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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): May 4, 2023

Stronghold Digital Mining, Inc.

(Exact Name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-40931 (Commission File Number)	**86-2759890** (IRS Employer Identification No.)
595 Madison Avenue, 28th Floor **New York, New York** (Address of principal executive offices)	**10022** (Zip Code)

(845) 579-5992
Registrant's telephone number, including area code

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	SDIG	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

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

Item 7.01 Regulation FD Disclosure

On May 4, 2023, Stronghold Digital Mining, Inc. (the “Company”) issued a press release (the “Mining Agreement Press Release”) announcing that on April 27, 2023, the Company signed a two-year hosting agreement with Cantaloupe Digital LLC, a subsidiary of Canaan Inc. (“Canaan”), whereby the Company will operate 2,000 A1346 (110 TH/s per miner) and 2,000 A1246 (90 TH/s per miner) Bitcoin miners supplied by Canaan (the “Canaan Miners”), with a total hash rate capacity of 400 PH/s (the “Canaan Bitcoin Mining Agreement”). A copy of the Mining Agreement Press Release is attached as Exhibit 99.1 hereto.

The information furnished in this Item 7.01, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Information

Canaan Bitcoin Mining Agreement

As disclosed in the Mining Agreement Press Release, on April 27, 2023, the Company signed a two-year hosting agreement with Cantaloupe Digital LLC, a subsidiary of Canaan, whereby the Company will operate the Canaan Miners. Pursuant to the terms of the Canaan Bitcoin Mining Agreement, the Company will receive 50% of the Bitcoin mined by the Canaan Miners and receive payments from Canaan equal to 55% of the net cost of power at the Company’s Panther Creek plant, in dollar-per-megawatt-hour terms, calculated on a monthly basis. Additionally, the Company will retain all upside associated with selling power to the grid, and, if the Company elects to curtail the Canaan Miners to sell power to the grid, Canaan will receive true-up payment that represent estimates of the Bitcoin mining revenue would have been generated had the miners not been curtailed. The Canaan Bitcoin Mining Agreement has a two-year term with no unilateral early termination option.

Pursuant to the terms of the Canaan Bitcoin Mining Agreement, the A1246 Bitcoin miners are to be installed by May 15, 2023, and the A1346 Bitcoin miners are to be installed by June 15, 2023. All 2,000 A1246 Bitcoin miners are currently on site and ready to be deployed. Since August 2022, the Company has received or procured approximately 22,000 incremental miners, with hash rate capacity of approximately 2.2 EH/s, through opportunistic purchases of Bitcoin miners and through hosting agreements where we retain exposure to Bitcoin mining economics and power upside, consistent with our vertically integrated business model. The Canaan Bitcoin Mining Agreement will bring the Company to approximately 3.6 EH/s of delivered hash rate capacity.

Pro Forma Financials

The Company previously filed certain updated historical and unaudited pro forma condensed consolidated financial information in accordance with Article 11 of Regulation S-X in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on April 5, 2023 (the “April 2023 Form 8-K”).

This Current Report on Form 8-K is being filed to provide updated unaudited pro forma condensed consolidated financial information of the Company for the year ended December 31, 2022 (the “Updated Pro Forma Financial Information”). The Updated Pro Forma Financial Information updates and supplements the unaudited pro forma condensed consolidated financial information of the Company and related disclosures contained in Exhibit 99.1 to the April 2023 Form 8-K. To the extent that information in this Current Report on Form 8-K differs from or updates information contained in the April 2023 Form 8-K or in any other of the Company’s filings with the SEC, the information in this Current Report on Form 8-K shall supersede or supplement the information in such filing. For more information about the transactions described in Exhibit 99.2 hereto (the “Transactions”), please refer to the Annual Report on Form 10-K filed by the Company on April 3, 2023, and the Current Reports on Form 8-K filed by the Company on April 24, 2023, April 3, 2023, February 24, 2023, and November 1, 2022.

The Updated Pro Forma Financial Information included in this Current Report on Form 8-K has been presented for informational purposes only. It does not purport to represent the actual results of operations that the Company would have achieved had the Transactions occurred on January 1, 2022, and is not intended to project the future results of operations that the Company may achieve as a result of the Transactions.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed consolidated financial information of the Company for the year ended December 31, 2022, is attached as Exhibit 99.2 hereto:

- Unaudited pro forma condensed consolidated balance sheet as of December 31, 2022;

- Unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2022; and

- Notes to unaudited pro forma condensed consolidated financial statements.

(d) Exhibits.

Exhibit Number	Description
99.1*	Press release dated May 4, 2023
99.2	Unaudited pro forma condensed consolidated financial information of the Company for the year ended December 31, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith

SIGNATURES

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

STRONGHOLD DIGITAL MINING, INC.

Date: May 5, 2023

By:	/s/ Gregory A. Beard
Name:	Gregory A. Beard
Title:	Chief Executive Officer and Co-Chairman

Exhibit 99.1

Stronghold Digital Mining Announces Addition of 400 PH/s through Capital-Efficient Bitcoin Mining Agreement and Comments on Retirement of Co-Chairman William Spence

New Bitcoin mining agreement expected to increase delivered hash rate capacity to 3.6 EH/s by June 2023

NEW YORK, May 4, 2023– Stronghold Digital Mining, Inc. (NASDAQ: SDIG) ("Stronghold", or the "Company") today announced that it has entered into a new two-year hosting agreement with Cantaloupe Digital LLC, a subsidiary of Canaan, Inc. ("Canaan").

Canaan Bitcoin Mining Agreement

On April 27, 2023, the Company signed a two-year hosting agreement with Cantaloupe Digital LLC, a subsidiary of Canaan, whereby Stronghold will operate 2,000 A1346 (110 TH/s per miner) and 2,000 A1246 (90 TH/s per miner) Bitcoin miners supplied by Canaan (the "Canaan Miners"), with total hash rate capacity of 400 PH/s (the "Canaan Bitcoin Mining Agreement").

The Canaan Bitcoin Mining Agreement has the following key terms:

- Two-year term, with no unilateral early termination option.
- Stronghold will receive 50% of the Bitcoin mined by the Canaan Miners and receive payments from Canaan equal to 55% of the net cost of power at the Company's Panther Creek plant, in dollar-per-megawatt-hour terms, calculated on a monthly basis.
- Stronghold will retain all upside associated with selling power to the grid, and, if Stronghold elects to curtail the Canaan Miners to sell power to the grid, Canaan will receive true-up payment that represent estimates of the Bitcoin mining revenue would have been generated had the miners not been curtailed.
- The A1246 Bitcoin miners are to be installed by May 15, 2023, and the A1346 Bitcoin miners are to be installed by June 15, 2023. All 2,000 A1246 Bitcoin miners are currently on site and ready to be deployed.

"While we have emphasized our necessary deleveraging efforts over the last ten months, we think that the most meaningful measure of our work is the capital efficiency of our mining fleet today," said Greg Beard, chairman and chief executive officer of Stronghold. "Since August, we have received or procured approximately 22,000 incremental miners, with hash rate capacity of approximately 2.2 EH/s, while investing approximately $15 million of incremental capital, which is approximately $7 per TH/s. We achieved this through opportunistic purchases of Bitcoin miners in a distressed market and through unique hosting agreements where we retain exposure to Bitcoin mining economics and power upside, consistent with our vertically integrated business model.

“Our previously announced consensual return of approximately 19,000 delivered and approximately 26,000 total miners, with hash rate capacity of approximately 1.8 EH/s and 2.5 EH/s, respectively, to our lender in August, in exchange for the extinguishment of $67 million of debt, understandably caused investors to question our growth prospects. Our recent actions should help to alleviate those concerns. We shed approximately 2.5 EH/s of hash rate capacity—that cost approximately $90 million and was financed with approximately $67 million of debt—and nearly replaced that capacity with more efficient miners, amounting to hash rate capacity of 2.2 EH/s, with only $15 million of incremental capital. Replacing $90 million of miners with $15 million of miners, while ending up with similar hash rate, dramatically improves capital efficiency and return on equity, all else equal. This Canaan agreement will bring us to approximately 3.6 EH/s of delivered hash rate capacity and leaves us with only a few thousand unutilized miner slots at our wholly owned data centers left to fill.”

William Spence Retirement

As previously disclosed, on March 29, 2023, the Company’s co-founder and former co-chairman William “Bill” Spence, announced his retirement and resignation from the Company’s board. Bill will continue to work with the Company in a reduced capacity via a recently agreed to consulting arrangement focused primarily on supporting the Company’s efforts related to reclamation, beneficial use ash, and carbon sequestration. Bill intends to spend his retirement with his family, including one grandchild and two more on the way.

“A native of Pennsylvania who grew up surrounded by the waste coal piles, Bill is a pioneer in the coal refuse-to-power and beneficial use ash markets and has spent decades trying to clean up one of the most environmentally neglected regions in the United States,” commented Mr. Beard. “We are extremely grateful for Bill’s vision, service, and leadership. We wish Bill all the best in his deserved retirement as he focuses on his family and health, but we are grateful that he will continue to work with Stronghold in areas that are passions for Bill and that represent significant opportunities for the Company.”

About Stronghold Digital Mining, Inc.

Stronghold is a vertically integrated Bitcoin mining company with an emphasis on environmentally beneficial operations. Stronghold houses its miners at its wholly owned and operated Scrubgrass Plant and Panther Creek Plant, both of which are low-cost, environmentally beneficial coal refuse power generation facilities in Pennsylvania.

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Forward Looking Statements:

The information, financial projections and other estimates contained herein contain “forward-looking” statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including, but not limited to statements regarding the anticipated performance of the Company as a result of the restructuring of the Company’s debt contemplated by the Amended Credit Agreement and closing of the previously announced exchange agreement with certain noteholders. Such projections and estimates are as to future events and are not to be viewed as facts, and reflect various assumptions of management of the Company concerning the future performance of the Company and are subject to significant business, financial, economic, operating, competitive and other risks and uncertainties and contingencies (many of which are difficult to predict and beyond the control of the Company) that could cause actual results to differ materially from the statements and information included herein. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue,” “target” or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Forward-looking statements may include statements about various risks and uncertainties, including those described under the heading "Risk Factors" as detailed from time to time in Stronghold’s reports filed with the SEC, including Stronghold’s annual report on Form 10-K, periodic quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC. Such risk and uncertainties are not exclusive. Any forward-looking statements speak only as of the date of this communication. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements. Additionally, descriptions herein of market conditions and opportunities are presented for informational purposes only; there can be no assurance that such conditions will actually occur or result in positive returns. Recipients of this communication should make their own investigations and evaluations of any information referenced herein.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Introduction

The following sets forth unaudited pro forma condensed consolidated financial statements of Stronghold Digital Mining, Inc. (the "Company") prepared in accordance with Article 11 of Regulation S-X. The following information should be read in conjunction with the following: (i) the accompanying notes to the unaudited pro forma condensed consolidated financial statements; and (ii) the Company's audited consolidated financial statements for the year ended December 31, 2022, and related notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K filed with the SEC on April 3, 2023.

The unaudited pro forma condensed consolidated financial statements are based on and have been derived from the Company's historical consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America and are presented based on assumptions, adjustments, and currently available information described in the accompanying notes.

Description of the Transactions

The unaudited pro forma condensed consolidated financial statements are presented to illustrate the estimated effects of the following transactions:

Asset Purchase Agreement

On August 16, 2022, the Company, Stronghold Digital Mining Holdings LLC ("Stronghold LLC"), SDM and Stronghold Digital Mining BT, LLC, a Delaware limited liability company ("Digital Mining BT", together with SDM, the "APA Sellers" and, together with the Company and Stronghold LLC, the "APA Seller Parties") entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with NYDIG ABL LLC, a Delaware limited liability company formerly known as Arctos Credit, LLC ("NYDIG"), and The Provident Bank, a Massachusetts savings bank ("BankProv" and together with NYDIG, "Purchasers" and each, a "Purchaser").

Pursuant to the master equipment financing agreement SDM entered into with NYDIG on June 25, 2021 (the "Arctos/NYDIG Financing Agreement") and the master equipment financing agreement SDM entered into with NYDIG on December 15, 2021 (the "Second NYDIG Financing Agreement" and, together with the Arctos/NYDIG Financing Agreement, the "NYDIG Financing Agreements"), the Seller Parties pledged as collateral under the NYDIG Financing Agreements the APA Collateral, comprised of certain Bitcoin miners the Seller Parties purchased with borrowings under the NYDIG Financing Agreements. Under the Asset Purchase Agreement, the Seller Parties agreed to sell, and the Purchasers (or their respective designee) agreed to purchase, the APA Collateral in a private disposition in exchange for the forgiveness, reduction and release of all principal, interest, and fees owing under each of the NYDIG Financing Agreements, which we refer to as the NYDIG Debt. The Sellers have agreed to clean, service, package, ship and deliver the APA Collateral, and to bear the costs associated with such activities. Following (i) delivery of the APA Collateral to the Purchasers or their designees and (ii) a subsequent inspection period of up to 14 days (which may be extended up to seven additional days), upon acceptance of the APA Collateral, the ownership of such APA Collateral will be transferred to the Purchasers or their designees and the related portion of the NYDIG Debt will be assigned to the Sellers and cancelled pursuant to a master bill of sale in accordance with the Asset Purchase Agreement as a Settlement. In the event of certain failures to satisfy the inspection conditions set forth in the Asset Purchase Agreement, the Company is obligated to replace the APA Collateral that failed to satisfy such inspection conditions with comparable assets, provided that such obligation only applies once the aggregate value of such APA Collateral exceeds $173,651, with respect to BankProv, and $252,532, with respect to NYDIG.

Prior to the date on which (i) APA Seller Parties first breach a material obligation under the Asset Purchase Agreement, (ii) the Asset Purchase Agreement is terminated or if an APA Seller elects not to sell any or all of its APA Collateral, or (iii) an insolvency or liquidation proceeding is commenced by or against the APA Sellers (the "Non-Interference Period"), the Purchasers have agreed not to foreclose on any of the APA Collateral under the NYDIG Financing Agreements. The Seller Parties also granted certain indemnification rights to the Purchasers. The Asset Purchase Agreement also provides for certain termination rights.

Pursuant to the Asset Purchase Agreement, the Seller Parties have granted a release from certain claims arising out of or in connection with the Asset Purchase Agreement and the transactions contemplated thereunder. Further, except for the payment of accrued but unpaid interest through the date of signing of the Asset Purchase Agreement, prior to the earlier of (i) the termination of the Asset Purchase Agreement, (ii) the end of the Non-Interference Period, or (iii) a Seller electing not to sell any of its APA Collateral required to be sold at a settlement, the Sellers will not be required to make payments pursuant to the NYDIG Financing Agreements (although interest shall accrue but not be due and payable) and each Purchaser, in its capacity as the respective lender under the NYDIG Financing Agreements, will not exercise any remedies available as a lender or declare any event of default as a result of the Sellers taking any actions required or directly contemplated by the Asset Purchase Agreement.

On September 30, 2022, the Company completed the BankProv Settlement, relating to the sale of the initial two tranches of the APA Collateral to BankProv pursuant to the Asset Purchase Agreement in exchange for the extinguishment of $27.4 million of principal under the NYDIG Debt and related interest.

On October 13, 2022, the Seller Parties completed the NYDIG Settlement, relating to the sale of three tranches of APA Collateral to NYDIG pursuant to the Asset Purchase Agreement in exchange for the extinguishment of $37.9 million of principal under the NYDIG Debt and related interest.

On October 26, 2022, the Seller Parties completed the transfer of the seventh and final tranche of the APA Collateral to NYDIG pursuant to the Asset Purchase Agreement in exchange for the extinguishment of $2.1 million of principal under the NYDIG Debt and related interest (the “Final Settlement”).

Following the Final Settlement, together with the BankProv Settlement and NYDIG Settlement, the aggregate amount of principal under the NYDIG Debt extinguished is $67.4 million. The sale of all Bitcoin miners included in the APA Collateral that were in the Company’s possession at the Panther Creek Plant and Scrubgrass Plant at the time the Asset Purchase Agreement was executed and the related forgiveness, reduction and release of the NYDIG Debt associated with such Bitcoin miners have been completed.

The disposition of the APA Collateral does not qualify as a discontinued operation as it does not represent a strategic shift that will have a major effect on the Company’s results of operations or financial condition.

WhiteHawk Refinancing

On August 16, 2022, the Company entered into a commitment letter (the “Commitment Letter”) with WhiteHawk to provide for committed financing to refinance the WhiteHawk Financing Agreement and provide up to $20 million in additional commitments (such additional commitments, the “Delayed Draw Facility”) for an aggregate loan not to exceed $60.0 million. Such loans under the Delayed Draw Facility will be available to be drawn for 180 days from the closing date of the WhiteHawk Refinancing Agreement (as defined below). On October 27, 2022, the Company entered into the Credit Agreement with WhiteHawk to refinance the WhiteHawk Financing Agreement, effectively terminating the WhiteHawk Financing Agreement. The Credit Agreement consists of $35.1 million in term loans and a $23.0 million Delayed Draw Facility. Such loans under the Delayed Draw Facility were drawn on the closing date of the Credit Agreement.

The WhiteHawk Refinancing Agreement was entered into by Stronghold LLC as Borrower and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and certain of its subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default. The WhiteHawk Refinancing Agreement contains a covenant requiring the Borrower and its subsidiaries to maintain a minimum (x) of $7.5 million of liquidity at all times, (y) a minimum liquidity of $10 million of average daily liquidity for each calendar month (rising to $20 million beginning July 1, 2023) and (z) a maximum total leverage ratio covenant of (i) 7.5:1.0 for the quarter ending December 31, 2022, (ii) 5.0:1.0 for the quarter ending March 31, 2023, (iii) 4.0:1.0 for the quarter ending June 30, 2023, and (iv) 4.0:1.0 for each quarter ending thereafter.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate (“SOFR”) plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.50% and (y) the Term SOFR rate plus 1%, plus 9%. The loan under the Delayed Draw Facility was issued with 3% closing fee on the drawn amount, paid when such amount was drawn. Amounts drawn on the WhiteHawk Refinancing Agreement are subject to a prepayment premium such that the lenders thereunder achieve a 20% return on invested capital. The Company also issued a stock purchase warrant to WhiteHawk in conjunction with the closing of the WhiteHawk Refinancing Agreement, which provides for the purchase of an additional 4,000,000 shares of the Company’s Class A common stock, par value $0.0001 per share (the “Class A common stock”) at an exercise price of $0.01 per share. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP, as collateral agent and administrative agent, and the other lenders thereto, entered into the First Amendment in order to modify certain covenants and remove certain prepayment requirements contained therein. Following the First Amendment, Stronghold LLC will be permitted to pay interest in kind in each month that its average daily cash balance (including cryptocurrencies) is less than $5,000,000, up to a maximum of six elections during the life of the Credit Agreement. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 will not be required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of $7,500,000 for such month. The First Amendment also modifies the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.00:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024 and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, $2,500,000; (B) during the period beginning April 1, 2024 through and including December 31, 2024, $5,000,000; and (C) from and after January 1, 2025, $7,500,000. The average monthly minimum liquidity requirement has been removed entirely. The First Amendment requires the Company to produce a budget, to be approved by the Required Lenders (as defined therein), and to resolve all claims of and amounts payable to Bruce & Merrilees Electric Company in a manner satisfactory to the Required Lenders by February 28, 2023.

During the term of the Credit Agreement, the administrative agent (at the direction of the Required Lenders) will have the right to designate a board observer to attend meetings of the Board and all committees thereof. Such person will not be entitled to vote on or consent to any matters presented to the Board or any committees thereof. Such observer may be excluded from certain meetings or discussions in limited circumstances. The Company will reimburse the observer for its reasonable out-of-pocket expenses incurred in connection with attending any meetings, but none of the lenders or such observer will receive any additional compensation or remuneration for such services.

Further, the Company agreed to appoint an additional independent director that is reasonably satisfactory to the required lenders to its Board to serve until the Company's next annual meeting, and to nominate such person for election at its next annual meeting. Further, the failure of the Sponsor, which includes Q Power LLC (which is controlled by Greg Beard, the Chairman and Chief Executive Officer of the Company), to vote for such person as a director will constitute an event of default under the Credit Agreement. On March 7, 2023, the Board appointed Thomas Doherty to the Board.

Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement (the "Exchange Agreement") with the holders (the "Holders") of the Company's Amended and Restated 10% Notes (the "Notes") whereby the Notes were to be exchanged for shares of a new series of convertible preferred stock (the "Series C Preferred Stock") that, among other things, will convert into shares of Common Stock or pre-funded warrants that may be exercised for shares of Class A common stock ("Pre-funded Warrants"), at a conversion price of $0.40 per share. The Exchange Agreement closed on February 20, 2023. Pursuant to the Exchange Agreement, the Holders received an aggregate 23,102 shares of the Series C Preferred Stock in exchange for the cancellation of an aggregate $17,893,750 of principal and accrued interest, representing all of the amounts owed to the Holders under the Notes.

Bruce and Merrilees Settlement Agreement

On March 28, 2023, the Company entered into a Settlement Agreement (the "B&M Settlement Agreement") with its electrical contractor, Bruce – Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement Agreement, B&M eliminated an estimated $11.4 million outstanding payable in exchange for a Promissory Note in the amount of $3,500,000 (the "B&M Note") and a Stock Purchase Warrant for the right to purchase from the Company 3,000,000 shares of Class A Common Stock (the "B&M Warrant").

Pursuant to the B&M Settlement Agreement, B&M released ten (10) 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement Agreement include a mutual release of all pre-existing claims.

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

Simultaneous with the B&M Settlement Agreement, the Company and each of its subsidiaries entered into a Subordination Agreement with B&M and WhiteHawk Capital Partners LP ("Whitehawk Capital") pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M pursuant to the B&M Note, B&M Settlement Agreement and otherwise shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk pursuant to the WhiteHawk Credit Agreement.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with each of an institutional investor and the Company's chairman and chief executive officer, Greg Beard, for the purchase and sale of shares of Class A common stock at a purchase price of $1.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of $1.10 per share (subject to certain adjustments in accordance with the terms thereof) ("April 2023 Private Placement"). Pursuant to the Securities Purchase Agreements, the institutional investor invested $9.0 million in exchange for an aggregate of 9,000,000 shares of Class A common stock and pre-funded warrants exercisable for shares of Class A common stock, and Mr. Beard invested $1.0 million in exchange for an aggregate of 1,000,000 shares of Class A common stock, in each case at a price of $1.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 9,000,000 shares and 1,000,000 shares, respectively, of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance. The pre-funded warrants have an exercise price of $0.0001 per warrant share and are immediately exercisable. The gross proceeds, before deducting offering expenses, from the April 2023 Private Placement was approximately $10.0 million. The April 2023 Private Placement closed on April 21, 2023.

Additionally, as previously disclosed, on September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice Capital Master Fund Ltd. and Greg Beard (the "September PIPE Purchasers") for warrants to purchase an aggregate of 5,602,409 shares of Class A common stock, at an exercise price of $1.75 per share (the "September Warrants"). On April 20, 2023, the Company and the September PIPE Purchasers entered into amendments to, among other things, adjust the strike price of the September Warrants to $1.01 per share.

Under Article 11 of Regulation S-X, the sale of the APA Collateral in the Asset Purchase Agreement described above constitutes a significant disposition. The other transactions described above for which disclosure of pro forma financial information was considered material have been consummated or are considered probable to be consummated.

As a result of these transactions, the Company prepared the accompanying unaudited pro forma condensed consolidated financial statements. Except as set forth herein, the unaudited pro forma condensed consolidated balance sheet as of December 31, 2022, and statement of operations for the year ended December 31, 2022, give pro forma effect to these transactions as if they occurred on December 31, 2022 (in the case of the balance sheet), or January 1, 2022 (in the case of the statement of operations).

The unaudited pro forma condensed consolidated financial statements include unaudited pro forma adjustments that are factually supportable and directly attributable to the transactions. In addition, the unaudited pro forma adjustments are expected to have a continuing impact on the Company's results. The Company has prepared the unaudited pro forma condensed consolidated financial statements for illustrative purposes only and it does not purport to represent what the results of operations or financial condition would have been had the transactions actually occurred on the dates indicated, nor does the Company purport to project the results of operations or financial condition for any future period or as of any future date. Actual results may differ significantly from those reflected in the unaudited pro forma condensed consolidated financial statements for various reasons, including but not limited to, the differences between the assumptions used to prepare the unaudited pro forma condensed consolidated financial statements and actual results and our ability to complete, either in part or in full, the transactions that have not yet occurred.

STRONGHOLD DIGITAL MINING, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2022

	Historical	Pro Forma Adjustments						Pro Forma
	December 31, 2022	Asset Purchase Agreement	WhiteHawk Refinancing	Convertible Note Exchange	B&M Settlement	April 2023 Private Placement	Notes	December 31, 2022
ASSETS:								
Cash and cash equivalents	$ 13,296,703	$ -	$ -	$ -	$ -	$ 9,999,567	(a), (j)	$ 23,296,270
Digital currencies	109,827	-	-	-	-	-		109,827
Digital currencies, restricted	-	-	-	-	-	-		-
Accounts receivable	10,837,126	-	-	-	-	-		10,837,126
Due from related parties	73,122	-	-	-	-	-		73,122
Prepaid insurance	4,877,935	-	-	-	-	-		4,877,935
Inventory	4,471,657	-	-	-	-	-		4,471,657
Other current assets	1,975,300	-	-	(916,613)	-	-	(h)	1,058,687
Total current assets	35,641,670	-	-	(916,613)	-	9,999,567		44,724,624
Equipment deposits	10,081,307	-	-	-	-	-	(b)	10,081,307
Property, plant and equipment, net	167,204,681	-	-	-	(6,007,500)	-	(c), (i)	161,197,181
Land	1,748,440	-	-	-	-	-		1,748,440
Road bond	211,958	-	-	-	-	-		211,958
Operating lease right-of-use assets	1,719,037	-	-	-	-	-		1,719,037
Security deposits	348,888	-	-	-	-	-		348,888
TOTAL ASSETS	$ 216,955,981	$ -	$ -	$ (916,613)	$ (6,007,500)	$ 9,999,567		$ 220,031,435
LIABILITIES:								
Current portion of long-term debt, net of discounts and issuance fees	$ 17,422,546	$ -	$ -	$ (16,812,500)	$ 500,000	$ -	(d), (e), (h), (i)	$ 1,110,046
Current portion of operating lease liabilities	593,063	-	-	-	-	-		593,063
Financed insurance premiums	4,587,935	-	-	-	-	-		4,587,935
Forward sale contract	-	-	-	-	-	-		-
Accounts payable	27,540,317	-	-	-	(11,426,720)	-	(i)	16,113,597
Due to related parties	1,375,049	-	-	-	-	-		1,375,049
Accrued liabilities	8,893,248	-	-	(655,500)	-	175,000	(h), (j)	8,412,748
Total current liabilities	60,412,158	-	-	(17,468,000)	(10,926,720)	175,000		32,192,438
Asset retirement obligation	1,023,524	-	-	-	-	-		1,023,524
Contract liabilities	351,490	-	-	-	-	-		351,490
Long-term operating lease liabilities	1,230,001	-	-	-	-	-		1,230,001
Paycheck Protection Program Loan	-	-	-	-	-	-		-
Warrant liabilities	2,131,959	-	-	-	-	8,882,914	(j)	11,014,873
Long-term debt, net of discounts and issuance fees	57,027,118	-	-	-	3,000,000	-	(e), (i)	60,027,118
Total liabilities	122,176,250	-	-	(17,468,000)	(7,926,720)	9,057,914		105,839,444
COMMITMENTS AND CONTINGENCIES								
REDEEMABLE COMMON STOCK:								
Common Stock - Class V; $0.0001 par value; 34,560,000 shares authorized and 26,057,600 shares issued and outstanding	11,754,587	-	-	-	-	-		11,754,587
Total redeemable common stock	11,754,587	-	-	-	-	-		11,754,587
STOCKHOLDERS' EQUITY (DEFICIT):								
Noncontrolling Series A redeemable and convertible preferred stock; $0.0001 par value; $5,000,000 aggregate liquidation value;0 and 1,152,000 shares issued and outstanding as of December 31, 2022, and 2021, respectively.	-	-	-	-	-	-		-
Series C convertible preferred stock; $0.0001 par value; 23,102 and 0 shares issued and outstanding as of December 31, 2022, and 2021, respectively.	-	-	-	2	-	-	(h)	2
Common Stock – Class A; $0.0001 par value; 685,440,000 shares authorized; 41,710,217 and 20,016,067 shares issued and outstanding as of December 31, 2022, and 2021, respectively.	3,171	-	-	-	-	1,000	(j)	4,171
Accumulated deficits	(240,443,302)	-	-	(29,140,285)	179,338	(119,301)	(g), (h), (i), (j)	(269,523,550)
Additional paid-in capital	323,465,275	-	-	45,691,670	1,739,882	1,059,954	(f), (h), (i), (j)	371,956,781
Total stockholders' equity (deficit)	83,025,144	-	-	16,551,387	1,919,220	941,653		102,437,404
Total redeemable common stock and stockholders' equity (deficit)	94,779,731	-	-	16,551,387	1,919,220	941,653		114,191,991
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 216,955,981	$ -	$ -	$ (916,613)	$ (6,007,500)	$ 9,999,567		$ 220,031,435

STRONGHOLD DIGITAL MINING, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	Historical Year Ended December 31, 2022	Pro Forma Adjustments						Pro Forma Year Ended December 31, 2022
		Asset Purchase Agreement	WhiteHawk Refinancing	Convertible Note Exchange	B&M Settlement	April 2023 Private Placement	Notes	
OPERATING REVENUES:								
Cryptocurrency mining	$ 58,763,565	$ (19,062,900)	$ -	$ -	$ -	$ -	**(k)**	$ 39,700,665
Energy	41,194,237	6,901,126	-	-	-	-	**(l)**	48,095,363
Capacity	5,469,648	-	-	-	-	-		5,469,648
Cryptocurrency hosting	459,872	-	-	-	-	-		459,872
Other	145,780	-	-	-	-	-		145,780
Total operating revenues	106,033,102	(12,161,774)	-	-	-	-		93,871,328
OPERATING EXPENSES:								
Fuel	28,780,110	-	-	-	-	-		28,780,110
Operations and maintenance	57,030,189	-	-	-	-	-		57,030,189
General and administrative	44,460,810	-	-	-	-	-	**(m)**	44,460,810
Impairments on digital currencies	8,339,660	(2,163,063)	-	-	-	-	**(n)**	6,176,597
Impairments on equipment deposits	17,348,742	-	-	-	-	-		17,348,742
Impairments on miner assets	40,683,112	-	-	-	-	-		40,683,112
Realized gain on sale of digital currencies	(1,102,220)	-	-	-	-	-		(1,102,220)
Loss on disposal of fixed assets	2,511,262	-	-	-	-	-		2,511,262
Realized loss on sale of miner assets	8,012,248	-	-	-	-	-		8,012,248
Depreciation and amortization	47,235,344	-	-	-	-	-		47,235,344
Total operating expenses	253,299,257	(2,163,063)	-	-	-	-		251,136,194
NET OPERATING LOSS	(147,266,155)	(9,998,711)	-	-	-	-		(157,264,866)
OTHER INCOME (EXPENSE):								
Interest expense	(13,911,008)	2,239,640	412,762	655,500	-	-	**(o), (p), (r)**	(10,603,106)
Loss on debt extinguishment	(40,517,707)	-	-	(29,795,785)	-	-	**(q), (r)**	(70,313,492)
Gain on extinguishment of PPP loan	841,670	-	-	-	-	-		841,670
Changes in fair value of warrant liabilities	4,226,171	-	-	-	-	(119,301)	**(t)**	4,106,870
Realized gain on sale of derivative contract	90,953	-	-	-	-	-		90,953
Changes in fair value of forward sale derivative	3,435,639	-	-	-	-	-		3,435,639
Changes in fair value of convertible note	(2,167,500)	-	-	-	-	-		(2,167,500)
Other	95,970	-	-	-	179,338	-	**(s)**	275,308
Total other income (expense)	(47,905,812)	2,239,640	412,762	(29,140,285)	179,338	(119,301)		(74,333,658)
NET LOSS	$ (195,171,967)	$ (7,759,071)	$ 412,762	$ (29,140,285)	$ 179,338	$ (119,301)		$ (231,598,524)
NET LOSS attributable to noncontrolling interest	(105,910,737)	(4,538,669)	241,445	(13,144,308)	80,894	(53,813)		(123,325,188)
NET LOSS attributable to Stronghold Digital Mining, Inc.	$ (89,261,230)	$ (3,220,402)	$ 171,317	$ (15,995,977)	$ 98,444	$ (65,488)		$ (108,273,336)
NET LOSS attributable to Class A common shareholders								
Basic	$ (3.45)							$ (2.79)
Diluted	$ (3.45)							$ (2.79)
Weighted average number of Class A common shares outstanding								
Basic	25,849,048	-	-	-	3,000,000	10,000,000		38,849,048
Diluted	25,849,048	-	-	-	3,000,000	10,000,000		38,849,048

Note 1 – Basis of Presentation

The December 31, 2022, unaudited pro forma condensed consolidated balance sheet gives effect to the pro forma adjustments necessary to reflect the transactions as if they had occurred on December 31, 2022. The unaudited pro forma condensed consolidated statement of operations gives effect to the pro forma adjustments to reflect the transactions as if they had occurred as of January 1, 2022. The unaudited pro forma adjustments related to the transactions are based on available information and assumptions that management believes are directly attributable to the transactions, factually supportable, and are expected to have a continuing impact on the Company's results of operations with respect to the unaudited condensed consolidated statement of operations.

Note 2 – Pro Forma Adjustments

Adjustments to the Unaudited Pro Forma Condensed Consolidated Balance Sheet

The following adjustments have been made to the accompanying unaudited pro forma condensed consolidated balance sheet as of December 31, 2022.

(a) The as reported December 31, 2022, balance sheet reflects the net proceeds of approximately $21.6 million in relation to the WhiteHawk Delayed Draw Facility.

(b) The as reported December 31, 2022, balance sheet reflects the elimination of equipment deposits of approximately $32.6 million from the Asset Purchase Agreement on cryptocurrency machines the Company had not yet taken delivery of, which were included in the cryptocurrency machines pledged as collateral in the transaction. There is no impact to the Company's operating revenues and expenses for the removal of these cryptocurrency machines as they have not yet been revenue generating for the Company.

(c) The as reported December 31, 2022, balance sheet reflects the elimination of approximately $53.5 million of cryptocurrency machines under the Asset Purchase Agreement. The Company had received and placed in service at various times during the years ended December 31, 2022, and 2021. Components of the Company's property, plant and equipment, net impacted were as follows:

		December 31, 2022
Cryptocurrency machines and powering supplies	$	(61,487,092)
Accumulated depreciation and amortization		7,989,172
Net impact	$	(53,497,920)

(d) The as reported December 31, 2022, balance sheet reflects the reduction to outstanding long-term debt under the Asset Purchase Agreement resulting from the forgiveness, reduction and release of all principal, interest, and fees owed under the NYDIG Debt. Components of the reduction to the long-term debt were as follows:

		December 31, 2022
Arctos/NYDIG Financing Agreement (loan #3) with a term of 24 months	$	3,432,262
Arctos/NYDIG Financing Agreement (loan #4) with a term of 24 months		4,792,062
Second NYDIG Financing Agreement (schedule #2) with a term of 24 months		16,734,327
Second NYDIG Financing Agreement (schedule #3) with a term of 24 months		14,050,000
Net pro forma impact	$	39,008,651
Current portion of long-term debt, net of discounts and issuance fees	$	39,008,651
Long-term debt, net of discounts and issuance fees	$	—

(e) The as reported December 31, 2022, balance sheet reflects a change in the classification of the WhiteHawk outstanding long-term debt between current liabilities of approximately $27.5 million and long-term liabilities of approximately $53.5 million after giving effect to the terms and Delayed Draw Facility set forth in the WhiteHawk Refinancing Agreement, as well as the First Amendment to the WhiteHawk Refinancing Agreement.

(f) The as reported December 31, 2022, balance sheet reflects a change in additional paid-in capital to record the fair market value of stock purchase warrants issued to WhiteHawk in conjunction with the closing of the WhiteHawk Refinancing Agreement, which provides for the purchase of an additional 4,000,000 shares of Class A common stock at an exercise price of $0.01 per share.

(g) The as reported December 31, 2022, balance sheet reflects a change in accumulated deficit resulting from the impact of the loss on debt extinguishment of approximately $7.7 million associated with the WhiteHawk Refinancing Agreement plus interest of approximately $0.2 million paid directly to WhiteHawk upon closing of the WhiteHawk Refinancing Agreement.

(h) Reflects reductions in the current portion of long-term debt and accrued interest of approximately $16.8 million and $0.7 million, respectively, offset by the increase in stockholders' equity associated with the issuance of Series C Convertible Preferred Stock as of December 31, 2022, which has been recorded to additional paid-in capital at fair market value. The pro forma balance sheet as of December 31, 2022, also reflects a change in other current assets of approximately $0.9 million, which represents equity offering costs reclassified to additional paid-in capital upon issuance of the Series C Convertible Preferred Stock. The change in accumulated deficit results from the impact of a reduction to interest expense of approximately $0.7 million and a loss on debt extinguishment of approximately $29.8 million for the year ended December 31, 2022.

(i) Reflects increases in the current portion of long-term debt and long-term debt of $0.5 million and $3.0 million, respectively, and a reduction in accounts payable of approximately $11.4 million as of December 31, 2022, associated with the B&M Settlement Agreement. The pro forma balance sheet as of December 31, 2022, also reflects changes in property, plant and equipment to adjust for returned transformers and additional paid-in capital to record the fair market value of stock purchase warrants issued to B&M as part of the B&M Settlement Agreement. The change in accumulated deficit results from the impact of a non-operating gain of approximately $0.2 million for the year ended December 31, 2022.

(j) Reflects increases in cash of approximately $10.0 million, accrued liabilities of approximately $0.2 million for estimated issuance costs, and warrant liabilities of approximately $8.9 million, which has been recognized at fair market value using the Black-Scholes model. The pro forma balance sheet as of December 31, 2022, also reflects changes in Class A common stock and additional paid-in capital to adjust for shares issued as part of the Private Placement. The change in accumulated deficit results from the impact of adjusting the exercise price of warrants previously issued in September 2022.

Adjustments to the Unaudited Pro Forma Condensed Consolidated Statement of Operations

The following adjustments have been made to the accompanying unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2022.

(k) Represents the elimination of approximately $19.1 million of cryptocurrency mining revenues during the year ended December 31, 2022, for the disposition of the APA Collateral assets under the Asset Purchase Agreement.

(l) Represents energy revenues of approximately $6.9 million that would have been recognized during the year ended December 31, 2022, from the sale of available energy through PJM Interconnection that would not have been consumed by the cryptocurrency machines sold in the transaction. When the Company has available energy, the Company has agreed to routinely sell the available energy in the wholesale generation market in the PJM Interconnection as a market participant. The adjustment was derived from the energy volume expected to be available each month and the average energy price each month.

(m) The as reported year ended December 31, 2022, statement of operations reflects the recognition of approximately $2.1 million of transaction costs associated with the Asset Purchase Agreement.

(n) Reflects the elimination of approximately $2.2 million during the year ended December 31, 2022, of an impairment of digital currencies for the cryptocurrency that would not have been mined had the Company not operated the cryptocurrency machines sold in the Asset Purchase Agreement.

(o) Reflects a reduction to interest expense of approximately $2.2 million during the year ended December 31, 2022, associated with the forgiveness, reduction and release of all principal, interest and fees owed on the NYDIG Debt under the terms of the Asset Purchase Agreement.

(p) Reflects a reduction to interest expense of approximately $0.4 million during the year ended December 31, 2022, on the WhiteHawk outstanding long-term debt after giving effect to the interest terms included in the WhiteHawk Refinancing Agreement.

(q) The as reported year ended December 31, 2022, statement of operations reflects the loss on debt extinguishment of approximately $7.7 million recognized during the year ended December 31, 2022, associated with the WhiteHawk Refinancing Agreement.

(r) Reflects a reduction to interest expense of approximately $0.7 million and a loss on debt extinguishment of approximately $29.8 million for the year ended December 31, 2022, associated with the exchange of Convertible Notes for Series C Convertible Preferred Stock.

(s) Reflects a non-operating gain of approximately $0.2 million for the year ended December 31, 2022, associated with the B&M Settlement Agreement.

(t) Reflects a non-operating loss of approximately $0.1 million for the year ended December 31, 2022, which represents a change in the fair value of warrant liabilities caused by an adjustment to the strike price of warrants previously issued in September 2022.