

SPHERE 3D CORP.

FORM 10-Q (Quarterly Report)

Filed 05/14/25 for the Period Ending 03/31/25

Address	243 TRESSER BLVD, 17TH FLOOR STAMFORD, CT, 06901
Telephone	416-749-5999
CIK	0001591956
Symbol	ANY
SIC Code	6199 - Finance Services
Industry	Software
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2025

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: 001-36532

Sphere 3D Corp.

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(State or other jurisdiction of incorporation or organization)

243 Tresser Blvd, 17th Floor

Stamford, CT

(Address of principal executive offices)

98-1220792

(IRS Employer Identification No.)

06901

(Zip Code)

647 952-5049

(Registrant's Telephone Number, Including Area Code)

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

Title of each class

Common Shares

Trading Symbol(s)

ANY

Name of each exchange on which registered

NASDAQ Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

As of May 5, 2025, there were 26,457,905 shares of the registrant's common shares outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1.	<u>Financial Statements:</u>	Page
	<u>Condensed Consolidated Balance Sheets (unaudited) - March 31, 2025 and December 31, 2024</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations (unaudited) - Three Months Ended March 31, 2025 and 2024</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss (unaudited) - Three Months Ended March 31, 2025 and 2024</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Shareholders' Equity (unaudited)- Three Months Ended March 31, 2025 and 2024</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows (unaudited) - Three Months Ended March 31, 2025 and 2024</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
Item 4.	<u>Controls and Procedures</u>	<u>27</u>

PART II — OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>27</u>
Item 1A.	<u>Risk Factors</u>	<u>27</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>27</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>27</u>
Item 5.	<u>Other Information</u>	<u>27</u>
Item 6.	<u>Exhibits</u>	<u>28</u>
	<u>Signature</u>	<u>30</u>

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Sphere 3D Corp.
Condensed Consolidated Balance Sheets
(in thousands of U.S. dollars, except shares)
(unaudited)

	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,787	\$ 5,425
Bitcoin	1,873	1,394
Investment in equity securities	3,880	7,530
Other current assets	1,177	3,438
Total current assets	9,717	17,787
Property and equipment, net	20,990	21,967
Intangible assets, net	2,724	3,095
Other non-current assets	844	379
Total assets	\$ 34,275	\$ 43,228
Liabilities, Temporary Equity and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,709	\$ 1,167
Accrued liabilities	1,541	1,299
Accrued payroll and employee compensation	298	1,398
Other current liabilities	3	31
Total current liabilities	3,551	3,895
Commitments and contingencies (Note 12)		
Temporary equity:		
Series H preferred shares, no par value, unlimited shares authorized, 161 shares issued and outstanding as of March 31, 2025 and December 31, 2024	18	18
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized, 26,178,282 and 25,453,327 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	498,136	497,957
Accumulated other comprehensive loss	(1,824)	(1,821)
Accumulated deficit	(465,606)	(456,821)
Total shareholders' equity	30,706	39,315
Total liabilities, temporary equity, and shareholders' equity	\$ 34,275	\$ 43,228

See accompanying notes to condensed consolidated financial statements.

Sphere 3D Corp.
Condensed Consolidated Statements of Operations
(in thousands of U.S. dollars, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Revenues:		
Bitcoin mining revenue	\$ 2,817	\$ 6,946
Operating costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization shown below)	2,194	4,307
General and administrative	3,169	3,452
Depreciation and amortization	1,606	1,821
Loss on disposal of property and equipment	808	—
Change in fair value of Bitcoin	228	(768)
Total operating costs and expenses	<u>8,005</u>	<u>8,812</u>
Loss from operations	(5,188)	(1,866)
Other income (expense):		
Investment loss	(3,650)	(2,740)
Other income, net	53	129
Net loss	<u>\$ (8,785)</u>	<u>\$ (4,477)</u>
Net loss per share:		
Basic	<u>\$ (0.32)</u>	<u>\$ (0.27)</u>
Diluted	<u>\$ (0.32)</u>	<u>\$ (0.27)</u>
Shares used in computing net loss per share:		
Basic	<u>27,204,351</u>	<u>16,576,914</u>
Diluted	<u>27,204,351</u>	<u>16,576,914</u>

See accompanying notes to condensed consolidated financial statements.

Sphere 3D Corp.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands of U.S. dollars)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Net loss	\$ (8,785)	\$ (4,477)
Other comprehensive loss:		
Foreign currency translation adjustment	(3)	(3)
Total other comprehensive loss	(3)	(3)
Comprehensive loss	<u>\$ (8,788)</u>	<u>\$ (4,480)</u>

See accompanying notes to condensed consolidated financial statements.

Sphere 3D Corp.
Condensed Consolidated Statements of Shareholders' Equity
(in thousands of U.S. dollars, except shares)
(unaudited)

	Common Shares		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at January 1, 2025	25,453,327	\$ 497,957	\$ (1,821)	\$ (456,821)	\$ 39,315
Issuance of common shares	210,448	108	—	—	108
Issuance of common shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	7,507	—	—	—	—
Exercise of warrants	507,000	—	—	—	—
Share-based compensation	—	71	—	—	71
Other comprehensive loss	—	—	(3)	—	(3)
Net loss	—	—	—	(8,785)	(8,785)
Balance at March 31, 2025	26,178,282	\$ 498,136	\$ (1,824)	\$ (465,606)	\$ 30,706

	Common Shares		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at January 1, 2024	15,373,616	\$ 475,702	\$ (1,808)	\$ (447,371)	\$ 26,523
Cumulative adjustment from adoption of ASU 2023-08	—	—	—	20	20
Issuance of common shares for conversion of preferred shares	2,422,710	4,327	—	—	4,327
Share-based compensation	—	1,086	—	—	1,086
Other comprehensive loss	—	—	(3)	—	(3)
Net loss	—	—	—	(4,477)	(4,477)
Balance at March 31, 2024	17,796,326	\$ 481,115	\$ (1,811)	\$ (451,828)	\$ 27,476

See accompanying notes to condensed consolidated financial statements.

Sphere 3D Corp.
Condensed Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Operating activities:		
Net loss	\$ (8,785)	\$ (4,477)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized loss on investment in equity securities	3,650	2,740
Depreciation and amortization	1,606	1,821
Share-based compensation	71	1,086
Change in fair value of Bitcoin	228	(768)
Loss on disposal of property and equipment	808	—
Change in fair value of warrant liabilities	(28)	(129)
Bitcoin issued for services	—	538
Changes in operating assets and liabilities:		
Proceeds from sale of Bitcoin	—	6,533
Mining of Bitcoin	(2,817)	(6,946)
Accounts payable and accrued liabilities	496	(413)
Accrued payroll and employee compensation	(1,100)	203
Other assets and liabilities, net	1,793	(246)
Net cash used in operating activities	(4,078)	(58)
Investing activities:		
Proceeds from sale of Bitcoin	2,110	1,522
Payments for purchase of property and equipment	(1,025)	—
Proceeds from sale of property and equipment	247	—
Net cash provided by investing activities	1,332	1,522
Financing activities:		
Proceeds from issuance of common shares, net	108	—
Net cash provided by financing activities	108	—
Net (decrease) increase in cash and cash equivalents	(2,638)	1,464
Cash and cash equivalents, beginning of period	5,425	586
Cash and cash equivalents, end of period	\$ 2,787	\$ 2,050
Supplemental disclosures of non-cash investing and financing activities:		
Amounts accrued for purchases of property and equipment	\$ 357	\$ —
Property and equipment exchanged for settlement of liabilities	\$ 69	\$ —
Settlement of prepaid hosting services deposit with equity securities	\$ —	\$ 10,000

See accompanying notes to condensed consolidated financial statements.

Sphere 3D Corp.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Organization and Business

Sphere 3D Corp. was incorporated under the *Business Corporations Act (Ontario)* on May 2, 2007 as T.B. Mining Ventures Inc. On March 24, 2015, the Company completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, the Company changed its name to “Sphere 3D Corp.” Any reference to the “Company”, “Sphere 3D”, “we”, “our”, “us”, or similar terms refers to Sphere 3D Corp. and its subsidiaries. In January 2022, the Company commenced operations of its Bitcoin mining business and is dedicated to becoming a leader in the blockchain and cryptocurrency industry. The Company has established and plans to continue to grow an enterprise-scale mining operation through the procurement of mining equipment and partnering with experienced service providers.

Going Concern

Management has projected that based on our recurring losses, negative cash flows from operating activities, and our hashing rate at March 31, 2025, cash on hand may not be sufficient to allow the Company to continue operations and there is substantial doubt about the Company’s ability to continue as a going concern within 12 months from the date of issuance of our financial statements if we are unable to raise additional funding for operations. We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Included in our working capital is an investment in equity securities that we can liquidate as needed to assist in funding our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. We require additional capital and if we are unsuccessful in raising that capital at a reasonable cost and at the required times, or at all, we may not be able to continue our business operations in the cryptocurrency mining industry or we may be unable to advance our growth initiatives, either of which could adversely impact our business, financial condition and results of operations. In an effort to mitigate these risks we expect to take steps to lower our cost of mining and also refresh our mining fleet to increase our mining efficiency.

Significant changes from the Company’s current forecasts, including but not limited to: (i) shortfalls from projected mining earning levels; (ii) increases in operating costs; (iii) decreases in the value of cryptocurrency; and (iv) if we do not maintain compliance with the requirements of The Nasdaq Capital Market (“Nasdaq”) and/or we do not maintain our listing with Nasdaq could have a material adverse impact on the Company’s ability to access the level of funding necessary to continue its operations at current levels. These factors, among others, should they occur may result in the Company’s inability to continue as a going concern within 12 months from the date of issuance of our financial statements. 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 and do not include any adjustments that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in the United States of America (“GAAP”), applied on a basis consistent for all periods. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission on March 28, 2025. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. These condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been appropriately eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Currency Translation

The financial statements of the Company’s foreign subsidiary, for which the functional currency is the local currency, is translated into U.S. dollars using the exchange rate at the consolidated balance sheet date for assets and liabilities and a weighted-average exchange rate during the year for revenue, expenses, gains and losses. Translation adjustments are recorded as accumulated other comprehensive income (loss) within shareholders’ equity. Gains or losses from foreign currency transactions are recognized in the condensed consolidated statements of operations. Such transactions resulted in minimal losses for the three months ended March 31, 2025 and 2024.

Cash and Cash Equivalents

Highly liquid investments with insignificant interest rate risk and original maturities of three months or less, when purchased, are classified as cash equivalents. Cash equivalents are composed of money market funds. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances and believes credit risk to be minimal.

Investment in Equity Securities

The Company’s investments are in publicly held equity securities which have readily determinable fair values. These equity investments are recorded at fair value with unrealized holding gains and losses recorded in other income or expense in the consolidated statements of operations.

Bitcoin

Bitcoin is included in current assets in the consolidated balance sheets as the Company has the ability to sell it in a highly liquid marketplace, and the sale of Bitcoin is used to fund operating expenses to support operations. Bitcoin is expected to be realized in cash or sold during the Company's normal operating cycle. Bitcoin held are accounted for as intangible assets with indefinite useful lives. Bitcoin awarded to the Company through its mining activities was included within operating activities on the consolidated statements of cash flows. The proceeds from the sale of Bitcoin are included within operating or investing activities in the consolidated statements of cash flows depending on the length of time the Bitcoin is held. Bitcoin is valued at fair value at the end of each reporting period with changes in fair value recorded in operating expenses in the consolidated statements of operations. The fair value of Bitcoin is measured using the period-end closing price from the Company's principal market. When Bitcoin is sold, the gains and losses from such transactions are measured as the difference between the cash proceeds and the carrying basis of the Bitcoin as determined on a first in-first out ("FIFO") basis and are recorded within the same line item, Change in Fair Value of Bitcoin, in the consolidated statements of operations.

Property and Equipment

Property and equipment primarily consists of mining equipment and infrastructure and is stated at cost, including purchase price, shipping and custom fees, and is depreciated using the straight-line method over the estimated useful lives of the assets, generally five years to ten years.

The Company reviews the carrying amounts of property and equipment when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the fair value of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible Assets

For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. For intangible assets acquired in a non-monetary exchange, the estimated fair values of the assets transferred (or the estimated fair values of the assets received, if more clearly evident) are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Supplier agreements are amortized on a straight-line basis over their economic lives of five years as this method most closely reflects the pattern in which the economic benefits of the assets will be consumed.

Impairment of Intangible Assets

The Company performs regular reviews of intangible assets to determine if any event has occurred that may indicate that intangible assets with finite useful lives and other long-lived assets are potentially impaired. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in the Company's market capitalization. Intangible assets are quantitatively assessed for impairment, if necessary, by comparing their estimated fair values to their carrying values. If the carrying value exceeds the fair value, the difference is recorded as an impairment.

Revenue Recognition

The Company accounts for revenue pursuant to ASU 2014-09, *Revenue from Contracts with Customers* and all the related amendments ("Topic 606"). Under Topic 606, an entity is required to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and contract consideration will be recognized on a "sell-in basis" or when control of the purchased goods or services transfer to the distributor.

The Company is engaged with Bitcoin mining pool operators, its customers, to provide a service to perform hash calculations for the mining pool operator, which is the Company's only performance obligation. Providing hash calculation services is an output of the Company's ordinary activities. The Company has a service agreement with Foundry Digital LLC, a cryptocurrency mining pool operator, to provide a service to perform hash calculations. In exchange for providing the service, the Company is entitled to Full Pay Per Share ("FPPS"), which is a fractional share of the fixed Bitcoin award the mining pool operator receives, plus a fractional share of the transaction fees attached to that blockchain less net Bitcoin fees due to the mining pool operator over the measurement period, as applicable. The pay-outs received are based on the expected value from the block reward plus the transaction fee reward, regardless of whether the mining pool operator successfully records a block to the blockchain.

The Company's fractional share is based on a contractual formula, which primarily calculates the hashrate provided to the mining pool as a percentage of total network hashrate and other inputs. The contracts, which are less than 24 hours and continuously renew throughout the day, are terminable at any time by either party without compensation and the Company's enforceable right to compensation only begins when the Company starts providing the service to the mining pool operator, which begins daily at midnight Universal Time Coordinated ("UTC"). The terms, conditions, and compensation are at the current market rates, and accordingly the renewal option is not a material right. The contract arises at the point that the Company provides hash calculation services to the mining pool operator, which is the beginning of the contract day at midnight UTC time (contract inception), as customer consumption is in tandem with daily earnings of delivery of the service. According to the customer contract, daily earnings are calculated from midnight-to-23:59:59 UTC time, and the payout is made one hour later at 1:00 AM UTC time.

The Company satisfies its performance obligation over time with daily settlement in Bitcoin. The Company's performance is completed as it transfers the hashrate computations over the continuously renewed contract periods, which are less than 24 hours. The Company has full control of the mining equipment utilized in the mining pool and if the Company determines it will increase or decrease the processing power of its machines and/or fleet (i.e., for repairs or when power costs are excessive) the service provided to the customer will be adjusted.

The transaction consideration the Company receives is noncash consideration in the form of Bitcoin, which the Company measures at fair value at contract inception, midnight UTC time. The noncash consideration is variable, since the amount of block reward earned depends on the amount of hash calculation services, the amount of transaction fees awarded, and operator fees over the same period. The Company does not constrain this variable consideration because it is probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved and recognizes the noncash consideration on the same day that control is transferred, which is the same day as contract inception. The fair value used to calculate the noncash consideration is based on the Bitcoin spot price in the Company's principal market at the beginning of the day (midnight UTC time) at contract inception. Expenses associated with running the Bitcoin mining operations, such as hosting, operating supplies, utilities, and monitoring services are recorded as cost of revenues.

Comprehensive Income (Loss)

Comprehensive income (loss) and its components encompass all changes in equity other than those arising from transactions with shareholders, including net loss and foreign currency translation adjustments, and is disclosed in the condensed consolidated statements of comprehensive loss.

Concentration Risk

The Company is subject to credit risk from its cash and cash equivalents and investment in equity securities. The Company maintains its cash and cash equivalent balances with two major commercial banks and its equity securities with one other financial institution. Deposits held with the financial institutions exceed the amount of insurance provided on such deposits. We are exposed to credit risk in the event of a default by the financial institutions holding the Company's cash, cash equivalents and equity securities to the extent recorded on the consolidated balance sheets. The accounts offered by the custodian of the Company's Bitcoin are not insured by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses in such accounts.

The Company has certain customers who individually represented 10% or more of the Company's revenue. Revenue is concentrated with one mining pool operator, Foundry Digital LLC, and all Bitcoin resided with one custodian. In the prior year, the Company also had a service agreement with an additional mining pool operator, Luxor Technology Corporation.

The Company is dependent on a small number of Bitcoin mining equipment suppliers to provide a supply of new generation Bitcoin mining machines. The growth in the Company's business is directly related to increased demand for hosting services and Bitcoin which is dependent in large part on the availability of new generation mining machines offered for sale at a price conducive to profitable Bitcoin mining. As more companies seek to enter the mining industry, the demand for machines may outpace supply and create mining machine equipment shortages. The Company currently does not have an agreement with its suppliers to purchase additional machines, and therefore there is no guarantee that the Company will be able to purchase machines on terms acceptable to it.

Share-based Compensation

The Company accounts for share-based awards, and similar equity instruments, granted to employees, non-employee directors, and consultants in accordance with the authoritative guidance for share-based compensation. Share-based compensation award types may include stock options and restricted stock units ("RSUs") and restricted stock awards ("RSAs"). Share-based compensation expense is recognized on a straight-lined basis over the requisite service period (usually the vesting period) except for options with graded vesting which is recognized pursuant to an accelerated method. Forfeitures are recognized as a reduction in share-based compensation expense as they occur.

Operating Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision-making group, in deciding how to allocate resources and assess performance. The Company's CODM is the Chief Executive Officer. The Company operates as one operating segment and uses net income or loss as a measure of profit or loss on a consolidated basis in making decisions regarding resource allocation and performance assessment. Additionally, the Company's CODM regularly reviews the Company's expenses on a consolidated basis. The financial metrics used by the CODM help make key operating decisions, such as determination of capital expenditure purchases and significant acquisitions and allocation of budget between cost of revenues and general and administrative expenses. The measure of segment assets is reported on the consolidated balance sheet as total consolidated assets. The significant expense categories regularly provided to the CODM include cost of revenue, general and administrative expenses, depreciation and amortization, impairment of property and equipment, and change in fair value of Bitcoin. These expense categories are reported as separate line items in the consolidated statements of operations.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. If not discussed, the Company believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In November 2024, the FASB issued accounting standards update (“ASU”) No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The guidance is to improve the disclosure of expenses in commonly presented expense captions. The new guidance requires a public entity to provide tabular disclosure, on an annual and interim basis, of amounts for the following expense categories: (1) purchases of inventory, (2) employee compensation, (3) depreciation and (4) intangible asset amortization, as included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement that contains any of the expense categories noted. The guidance is effective for 2027 annual reporting, and in the first quarter of 2028 for interim reporting, with early adoption permitted, to be applied on a prospective basis, with retrospective application permitted. The Company will adopt the guidance when it becomes effective, in its 2027 annual reporting and each quarter thereafter, on a prospective basis. The Company is evaluating the impact the updated guidance will have on its disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The guidance is effective for fiscal year 2025 annual reporting, with early adoption permitted, to be applied on a prospective basis, with retrospective application permitted. The Company will apply the guidance in its 2025 annual reporting, on a prospective basis. The Company is evaluating the impact the updated guidance will have on its disclosures.

3. Fair Value Measurements

The authoritative guidance for fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The Company’s financial instruments include cash equivalents, investment in equity securities, accounts payable, accrued liabilities, and warrant liabilities. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The carrying amount of cash equivalents, accounts payable and accrued liabilities are generally considered to be representative of their respective fair values because of the short-term nature of those instruments.

The following tables provide a summary of the assets and liabilities that are measured at fair value on a recurring basis (in thousands):

March 31, 2025					
	Fair Value	Level 1	Level 2	Level 3	
Assets:					
Investment in equity securities	\$ 3,880	\$ 3,880	\$ —	\$ —	
Bitcoin	1,873	1,873	—	—	
Total	\$ 5,753	\$ 5,753	\$ —	\$ —	
Liabilities:					
Warrant liabilities	\$ 3	\$ —	\$ —	\$ 3	

December 31, 2024					
	Fair Value	Level 1	Level 2	Level 3	
Assets:					
Investment in equity securities	\$ 7,530	\$ 7,530	\$ —	\$ —	
Bitcoin	1,394	1,394	—	—	
Total	\$ 8,924	\$ 8,924	\$ —	\$ —	
Liabilities:					
Warrant liabilities	\$ 31	\$ —	\$ —	\$ 31	

The Company's investment is in publicly held equity securities which have readily determinable fair values. During the three months ended March 31, 2025 and 2024, the Company recognized an unrealized loss of \$3.7 million and gain of \$2.7 million, respectively, within other income (expense) in its consolidated statements of operations related to the fair value change of the investment in equity securities.

The fair value of the warrant liabilities was measured using a Black Scholes valuation model with the following assumptions:

	March 31, 2025	December 31, 2024
Common share price	\$ 0.40	\$ 0.94
Expected volatility	95.0 %	125.0 %
Risk-free interest rate	4.0 %	4.2 %

The following table presents the activities of warrant liabilities that are measured at fair value (in thousands):

Warrant liability as of January 1, 2025	\$ 31
Change in fair value	(28)
Warrant liability as of March 31, 2025	<u>\$ 3</u>

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

The Company's non-financial assets such as property and equipment and intangible assets are recorded at fair value when an impairment is recognized or at the time acquired in an asset acquisition or business combination measured using significant unobservable inputs (Level 3).

4. Bitcoin

The following table presents the activities of Bitcoin (in thousands):

Balance at January 1, 2025	\$	1,394
Revenue recognized from Bitcoin mined		2,817
Proceeds from sale of Bitcoin		(2,110)
Change in fair value of Bitcoin		(228)
Balance at March 31, 2025	\$	1,873

The following table presents Bitcoin holdings (in thousands except for number of Bitcoin):

	March 31, 2025	December 31, 2024
Number of Bitcoin held	22.7	14.9
Carrying basis of Bitcoin	\$ 2,047	\$ 1,450

For the three months ended March 31, 2025 and 2024, the Company had a realized loss of \$0.1 million and a realized gain of \$0.7 million, respectively, on the sale of Bitcoin.

All additions of Bitcoin were generated by the Company's Bitcoin mining operations. All dispositions of Bitcoin were the result of sales on the open market and used to fund the Company's operations. The Company's Bitcoin holdings are not subject to sale restrictions and do not serve as collateral for any agreements. As of March 31, 2025 and December 31, 2024, the Company held no other cryptocurrency.

5. Note Receivable

Rainmaker Promissory Note

In September 2020, the Company entered into a Senior Secured Convertible Promissory Note with Rainmaker Worldwide Inc. (the "Rainmaker Note"), pursuant to which the Company loaned Rainmaker Worldwide Inc. ("Rainmaker") the principal amount of \$3.1 million. The Rainmaker Note is secured as a registered lien under the Uniform Commercial Code and the Personal Property Security Act (Ontario) against the assets of Rainmaker and bears interest at the rate of 10.0% per annum. In January 2025, the Company and Rainmaker entered into Amendment No. 4 to the Rainmaker Note and the principal amount was revised to \$4.6 million and the due date was extended to January 14, 2026, at which time all principal and accrued interest is due and payable. The Company has the right, at any time, to convert all or any portion of the then outstanding and unpaid Rainmaker Note and interest into shares of Rainmaker common stock at the conversion price as defined in the Rainmaker Note. All amounts related to the Rainmaker Note have been fully reserved in prior periods.

6. Certain Balance Sheet Items

The following table summarizes other current assets (in thousands):

	March 31, 2025	December 31, 2024
Bitcoin mining hosting deposit	\$ 490	\$ 2,490
Prepaid insurance	365	547
Prepaid services	305	270
Prepaid mining hosting services	—	100
Other	17	31
Other current assets	<u>\$ 1,177</u>	<u>\$ 3,438</u>

In January 2025, the Company terminated the Rebel Hosting Agreement and agreed to a settlement amount of \$2.4 million, which is included in Bitcoin mining hosting deposit at December 31, 2024.

The following table summarizes property and equipment, net (in thousands):

	March 31, 2025	December 31, 2024
Mining equipment	\$ 26,784	\$ 27,214
Infrastructure	1,516	—
Construction in progress	323	1,750
Total	28,623	28,964
Accumulated depreciation	(7,633)	(6,997)
Property and equipment, net	<u>\$ 20,990</u>	<u>\$ 21,967</u>

Depreciation expense for property and equipment was \$1.2 million and \$1.4 million for the three months ended March 31, 2025 and 2024, respectively.

For the three months ended March 31, 2025 and 2024, the Company sold 950 and no miners, respectively, that were included in mining equipment, for proceeds of \$0.3 million and nil, respectively. The Company had a loss on the sale of miners of 0.8 million and nil during the three months ended March 31, 2025 and 2024, respectively.

In March 2025, the infrastructure for an 8 MW site in Iowa was completed, and the Company entered into a management services agreement with Simple Mining LLC (“Simple Mining”) to manage the mining site. The remaining amount in construction in progress relates to equipment open to be determined deployment.

For the three months ended March 31, 2025 and 2024, the Company did not incur any impairment charges for its property and equipment.

The following table summarizes other non-current assets (in thousands):

	March 31, 2025	December 31, 2024
Prepaid mining hosting deposit	\$ 773	\$ 308
Prepaid services	67	68
Other	4	3
Other non-current assets	<u>\$ 844</u>	<u>\$ 379</u>

7. Intangible Assets

The following table summarizes intangible assets, net (in thousands):

	March 31, 2025	December 31, 2024
Supplier agreements	\$ 37,525	\$ 37,525
Accumulated amortization	(34,801)	(34,430)
Intangible assets, net	<u>\$ 2,724</u>	<u>\$ 3,095</u>

Amortization expense for intangible assets was \$0.4 million for both the three months ended March 31, 2025 and 2024.

Estimated amortization expense for intangible assets is approximately \$1.1 million for the remainder of 2025 and \$1.5 million and \$0.1 million in fiscal year 2026 and 2027, respectively.

8. Preferred Shares

Series H Preferred Shares

On October 1, 2021, the Company filed articles of amendment to create a series of preferred shares, being, an unlimited number of Series H Preferred Shares and to provide for the rights, privileges, restrictions and conditions attaching thereto. The Series H Preferred Shares are convertible provided (and only if and to the extent) that prior shareholder approval of the issuance of all Sphere 3D common shares issuable upon conversion of the Series H Preferred Shares has been obtained in accordance with the rules of the Nasdaq Stock Market, at any time from time to time, at the option of the holder thereof, into 142.857 Sphere 3D common shares for every Series H Preferred Share. Each holder of the Series H Preferred Shares, may, subject to prior shareholder approval, convert all or any part of the Series H Preferred Shares provided that after such conversion the common shares issuable, together with all the common shares held by the shareholder in the aggregate would not exceed 9.99% of the total number of outstanding common shares of the Company. Each Series H Preferred Share has a stated value of \$1,000. The Series H Preferred Shares are non-voting and do not accrue dividends. These features include, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, deemed liquidation or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the Series H Preferred Shares shall entitle each of the holders thereof to receive an amount equal to the Series H subscription price per Series H Preferred Share, as defined in the agreement, to be paid before any amount is paid or any assets of the Company are distributed to the holders of its common shares.

In accordance with the authoritative guidance for distinguishing liabilities from equity, the Company has determined that its Series H preferred shares carry certain redemption features beyond the control of the Company. Accordingly, the Series H Preferred Shares are presented as temporary equity. For the three months ended March 31, 2025 and 2024, the Company issued nil and 2,422,710 common shares for the conversion of nil and 16,959 Series H Preferred Shares, respectively.

9. Share Capital

At-the-Market Offering Program

On January 3, 2025, the Company entered into a sales agreement (the “AGP Agreement”) with A.G.P./Alliance Global Partners (the “Sales Agent”). In accordance with the terms of the AGP Agreement, the Company may offer and sell from time to time through or to the Sales Agent, as agent or principal, the Company's common shares having an aggregate offering price of up to \$8.0 million (the “Placement Shares”). The AGP Agreement can be terminated by either party by giving two days written notice.

Neither the Company nor the Sales Agent are obligated to sell any Placement Shares pursuant to the AGP Agreement. Subject to the terms and conditions of the AGP Agreement, the Sales Agent will use commercially reasonable efforts, consistent with its normal trading and sales practices and applicable state and federal law, rules and regulations and the rules of Nasdaq, to sell the Placement Shares from time to time based upon the Company's instructions, including any price, time or size limits or other customary parameters or conditions the Company may impose. Sales of the Placement Shares, if any, will be made on Nasdaq at market prices by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 of the Securities Act of 1933, as amended. For the three months ended March 31, 2025, the Company issued 210,448 common shares for approximately \$0.1 million net proceeds, under the AGP Agreement.

Pre-Funded Warrants

On November 19, 2024, Company issued pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,875,353 of the Company's common shares. The Pre-Funded Warrants had a purchase price of \$1.4199 per share, have an exercise price of \$0.0001 per share, are exercisable immediately, subject to the beneficial ownership limitations, and will expire when exercised in full. The Pre-Funded Warrants may also be exercised, in whole or in part, by means of cashless exercise pursuant to the terms in the warrant agreement. A holder will not have the right to exercise any portion of the Pre-Funded Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of the Company's common shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Pre-Funded Warrants. However, upon notice from the holder to the Company as described in the 2024 Purchase Agreement, the holder may increase the beneficial ownership limitation, which may not exceed 9.99% of the number of the Company's common shares outstanding immediately after giving effect to the exercise of Pre-Funded Warrants. For the three months ended March 31, 2025, the Pre-Funded Warrants to purchase 507,000 common shares were exercised. For the three months ended March 31, 2025, there was no other warrant activity.

Unlimited authorized shares of common shares at no par value are available to the Company. At March 31, 2025, the Company had the following outstanding warrants to purchase common shares:

Date issued	Contractual life (years)	Exercise price	Number outstanding	Expiration
September 2021	5	\$66.50	1,471,441	September 8, 2026
February 2022	5	\$28.00	14,286	February 7, 2027
February 2022	5	\$35.00	14,286	February 7, 2027
February 2022	5	\$42.00	14,286	February 7, 2027
April 2023	3	\$1.342	73,556	April 17, 2026
August 2023	3	\$2.75	800,000	August 11, 2026
August 2023	3	\$2.75	2,162,922	August 23, 2026
November 2024	5.5	\$1.50	142,858	May 21, 2030
November 2024	5.5	\$1.50	4,225,353	May 21, 2030
November 2024	—	\$0.0001	1,087,000	(1)
			<u>10,005,988</u>	

(1) These Pre-Funded Warrants have no contractual life and expire when exercised in full.

10. Equity Incentive Plan

Stock Options

The fair value of option awards are estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility was based on historical volatility of the Company's common shares. The expected term of options granted was based on the simplified formula. The risk-free interest rate was based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The dividend yield assumption was based on the expectation of no future dividend payments. Option awards can be granted for a maximum term of up to 10 years. The assumptions used in the Black-Scholes model were as follows:

	Three Months Ended March 31,	
	2025	2024
Expected volatility	—	124.3%
Expected term (in years)	—	3.5
Risk-free interest rate	—	4.1%
Dividend yield	—	—

The following table summarizes option activity:

	Shares Subject to Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding — January 1, 2025	443,170	\$ 5.11		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited	(26,785)	\$ 12.60		
Options outstanding — March 31, 2025	416,385	\$ 4.63	3.7	\$ —
Vested and expected to vest — March 31, 2025	416,385	\$ 4.63	3.7	\$ —
Exercisable — March 31, 2025	283,085	\$ 6.16	3.1	\$ —

The weighted average grant date fair values of options granted for the three months ended March 31, 2025 and 2024 was nil and \$2.05 per share, respectively.

Restricted Stock Units

The following table summarizes RSU activity:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding — January 1, 2025	760,834	\$ 1.98
Granted	1,784,783	\$ 0.85
Vested and released	(11,719)	\$ 1.36
Forfeited	(1,226,417)	\$ 1.28
Outstanding — March 31, 2025	1,307,481	\$ 1.10
Vested and unreleased — March 31, 2025	409,817	\$ 1.37

The estimated fair value of RSUs was based on the closing market value of the Company's common shares on the date of grant. RSUs typically vest over a period of 12 months to three years from the original date of grant. The total grant date fair value of RSUs vested for the three months ended March 31, 2025 and 2024 was approximately \$0.4 million and \$0.7 million, respectively. The fair value of RSUs vested for the three months ended March 31, 2025 and 2024 was approximately \$0.2 million and \$0.7 million, respectively.

Share-Based Compensation Expense

The Company recorded the following compensation expense related to its share-based compensation awards (in thousands):

	Three Months Ended March 31,	
	2025	2024
General and administrative	\$ 71	\$ 1,086
Total share-based compensation expense	\$ 71	\$ 1,086

Total unrecognized estimated compensation cost by type of award and the weighted-average remaining requisite service period over which such expense is expected to be recognized (in thousands, unless otherwise noted):

	March 31, 2025	
	Unrecognized Expense	Remaining Weighted-Average Recognition Period (years)
RSUs	\$ 639	1.6
Stock options	\$ 18	0.1

11. Net Loss per Share

Basic net loss per share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net loss per share reflects the potential dilution of securities that could share in the earnings of an entity. The calculation of diluted net loss per share gives effect to common share equivalents; however, potential common shares are excluded if their effect is anti-dilutive. Common share purchase warrants, preferred shares, and options and RSUs outstanding are considered common share equivalents and are only included in the calculation of diluted earnings per common share when net income is reported and their effect is dilutive. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

The remaining outstanding 1,087,000 Pre-Funded Warrants issued in November 2024 are included in the computation of basic and diluted shares outstanding as the stated exercise price is not substantive.

Anti-dilutive common share equivalents excluded from the computation of diluted net loss per share were as follows:

	Three Months Ended March 31,	
	2025	2024
Common share purchase warrants	8,918,988	5,842,354
Options and RSUs outstanding	1,403,893	1,950,262
Preferred shares	23,000	3,793,710

12. Commitments and Contingencies

Hosting Agreements

In April 2024, the Company entered into a Master Hosting Agreement with Simple Mining LLC (“Simple Mining”) for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company’s mining equipment. On September 25, 2024, the Company entered into Amendment No. 2 to the Master Hosting Agreement (“Simple Mining Hosting”) for certain of the Company’s mining machines to be hosted at Simple Mining’s facility in Iowa. The Simple Mining Hosting agreement has a term of two years and can be terminated by the Company with 30 days advance notice. On September 25, 2024, the Company entered into Amendment No. 3 to the Master Hosting Agreement (“Simple Mining XP Hosting”) for certain of the Company’s mining machines to be racked at Simple Mining’s facility in Iowa. The Simple Mining XP Hosting agreement can be terminated by the Company with 30 days advance notice. The Company paid Simple Mining a deposit of \$0.6 million representing 30 days of estimated service fees. For the three months ended March 31, 2025 and 2024, the Company incurred aggregate costs under the Simple Mining Hosting and Simple Mining XP Hosting agreements of \$1.5 million and nil, respectively.

In October 2023, the Company entered into a Hosting Agreement with Joshi Petroleum, LLC (the “Joshi Hosting Agreement”) for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company’s mining equipment. The Joshi Hosting Agreement has an initial term of three years with subsequent one year renewal periods until either party provides written notice to the other party of its desire to avoid and given renewal term at least 30 days in advance of the conclusion of the prior initial term or renewal period. As required by the Joshi Hosting Agreement, the Company paid a deposit of \$0.3 million representing the last two months of estimated service fees. For both the three months ended March 31, 2025 and 2024, the Company incurred costs under the Joshi Hosting Agreement of \$0.4 million.

In April 2023, the Company entered into a Master Hosting Services Agreement with Rebel Mining Company, LLC (the “Rebel Hosting Agreement”) for rack space, network services, electrical connections, routine facility maintenance, and technical support of certain of the Company’s mining equipment. The Rebel Hosting Agreement had a term of three years with subsequent one year renewal periods. On January 16, 2025, the Company terminated the Rebel Hosting Agreement and agreed to a settlement amount of \$2.4 million payable to the Company in satisfaction of all obligations of the Rebel Hosting Agreement and it constitutes a final settlement of all amounts owed by either party of the Rebel Hosting Agreement. For the three months ended March 31, 2025 and 2024, the Company incurred costs under the Rebel Hosting agreements of \$0.1 million and \$1.5 million, respectively.

Management Agreement

In March 2025, the Company entered into a management services agreement with Simple Mining LLC (“Simple Mining”) to manage its 8 MW site in Iowa for a term of 12 months, renewable for subsequent one-year terms. Management services fees paid to Simple Mining for the three months ended March 31, 2025 was \$12,000.

Letters of credit

During the ordinary course of business, the Company provides standby letters of credit to third parties as required for certain transactions initiated by the Company. As of March 31, 2025, the Company had no outstanding standby letters of credit.

Litigation

The Company is, from time to time, subject to claims and suits arising in the ordinary course of business. The Company cannot predict the final outcome of such proceedings. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Paid expenses related to the defense of such claims are recorded by the Company as incurred and paid. On the basis of current information, the Company does not believe there is a reasonable possibility that a material loss, if any, will result from any claims, lawsuits and proceedings to which the Company is subject to either individually, or in the aggregate.

On April 7, 2023, the Company filed a suit against Gryphon in the U.S. District Court for the Southern District of New York. The Company alleges, among other things, that Gryphon materially breached its obligations to the Company, both its contractual duties under the Gryphon Master Services Agreement (the “Gryphon MSA”) dated August 19, 2021, and its fiduciary duties, including as a custodian of the Company’s assets. On August 22, 2023, Gryphon asserted counterclaims alleging breach of contract, breach of the implied covenant of good faith and fair dealing, negligence in managing its computer systems, and defamation. On November 7, 2023, Gryphon voluntarily dismissed its defamation claim. Gryphon has amended its complaint several times, and on December 14, 2023, added a second breach of contract claim predicated on another alleged breach of the Gryphon MSA. On February 2, 2024, the Company filed a partial motion to dismiss the second breach of contract claim, the negligence claim, and the breach of the implied covenant claim for failure to state a claim. On February 16, 2024, the court so-ordered a stipulation agreed to by the parties dismissing the second breach of contract claim, the negligence claim, and the breach of the implied covenant claim with prejudice. The so-ordered stipulation expressly preserved the Company’s ability to seek the recovery of its costs and attorney’s fees incurred in connection with the dismissed claims. The Company disputes the allegations against it.

On March 7, 2025, the Company entered into a settlement agreement with Gryphon pursuant to which all claims were resolved on mutually acceptable terms. The Company was required to make no payments under the settlement agreement. The parties filed a stipulation of dismissal with prejudice, resulting in the dismissal of the case.

13. Subsequent Events

On April 22, 2025, the Company granted a certain executive 1,000,000 RSUs, with a fair value of \$0.5 million, and a vesting period of approximately two years.

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

The following quarterly management's discussion and analysis ("MD&A") should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes of Sphere 3D Corp. (the "Company") for the three months ended March 31, 2025. The condensed consolidated financial statements have been presented in United States ("U.S.") dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Unless the context otherwise requires, any reference to the "Company," "Sphere 3D," "we," "our," "us" or similar terms refers to Sphere 3D Corp. and its subsidiaries. Unless otherwise indicated, all references to "\$" and "dollars" in this discussion and analysis mean U.S. dollars.

This report includes forward-looking statements that are subject to risks and uncertainties. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of Sphere 3D. This forward-looking information relates to, among other things, future business plans and business planning process, uses of cash, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. The words "could", "expects", "may", "will", "anticipates", "assumes", "intends", "plans", "believes", "estimates", "guidance", and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements include such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Many factors could cause actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, but not limited to: the inability to maintain compliance with the requirements of the NASDAQ Capital Market and/or inability to maintain listing with the NASDAQ Capital Market; the impact of competition; the investment in technological innovation; the retention or maintenance of key personnel; the possibility of significant fluctuations in operating results; the ability of Sphere 3D to maintain business relationships; financial, political or economic conditions; financing risks; future acquisitions; volatility in the market price for the common shares of the Company; compliance by Sphere 3D with financial reporting and other requirements as a public company; conflicts of interests; future sales of common shares by Sphere 3D's directors, officers and other shareholders; dilution and future sales of common shares. For more information on these risks, you should refer to the Company's filings with the securities regulatory authorities, including the Company's most recently filed Annual Report on Form 10-K, which is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov. In evaluating such statements, we urge you to specifically consider various factors identified in this report, any of which could cause actual results to differ materially from those indicated by such forward-looking statements. Forward-looking statements speak only as of the date of this report and we undertake no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this report. Actual events or results may differ materially from such statements.

On March 6, 2025, we received a notice from the Nasdaq Listing Qualifications Department of the Nasdaq Stock Market LLC stating that the bid price of our common shares for the last 30 consecutive trading days had closed below the minimum \$1.00 per share required for continued listing under Listing Rule 5550(a)(2). We have a period of 180 calendar days, or until September 2, 2025, to regain compliance with the Listing Rule.

Overview

In January 2022, we commenced operations of our Bitcoin mining business and are dedicated to becoming a leader in the blockchain and cryptocurrency industry. We have established and continue to grow an enterprise-scale mining operation through the procurement of mining equipment and partnering with experienced service providers.

We obtain Bitcoin as a result of our mining operations, and when necessary we sell Bitcoin to support our operations and strategic growth. We mine Bitcoin in Missouri, Texas and Iowa, which these states do not have any material state-specific regulatory restrictions on the mining of Bitcoin. However, it is possible that these states or other states in which we may seek to operate may create laws that would impede Bitcoin mining. We do not currently plan to engage in regular trading of Bitcoin other than sales to convert our Bitcoin into U.S. dollars. Decisions to hold or sell our Bitcoin is currently determined by management by analyzing forecasts and monitoring the market in real time. We have a hybrid treasury strategy to hold Bitcoin when possible, and sell to fund working capital requirements.

A key component of the Bitcoin mining business segment is to acquire highly specialized computer servers (known in the industry as “miners”), which operate application-specific integrated circuit (“ASIC”) chips designed specifically to mine Bitcoin, and deploy such miners at-scale utilizing our hosting agreements. ASIC miners are the most effective and energy-efficient machines available today, and we believe deploying them at-scale, will enable us to continue growing our hashrate and optimize the output and longevity of our miners as they are deployed.

Our Bitcoin mining operation is focused on maximizing our ability to successfully mine Bitcoin by growing our hashrate (the amount of computer power we devote to supporting the Bitcoin blockchain), to increase our chances of successfully creating new blocks on the Bitcoin blockchain (a process known as “proof of work”). Generally, the greater share of the Bitcoin blockchain’s total network hashrate (the aggregate hashrate deployed to solving a block on the Bitcoin blockchain) a miner’s hashrate represents, the greater that miner’s chances of solving a block and, therefore, earning the block reward. As the proliferation of Bitcoin continues and the market price for Bitcoin increases, we expect additional miner operators to enter the market in response to an increased demand for Bitcoin which we anticipate to follow increased Bitcoin prices. As these new miner operators enter the market and as increasingly powerful miners are deployed in an attempt to solve a block, the Bitcoin blockchain’s network hashrate grows, meaning an existing miner must increase its hashrate at pace commensurate with the growth of network hashrate to maintain its relative chance of solving a block and earning a block reward. As we expect this trend to continue, we will need to continue growing our hashrate to compete in our dynamic and highly competitive industry.

As of March 31, 2025, we owned approximately 13,000 miners, of which approximately 6,400 were in service, and a total hashrate capacity of 0.82 exahash per second (“EH/s”). We are strategizing for our future growth by refreshing a significant portion of our fleet with newer-generation machines to bolster efficiency, and as of March 2025, we have a self-owned 8 megawatt (“MW”) facility in Iowa. Vertically integrating with self-owned facilities, like the Iowa site, allows us to reduce our reliance on third-parties and decrease our overall cost to mine a Bitcoin. As a result of our strategic changes, during the latter part of 2024 and ongoing, mining production has decreased as we focused on our long-term strategic goals of transitioning to lower-cost hosting sites, vertically integrating to own our own sites, and refreshing our fleet with newer-generation machines.

In the first quarter of 2025, we mined 30.5 Bitcoin, which represented a slight decrease of 5.0% over the 32.1 Bitcoin we mined in the last quarter of 2024. The decrease was primarily due to our transition to lower-cost hosting sites and refreshing our fleet with newer-generation machines. Based on our existing operations and expected deployment of miners we have purchased, we anticipate having approximately 1.5 EH/s of total hashrate in operation during 2025. We plan to continue to acquire new generation miners as we expand our exahash. We do not have scheduled downtime for our miners. We periodically perform both scheduled and unscheduled maintenance on our miners. Depending on the type of repair, the miner may run at a reduced speed or be taken offline. We use multiple software programs to monitor the performance of our machines. The miners owned as of March 31, 2025 have an average efficiency (joules per terahash – “J/th”) of 26.9 J/th. The miner efficiency is an indication of how efficiently we can earn Bitcoin and minimize cost to run the miner. Currently, we intend only to mine Bitcoin and we hold no other cryptocurrency other than Bitcoin. We do not have any power purchase agreements for the supply of power.

As of March 31, 2025, we held approximately 22.7 Bitcoin. The fair value of our Bitcoin as of March 31, 2025 was approximately \$1.9 million on our consolidated balance sheet.

Mining Pools

A mining pool is a service operated by a mining pool operator that pools the resources of individual miners to share their processing power over a network. Mining pools emerged in response to the growing difficulty and network hash rate competing for Bitcoin rewards on the Bitcoin blockchain as a way of lowering costs and reducing the risk of an individual miner's mining activities. The mining pool operator coordinates the computing power of the independent mining enterprises participating in the mining pool. Mining pools are subject to various risks such as disruption and down time. In the event that a pool we utilize experiences down time or is not yielding returns, our results may be impacted.

We are engaged with a Bitcoin mining pool operator as our customer, to provide a service to perform hash calculations for the mining pool operator, which is our only performance obligation. Providing hash calculation services is an output of our ordinary activities. We have a service agreement with Foundry Digital LLC, a mining pool operator, to provide a service to perform hash calculations. In exchange for providing the service, we are entitled to Full Pay Per Share ("FPPS"), which is a fractional share of the fixed Bitcoin award the mining pool operator receives, plus a fractional share of the transaction fees attached to that blockchain less net Bitcoin fees due to the mining pool operator over the measurement period, as applicable. The pay-outs received are based on the expected value from the block reward plus the transaction fee reward, regardless of whether the mining pool operator successfully records a block to the blockchain. In the prior year, we also had a service agreement with an additional mining pool operator, Luxor Technology Corporation.

Our fractional share is based on a contractual formula, which primarily calculates the hashrate provided to the mining pool as a percentage of total network hashrate and other inputs. The contracts, which are less than 24 hours and continuously renew throughout the day, are terminable at any time by either party without compensation and our enforceable right to compensation only begins when we start providing the service to the mining pool operator, which begins daily at midnight Universal Time Coordinated ("UTC"). The terms, conditions, and compensation are at the current market rates, and accordingly the renewal option is not a material right. The contract arises at the point that we provide hash calculation services to the mining pool operator, which is the beginning of the contract day at midnight UTC time (contract inception), as customer consumption is in tandem with daily earnings of delivery of the service. According to the customer contract, daily earnings are calculated from midnight-to-23:59:59 UTC time, and the payout is made one hour later at 1:00 AM UTC time.

Recent Key Events

- On April 22, 2025, the Company granted a certain executive 1,000,000 RSUs, with a fair value of \$0.5 million, and a vesting period of approximately two years.

Results of Operations

The First Quarter of 2025 Compared with the First Quarter of 2024

Revenue

For the first quarter of 2025 and 2024, we had revenues of \$2.8 million and \$6.9 million, respectively. The \$4.1 million decrease in revenue is primarily due to one of our previous hosting providers taking approximately 3,300, or 22%, of our mining machines offline in the third quarter of 2024. In addition, beginning the third quarter of 2024, we are in the process of removing our older mining equipment and replacing them with newer generation machines. This is expected to be an ongoing process through the third quarter of 2025 which may result in further fluctuations in exahash. During the first quarter of 2025, all of our revenue was derived from Bitcoin mining.

Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization expense)

For the first quarter of 2025 and 2024, direct cost of revenues were \$2.2 million and \$4.3 million, respectively. The \$2.1 million decrease in cost of revenue was primarily due to lower hosting fees related to machines taken offline to be relocated and the transition of removing older mining machines and replacing them with newer generation machines.

General and Administrative Expense

General and administrative expenses were \$3.2 million and \$3.5 million for the first quarter of 2025 and 2024. The decrease of \$0.3 million was due to a decrease of \$1.0 million in share-based compensation primarily related to forfeited awards, a decrease of \$0.3 million in employee and related expenses primarily related to a decrease in headcount, and a \$0.2 million decrease in insurance and property tax expenses. These decreases were offset by an increase in legal fees of \$0.8 million related to the Gryphon Digital Mining, Inc. litigation and an increase of \$0.4 million in costs related to strategic business growth.

Depreciation and Amortization Expense

Depreciation and amortization expense was \$1.6 million and \$1.8 million for the first quarter of 2025 and 2024, respectively. The decrease of \$0.2 million was primarily due to lessor depreciation related to our Bitcoin mining machines due to current year sales of machines and the impairment in the second quarter of 2024, resulting in a lower cost basis to be depreciated over the remaining useful life.

Loss on Disposal of Property and Equipment

Loss on disposal of property and equipment was \$0.8 million and nil for the first quarter of 2025 and 2024, respectively, and related to the sale of mining equipment.

Change in Fair Value of Bitcoin

Change in fair value of Bitcoin was a loss of \$0.2 million and a gain of \$0.8 million for the first quarter of 2025 and 2024, respectively. The loss or gain is the change in fair value of the Bitcoin held, as well as the gains and losses from when the Bitcoin was sold.

Non-Operating Income and Expenses

Investment Loss

Investment loss was \$3.7 million and \$2.7 million for the first quarter of 2025 and 2024, respectively, and related to unrealized losses on our equity investment in Core Scientific Inc.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and available-for-sale equity securities. We expect to fund our operations going forward with existing cash resources, anticipated revenue from our Bitcoin mining operation, and cash that we may raise through future financing transactions. At March 31, 2025, we had cash and cash equivalents of \$2.8 million compared to cash and cash equivalents of \$5.4 million at December 31, 2024. As of March 31, 2025, we had working capital of \$6.2 million, reflecting a decrease of \$7.7 million since December 31, 2024 primarily related to a decrease in cash and an unrealized loss on our investment in equity securities. Cash management continues to be a priority and we are phasing out high-cost hosting contracts, leveraging our access to capital, and reducing our overall mining costs.

At-the-Market Offering Program. On January 3, 2025, we entered into a sales agreement (the “AGP Agreement”) with A.G.P./Alliance Global Partners (the “Sales Agent”). In accordance with the terms of the AGP Agreement, we may offer and sell from time to time through or to the Sales Agent, as agent or principal, the Company's common shares having an aggregate offering price of up to \$8.0 million (the “Placement Shares”). The AGP Agreement can be terminated by either party by giving two days written notice. We expect that any proceeds received from the facility will be used primarily for working capital and general corporate purposes and in furtherance of our corporate strategy which may include to accelerate efficiency, for the purchase/upgrade of the Company’s mining fleet, and vertical integration of infrastructure.

Neither us nor the Sales Agent are obligated to sell any Placement Shares pursuant to the AGP Agreement. Subject to the terms and conditions of the AGP Agreement, the Sales Agent will use commercially reasonable efforts, consistent with its normal trading and sales practices and applicable state and federal law, rules and regulations and the rules of The Nasdaq Capital Market (“Nasdaq”), to sell the Placement Shares from time to time based upon our instructions, including any price, time or size limits or other customary parameters or conditions we may impose. Sales of the Placement Shares, if any, will be made on Nasdaq at market prices by any method permitted by law deemed to be an “at the market offering” as defined in Rule 415 of the Securities Act of 1933, as amended. For the three months ended March 31, 2025, the Company issued 210,448 common shares for approximately \$0.1 million net proceeds, under the AGP Agreement.

Management has projected that based on our recurring losses, negative cash flows from operating activities, and our hashing rate at March 31, 2025, cash on hand may not be sufficient to allow us to continue operations and there is substantial doubt about our ability to continue as a going concern within 12 months from the date of issuance of our financial statements if we are unable to raise additional funding for operations. We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Included in our working capital is an investment in equity securities that we can liquidate as needed to assist in funding our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. We require additional capital and if we are unsuccessful in raising that capital at a reasonable cost and at the required times, or at all, we may not be able to continue our business operations in the cryptocurrency mining industry or we may be unable to advance our growth initiatives, either of which could adversely impact our business, financial condition and results of operations. In an effort to mitigate these risks we expect to take steps to lower our cost of mining and also refresh our mining fleet to increase our mining efficiency.

Significant changes from our current forecasts, including but not limited to: (i) shortfalls from projected mining earning levels; (ii) increases in operating costs; (iii) decreases in the value of cryptocurrency; and (iv) if we do not maintain compliance with the requirements of Nasdaq and/or we do not maintain our listing with Nasdaq could have a material adverse impact on our ability to access the level of funding necessary to continue its operations at current levels. These factors, among others, should they occur may result in our inability to continue as a going concern within 12 months from the date of issuance of our financial statements. 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 and do not include any adjustments that might result from the outcome of this uncertainty.

The following table shows a summary of our cash flows (used in) provided by operating activities, investing activities, and financing activities (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net cash used in operating activities	\$ (4,078)	\$ (58)
Net cash provided by investing activities	\$ 1,332	\$ 1,522
Net cash provided by financing activities	\$ 108	\$ —

Net cash used in operating activities. The use of cash during the first three months of 2025 was primarily a result of our net loss of \$8.8 million, offset by \$6.3 million in non-cash items, which primarily included an unrealized loss on investment in equity securities, depreciation and amortization, share-based compensation expense, loss on disposal of property and equipment, change in fair value of Bitcoin, and change in fair value of warrant liabilities.

Net cash provided by investing activities. During the first three months of 2025, we received \$2.1 million from proceeds from the sale of Bitcoin, and \$0.2 million for the sale of 950 miners originally included in mining equipment, offset by \$1.0 million of payments for the purchase of property and equipment consisting of newer generation mining machines. During the first three months of 2024, we received \$1.5 million from proceeds from the sale of Bitcoin.

Net cash provided by financing activities. For the first three months of 2025, we received \$0.1 million of net proceeds from the issuance of common shares through our AGP Agreement.

Off-Balance Sheet Information

During the ordinary course of business, we may provide standby letters of credit to third parties as required for certain transactions initiated by us. As of March 31, 2025, we have no standby letters of credit outstanding.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We review our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are outlined in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Recent Accounting Pronouncements

Refer to *Note 2 - Summary of Significant Accounting Policies* to our condensed consolidated financial statements for a discussion of recent accounting pronouncements and their effect, if any, on us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures**Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) or 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective to give reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized, and reported on a timely basis as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION**Item 1. Legal Proceedings.**

For a discussion of our legal proceedings, see Note 12. *Commitments and Contingencies* to our Consolidated Financial Statements.

Item 1A. Risk Factors.

An investment in our Company involves a high degree of risk. In addition to the risk factors and other information included or incorporated by reference to this report, you should carefully consider each of the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the risks occur, our business and financial results could be harmed and the trading price of our common shares could decline.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Filed Herewith	Incorporated by Reference		
			Form	File No.	Date Filed
3.1	Certificate and Articles of Amalgamation of the Company		6-K	001-36532	3/25/2015
3.2	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	7/17/2017
3.3	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	10/2/2018
3.4	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/5/2018
3.5	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/14/2018
3.6	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	7/12/2019
3.7	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	11/8/2019
3.8	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	5/8/2020
3.9	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	9/29/2020
3.10	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	1/7/2021
3.11	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	7/15/2021
3.12	Certificate of Amendment to the Articles of Amalgamation of the Company		6-K	001-36532	10/4/2021
3.13	Certificate of Amendment to the Articles of Amalgamation of the Company		8-K	001-36532	6/28/2023
3.14	By-law No. 1, as Amended		6-K	001-36532	7/17/2017
3.15	By-law No. 1 Amending Agreement		6-K	001-36532	2/1/2022
3.16	By-law No. 1 Amending Agreement		8-K	001-36532	1/13/2023
3.17	By-law No. 2		6-K	001-36532	5/12/2017
10.1	Sales Agreement, dated as of January 3, 2025, by and between Sphere 3D Corp. and A.G.P./Alliance Global Partners		8-K	001-36532	1/3/2025
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			

Exhibit Number	Description	Filed Herewith	Incorporated by Reference		
			Form	File No.	Date Filed
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	X			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X			
101.SCH	Inline XBRL Taxonomy Extension Schema	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	Inline XBRL Taxonomy Presentation Linkbase	X			
104	Cover Page Interactive Data File (formatted as inline XBRL as contained in Exhibit 101)	X			

SIGNATURE

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

Sphere 3D Corp.

Date: May 14, 2025

By: /s/ Kurt L. Kalbfleisch
Kurt L. Kalbfleisch
Interim Chief Executive Officer and CFO
(Principal Executive Officer, Principal Financial
and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt L. Kalbfleisch, Acting Chief Executive Officer of Sphere 3D Corp. certify that:

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

Date: May 14, 2025

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Interim Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt L. Kalbfleisch, Chief Financial Officer of Sphere 3D Corp. certify that:

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

Date: May 14, 2025

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Senior Vice-President and
Chief Financial Officer

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

In connection with the Quarterly Report of Sphere 3D Corp. (the “Registrant”) on Form 10-Q for the quarterly period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kurt L. Kalbfleisch, Interim Chief Executive Officer of the Registrant, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 14, 2025

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Interim Chief Executive Officer

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

In connection with the Quarterly Report of Sphere 3D Corp. (the “Registrant”) on Form 10-Q for the quarterly period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kurt L. Kalbfleisch, Senior Vice-President and Chief Financial Officer of the Registrant, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 14, 2025

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch
Senior Vice-President and
Chief Financial Officer