedures set forth in this Policy Statement may be disciplined or terminated at the Company’s sole discretion, whether or not such individual’s failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish one’s reputation and irreparably damage a career.

In this regard, every officer, director, employee and consultant is responsible for the actions of his or her immediate family and personal household. Prohibited securities transactions by an employee’s spouse, for example, could have the same consequences as trading initiated directly by the employee.

I. PURPOSE

The Company has adopted this Insider Trading Policy (this “**Policy**”) to help its directors, officers and employees comply with insider trading laws and to prevent even the appearance of improper insider trading.

II. SCOPE

- A. This Policy applies to all directors, officers and employees of the Company, as well as their respective family members and others in their households (collectively referred to as “**Insiders**”), and any other individuals the Compliance Officer (defined below) may designate as Insiders because they have access to material nonpublic information concerning the Company.
- B. Except as set forth explicitly below, this Policy applies to any and all transactions in the Company’s securities, including transactions in common stock, options, preferred stock, restricted stock, restricted stock units, and any other type of securities that the Company may issue. This Policy applies to such securities regardless of whether they are held in a brokerage account, a 401(k) or similar account, through an employee stock purchase plan or otherwise.

III. SPECIFIC GUIDANCE

A. Generally Prohibited Activities.

1. Trading in Company Securities.

- a. No Insider may buy, sell or otherwise trade in Company securities while aware of material nonpublic information concerning the Company.
- b. No Insider may buy, sell or otherwise trade in Company securities during any special trading blackout period applicable to such Insider as designated by the Compliance Officer.

2. Tipping. Providing material nonpublic information to another person who may trade or advise others to trade on the basis of that information is known as “tipping” and is illegal. Therefore, no Insider may “tip” or provide material nonpublic information concerning the Company to any person other than a director, officer or employee of the Company, unless required as part of that Insider’s regular duties for the Company and authorized by the Compliance Officer.

3. Giving Trading Advice. No Insider may give trading advice of any kind about the Company to anyone, whether or not such Insider is aware of material nonpublic information about the Company, except that Insiders should advise other Insiders not to trade if such trading might violate the law or this Policy.

4. Trading in Securities of Other Companies. No Insider may, while in possession of material nonpublic information about any other public company gained in the course of employment with the Company, (a) trade in the securities of the other public company, (b) “tip” or disclose such material nonpublic information concerning that company to anyone, or (c) give trading advice of any kind to anyone concerning the other public company.

B. Additional Restrictions Applicable to Section 16 Individuals and Key Employees.

1. No Section 16 Individual or Key Employee (each as defined below) may trade in Company securities outside of any Company imposed trading blackout regarding Company securities.
2. No Section 16 Individual or Key employee may trade in Company securities unless the trade(s) have been approved by the Compliance Officer in accordance with the procedures set forth in Section V.C.1 below.

C. Exceptions.

The prohibited activities above do not apply to:

1. Exercises of stock options or similar equity awards or the surrender of shares to the Company in payment of the stock option exercise price or in satisfaction of any tax withholding obligations, provided that any securities acquired pursuant to such exercise may not be sold while the Insider is in possession of material nonpublic information or subject to a special trading blackout.
2. Acquisitions or dispositions of Company securities under any 401(k) plan that the Company may establish or any Employee Stock Purchase Plan that MGT may establish or any other individual accounts that are made pursuant to standing instructions entered into while the Insider is not in possession of material nonpublic information or otherwise subject to a special trading blackout and, with respect to Section 16 Individuals and Key Employees, upon approval of transactions by the Compliance Officer as set forth herein.
3. Other purchases of securities from the Company or sales of securities to the Company.
4. Purchases or sales made pursuant to a Rule 10b5-1 plan that is adopted and operated in compliance with the terms of this Policy (see Section VII).

IV. DETERMINING WHETHER INFORMATION IS MATERIAL AND NONPUBLIC

A. Definition of “Material” Information.

1. There is no bright line test for determining whether particular information is material. Such a determination depends on the facts and circumstances unique to each situation, and cannot be made solely based on the potential financial impact of the information.
2. In general, information about the Company should be considered “material” if:
 - A reasonable investor would consider the information significant when deciding whether to buy or sell Company securities; or
 - The information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available in the marketplace about the Company.

Put simply, if the information could reasonably be expected to affect the price of the Company's stock, it should be considered material.

3. It is important to remember that whether information is material will be viewed by enforcement authorities with the benefit of hindsight. In other words, if the price of the Company's stock changed as a result of the information having been made public, it will likely be considered material by enforcement authorities.
4. While it is not possible to identify every type of information that could be deemed "material," the following matters ordinarily should be considered material:
 - Financial performance, especially quarterly and year-end earnings or significant changes in financial performance or liquidity.
 - Potential significant mergers and acquisitions or the sale of significant assets or subsidiaries.
 - New major contracts, orders, suppliers, customers, or finance sources, or the loss thereof.
 - Major discoveries or significant changes or developments in products or product lines, research or technologies.
 - Stock splits, public or private securities/debt offerings, or changes in dividend policies or amounts.
 - Significant changes in senior management.
 - Actual or threatened major litigation, or the resolution of such litigation.
 - An imminent change in the Company's credit rating by a rating agency.
 - The contents of forthcoming publications that may affect the market price of Company securities.

B. Definition of "Nonpublic" Information.

Information is "nonpublic" if it has not been disseminated to investors through a widely circulated news or wire service (such as Dow Jones, Bloomberg, PR Newswire, etc.) or through a public filing with the SEC. For the purposes of this Policy, information will not be considered public until after the close of trading on the second full trading day following the Company's widespread public release of the information.

C. Consult the Compliance Officer for Guidance.

Any Insider who is unsure whether the information that he or she possesses is material or nonpublic should consult the Compliance Officer for guidance before trading in any Company securities.

V. ADDITIONAL PROVISIONS FOR SECTION 16 INDIVIDUALS AND KEY EMPLOYEES

A. Definitions of Section 16 Individuals and Key Employees.

1. “Section 16 Individual” – Each member of the Company’s Board of Directors (“**Board**”), those officers of the Company designated by the Board as “Section 16 officers” of the Company, and their respective family members and others in their households.
2. “Key Employees” – The following individuals are Key Employees because of their position with the Company and their possible access to material nonpublic information:
 - Active employees of the Company who have met or currently meet the eligibility requirements to receive annual stock option and/or restricted stock unit awards from the Compensation Committee of the Board (the “**Committee**”); and
 - Any other individual designated from time to time by the Board or the Committee as a Key Employee.

Employees and other individuals who are recipients of stock option and/or restricted stock unit awards from the Committee that are broad-based or special awards from the CEO or other authorized officer under a pool of stock options or restricted stock units established by the Committee shall not be considered Key Employees unless they also meet one or more of the conditions set forth in the preceding two bullets.

B. No Trading While Aware of Material Non-Public Information.

1. No Trading While Aware of Material Nonpublic Information. Any Section 16 Individual or Key Employee who is in possession of material nonpublic information regarding the Company may not trade in Company securities until the close of trading on the second full trading day following the Company’s widespread public release of such information.

C. Procedures for approving trades by Section 16 Individuals.

1. Section 16 Individual Trades. No Section 16 Individual may trade in Company securities until:
 - a. The individual has notified the Compliance Officer in writing, at least three business days prior to the proposed trade(s), of the amount and nature of the proposed trade(s); and
 - b. The individual has certified to the Compliance Officer in writing, no more than three business days prior to the proposed trade(s), that he or she is not aware of material nonpublic information regarding the Company.

The notice and certification required by this Section V.C.1 shall be given using the form attached hereto as **Exhibit A**. Beginning on the day that is the fourth business day following the date of such notice, and for four additional business days thereafter, provided that the facts referred to in Section V.C.1.b remain correct, the Section 16 Individual may execute the trade set forth in such notice. Once the approval period identified in the notice has expired, a new notice and certification pursuant to this Section V.C.1 must be given in order for the Section 16 Individual to trade in Company securities.

2. **Compliance Officer Trades.** If the Compliance Officer desires to complete any trades involving Company securities, he or she must first obtain the approval of the Chief Executive Officer of the Company.
3. **No Obligation to Approve Trades.** The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer (or, in the case of any trade by the Compliance Officer, the Chief Executive Officer or the Chief Financial Officer of the Company) to approve any trades requested by Section 16 Individuals, hardship applicants or the Compliance Officer.

VI. COMPLIANCE OFFICER

The Company has designated its Chief Financial Officer as the individual responsible for ensuring compliance with this Policy (the "**Compliance Officer**"). The duties of the Compliance Officer include the following:

- A. Administering this Policy and monitoring and enforcing compliance with all Policy provisions and procedures.
- B. Responding to all inquiries relating to this Policy.
- C. Reviewing and either approving or denying all proposed trades by Section 16 Individuals in accordance with the procedures set forth in Section V.C.1 above.
- D. After discussing with the blackout assessment team, designating and announcing special trading blackout periods during which certain Insiders may not trade in Company securities.
- E. Providing copies of this Policy and other appropriate materials to all new Insiders.
- F. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations.
- G. Assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities.
- H. Revising the Policy as necessary to reflect changes in federal or state insider trading laws and regulations, or as otherwise deemed necessary or appropriate.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

VII. RULE 10b5-1 TRADING PLANS

A. General Information.

Under Rule 10b5-1 of the Securities Exchange Act of 1934, an individual has an affirmative defense against an allegation of insider trading if he or she demonstrates that the purchase, sale or trade in question took place pursuant to a binding contract, specific instruction or written plan that was put into place before he or she became aware of material nonpublic information. Such contracts, irrevocable instructions and plans are commonly referred to as Rule 10b5-1 plans.

Rule 10b5-1 plans have the obvious advantage of protecting against insider trading liability. However, they also require advance commitments regarding the amounts, prices and timing of purchases or sales of Company securities and thus limit flexibility and discretion. In addition, once a Rule 10b5-1 plan has been adopted, it is generally not permissible to amend or modify such plan.

Accordingly, while some individuals may find Rule 10b5-1 plans attractive, they may not be suitable for all Insiders.

B. Specific Requirements.

1. Pre-Approval. For a Rule 10b5-1 plan to serve as an adequate defense against an allegation of insider trading, a number of legal requirements must be satisfied. Accordingly, anyone wishing to establish a Rule 10b5-1 plan must first receive approval from the Compliance Officer or his or her designee. Section 16 Individuals wanting to establish a Rule 10b5-1 plan must also satisfy the notification and certification requirements set forth in Section V.C.1 above.
2. Material Nonpublic Information and Special Blackouts. An individual desiring to enter into a Rule 10b5-1 plan must enter into the plan at a time when he or she is not aware of any material nonpublic information about the Company or otherwise subject to a special trading blackout.
3. 30-Day Waiting Period. To avoid even the appearance of impropriety, the Company requires a waiting period of 30 days between the date the Rule 10b5-1 plan is adopted and the date of the first possible transaction under the plan.

VIII. POTENTIAL PENALTIES AND DISCIPLINARY SANCTIONS

A. Civil and Criminal Penalties.

The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the Insider or tippee, pay significant civil and/or criminal penalties, and serve a lengthy jail term. The Company in such circumstances may also be required to pay major civil or criminal penalties.

B. Company Discipline.

Violation of this Policy or federal or state insider trading or tipping laws by any Insider may, in the case of a director, subject the director to dismissal proceedings and, in the case of an officer or employee, subject the officer or employee to disciplinary action by the Company up to and including termination for cause.

C. Reporting of Violations.

Any Insider who violates this Policy or any federal or state law governing insider trading or tipping, or knows of any such violation by any other Insider, must report the violation immediately to the Compliance Officer. Upon determining that any such violation has occurred, the Compliance Officer, in consultation with the Company's Disclosure Committee and, where appropriate, the Chairman of the Board, will determine whether the Company should release any material nonpublic information, and, when required by applicable law, shall cause the Company to report the violation to the SEC or other appropriate governmental authority.

IX. MISCELLANEOUS

This Policy will be delivered to all directors, officers, employees and designated outsiders upon its adoption by the Company and to all new directors, officers, employees and designated outsiders at the start of their employment or relationship with the Company. Upon first receiving a copy of this Policy or any revised versions, each Section 16 Individual and Key Employee must sign an acknowledgment that he or she has received a copy of this Policy and agrees to comply with its terms.

Receipt and Acknowledgment

Upon first receiving a copy of the MGT Capital Investments, Inc. Insider Trading Policy or any revised version thereof, each member of the Board of Directors, each officer designated under the Policy as a "Section 16 Individual" and each individual meeting the definition of "Key Employee" must sign and return to the Chief Financial Officer the following receipt and acknowledgement.

I, _____, hereby acknowledge that I have received and read a copy of the MGT Capital Investments, Inc. Insider Trading Policy and agree to comply with its terms. I understand that violation of insider trading or tipping laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the above-titled policy may subject me to discipline by the Company up to and including termination for cause.

Signature

Date

(Print Name)

EXHIBIT A

MGT CAPITAL INVESTMENTS, INC.
INSIDER TRADING POLICY

Notice and Certification for Section 16 Individuals

To the Compliance Officer:

I hereby notify you of my intent to trade in securities of MGT Capital Investments, Inc. (the "**Company**"). The amount and nature of the proposed trade is as follows:

- Exercise _____ non-qualified stock options granted under the Company's 2016 Stock Option Plan on _____;
- Sell in the open market _____ shares of Company Common Stock currently held at _____ (example: Fidelity; another broker; in certificated form);
- Purchase in the open market _____ shares of Company Common Stock; Gift shares of Company Common Stock to _____;
- Adopt a Rule 10b5-1 plan to sell _____ shares granted on _____;
- Other (explain) _____

I understand that I am not authorized to trade in Company securities or adopt a Rule 10b5-1 plan in reliance upon this Notice and Certification until _____ (insert the date that is four business days after the date hereof), and that such authorization will continue until _____ (insert the date that is eight business days after the date hereof). I understand that if I have not completed my proposed trade or adopted my Rule 10b5-1 plan by the last date of the authorization period set forth in the immediately preceding sentence, I must submit a new Notice and Certification in order to trade in Company securities or adopt a plan.

I hereby certify that I am not aware of material nonpublic information concerning the Company.

Date: _____ Signature: _____

Print Name: _____

To be completed by Compliance Officer

Approved: _____

Date: _____

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Robert B. Ladd, certify that:

1. I have reviewed this annual report on Form 10–K of MGT Capital Investments, 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. I am 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, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. 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.

April 16, 2024

By: /s/ Robert B. Ladd

Robert B. Ladd
President, Chief Executive Officer and Acting Chief Financial
Officer
(Principal Executive Officer, Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the Annual Report of MGT Capital Investments, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 16, 2024

By: /s/ Robert B. Ladd

Robert B. Ladd
President, Chief Executive Officer and Acting Chief Financial
Officer (Principal Executive Officer, Principal Financial
Officer and Principal Accounting Officer)
