
**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, 2024**

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 **001-41163**

TERAWULF INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

**9 Federal Street
Easton, MD**

(Address of principal executive offices)

87-1909475

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

21601

(Zip Code)

(410) 770-9500

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, \$0.001 par value per share	WULF	The 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 pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 333,182,028 shares of Common Stock outstanding as of May 10, 2024.

TERAWULF INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

	Page
Forward-Looking Statements	3
PART I — FINANCIAL INFORMATION	
ITEM 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023	4
Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023	6
Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and 2023	7
Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023	8
Notes to Consolidated Financial Statements	10
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	53
ITEM 4. Controls and Procedures	53
PART II — OTHER INFORMATION	
ITEM 1. Legal Proceedings	54
ITEM 1A. Risk Factors	54
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.	54
ITEM 3. Defaults Upon Senior Securities.	54
ITEM 4. Mine Safety Disclosures.	54
ITEM 5. Other Information.	54
ITEM 6. Exhibits	55
SIGNATURES	57

Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management, and expected market growth are forward-looking statements. These forward-looking statements are contained principally in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis.” Without limiting the generality of the preceding sentence, any time we use the words “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and, in each case, their negative or other various or comparable terminology and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. For TeraWulf, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include, without limitation:

- conditions in the cryptocurrency mining industry, including any prolonged substantial reduction in cryptocurrency prices, and specifically, the value of bitcoin, which could cause a decline in the demand for TeraWulf’s services;
- competition among the various providers of data mining services;
- the need to raise additional capital to meet our business requirements in the future, which may be costly or difficult to obtain or may not be obtained (in whole or in part) and, if obtained, could significantly dilute the ownership interests of TeraWulf’s shareholders;
- the ability to implement certain business objectives and the ability to timely and cost-effectively execute integrated projects;
- adverse geopolitical or economic conditions, including a high inflationary environment;
- security threats or unauthorized or impermissible access to our data centers, our operations or our digital wallet;
- counterparty risk with respect to our digital asset custodian and our mining pool provider;
- employment workforce factors, including the loss of key employees;
- changes in governmental safety, health, environmental and other regulations, which could require significant expenditures;
- liability related to the use of TeraWulf’s services;
- currency exchange rate fluctuations; and
- other risks, uncertainties and factors included or incorporated by reference in this Quarterly Report, including those set forth under “Risk Factors” and those included under the heading “Risk Factors” in our annual report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 19, 2024, for the fiscal year ended December 31, 2023 (the “Annual Report on Form 10-K”).

These forward-looking statements reflect our views with respect to future events as of the date of this Quarterly Report and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report. We anticipate that subsequent events and developments will cause our views to change. You should read this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

PART I: FINANCIAL INFORMATION**ITEM 1. Financial Statements****TERAWULF INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF MARCH 31, 2024 AND DECEMBER 31, 2023****(In thousands, except number of shares and par value)**

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,824	\$ 54,439
Digital currency	2,018	1,801
Prepaid expenses	3,973	4,540
Other receivables	1,668	1,001
Other current assets	873	806
Total current assets	54,356	62,587
Equity in net assets of investee	91,866	98,613
Property, plant and equipment, net	237,889	205,284
Right-of-use asset	10,691	10,943
Other assets	586	679
TOTAL ASSETS	<u>\$ 395,388</u>	<u>\$ 378,106</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,313	\$ 15,169
Accrued construction liabilities	938	1,526
Other accrued liabilities	5,494	9,179
Share based liabilities due to related party	—	2,500
Other amounts due to related parties	975	972
Current portion of operating lease liability	49	48
Insurance premium financing payable	983	1,803
Current portion of long-term debt	99,360	123,465
Total current liabilities	122,112	154,662
Operating lease liability, net of current portion	886	899
Long-term debt	47	56
TOTAL LIABILITIES	<u>123,045</u>	<u>155,617</u>
Commitments and Contingencies (See Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 100,000,000 authorized at March 31, 2024 and December 31, 2023; 9,566 issued and outstanding at March 31, 2024 and December 31, 2023; aggregate liquidation preference of \$11,709 and \$11,423 at March 31, 2024 and December 31, 2023, respectively	9,273	9,273

Common stock, \$0.001 par value, 400,000,000 authorized at March 31, 2024 and December 31, 2023; 302,921,785 and 276,733,329 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	303	277
Additional paid-in capital	532,238	472,834
Accumulated deficit	(269,471)	(259,895)
Total stockholders' equity	<u>272,343</u>	<u>222,489</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 395,388</u>	<u>\$ 378,106</u>

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In thousands, except number of shares and loss per common share; unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 42,433	\$ 11,533
Cost of revenue (exclusive of depreciation shown below)	14,408	5,002
Gross profit	28,025	6,531
Cost of operations:		
Operating expenses	785	308
Operating expenses – related party	888	597
Selling, general and administrative expenses	12,289	6,492
Selling, general and administrative expenses – related party	2,620	2,898
Depreciation	15,088	5,433
Gain on fair value of digital currency, net	(1,329)	—
Realized gain on sale of digital currency	—	(603)
Impairment of digital currency	—	627
Total cost of operations	30,341	15,752
Operating loss	(2,316)	(9,221)
Interest expense	(11,045)	(6,834)
Loss on extinguishment of debt	(2,027)	—
Other income	500	—
Loss before income tax and equity in net income (loss) of investee	(14,888)	(16,055)
Income tax benefit	—	—
Equity in net income (loss) of investee, net of tax	5,275	(10,167)
Loss from continuing operations	(9,613)	(26,222)
Loss from discontinued operations, net of tax	—	(35)
Net loss	(9,613)	(26,257)
Preferred stock dividends	(286)	(259)
Net loss attributable to common stockholders	\$ (9,899)	\$ (26,516)
Loss per common share:		
Continuing operations	\$ (0.03)	\$ (0.16)
Discontinued operations	-	—
Basic and diluted	\$ (0.03)	\$ (0.16)
Weighted average common shares outstanding:		
Basic and diluted	290,602,725	165,015,228

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In thousands, except number of shares; unaudited)**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Common Stock to be Issued	Accumulated Deficit	Total
	Number	Amount	Number	Amount				
Balances as of December 31, 2023	9,566	\$ 9,273	276,733,329	\$ 277	\$ 472,834	\$ —	\$ (259,895)	\$ 222,489
Cumulative-effect adjustment due to the adoption of Accounting Standard Update 2023-08 (See Note 2)	—	—	—	—	—	—	37	37
Common stock offering, net of issuance costs	—	—	23,268,600	23	50,627	—	—	50,650
Common stock issued for share based liabilities due to related party	—	—	1,083,189	1	2,499	—	—	2,500
Stock-based compensation expense and issuance of stock	—	—	2,190,510	2	6,929	—	—	6,931
Tax withholdings related to net share settlements of stock-based compensation awards	—	—	(353,843)	—	(651)	—	—	(651)
Net loss	—	—	—	—	—	—	(9,613)	(9,613)
Balances as of March 31, 2024	9,566	\$ 9,273	302,921,785	\$ 303	\$ 532,238	\$ —	\$ (269,471)	\$ 272,343
	Preferred Stock		Common Stock		Additional Paid-in Capital	Common Stock to be Issued	Accumulated Deficit	Total
	Number	Amount	Number	Amount				
Balances as of December 31, 2022	9,566	\$ 9,273	145,492,971	\$ 145	\$ 294,810	\$ —	\$ (186,474)	\$ 117,754
Common stock reacquired in exchange for warrants	—	—	(12,000,000)	(12)	(12,479)	—	—	(12,491)
Warrant issuance in conjunction with debt modification	—	—	—	—	16,036	—	—	16,036
Warrant offerings	—	—	—	—	14,991	—	—	14,991
Common stock offering, net of issuance costs	—	—	40,764,706	41	26,268	—	—	26,309
Common stock to be issued, net of issuance costs	—	—	—	—	—	4,390	—	4,390
Convertible promissory notes converted to common stock	—	—	11,762,956	12	4,693	—	—	4,705
Stock-based compensation expense and issuance of stock	—	—	248,049	—	876	—	—	876
Net loss	—	—	—	—	—	—	(26,257)	(26,257)
Balances as of March 31, 2023	9,566	\$ 9,273	186,268,682	\$ 186	\$ 345,195	\$ 4,390	\$ (212,731)	\$ 146,313

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In thousands; unaudited)**

	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (9,613)	\$ (26,257)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of debt issuance costs, commitment fees and accretion of debt discount	7,593	3,549
Related party expense to be settled with respect to common stock	—	313
Common stock issued for interest expense	—	26
Stock-based compensation expense	6,931	876
Depreciation	15,088	5,433
Amortization of right-of-use asset	252	250
Increase in digital currency from mining and hosting services	(41,537)	(9,940)
Gain on fair value of digital currency, net	(1,329)	—
Realized gain on sale of digital currency	—	(603)
Impairment of digital currency	—	627
Proceeds from sale of digital currency	54,391	9,982
Loss on extinguishment of debt	2,027	—
Equity in net (income) loss of investee, net of tax	(5,275)	10,167
Loss from discontinued operations, net of tax	—	35
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	567	717
Increase in other receivables	(667)	—
Increase in other current assets	(67)	(241)
Decrease (increase) in other assets	22	(83)
Decrease in accounts payable	(1,686)	(2,435)
Decrease in other accrued liabilities	(3,906)	(1,354)
Increase in other amounts due to related parties	67	325
Decrease in operating lease liability	(12)	(10)
Net cash provided by (used in) operating activities from continuing operations	22,846	(8,623)
Net cash used in operating activities from discontinued operations	—	(90)
Net cash provided by (used in) operating activities	22,846	(8,713)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in joint venture, including direct payments made on behalf of joint venture	—	(2,285)
Purchase of and deposits on plant and equipment	(46,979)	(9,986)
Net cash used in investing activities	(46,979)	(12,271)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(33,412)	—
Payments of prepayment fees associated with early extinguishment of long-term debt	(314)	—
Proceeds from insurance premium and property, plant and equipment financing	—	295

Principal payments on insurance premium and property, plant and equipment financing	(827)	(1,451)
Proceeds from issuance of common stock, net of issuance costs paid of \$0 and \$1,051	50,722	26,562
Proceeds from common stock to be issued, net of issuance costs of \$0 and \$56	—	4,390
Proceeds from warrant issuances	—	2,500
Payments of tax withholding related to net share settlements of stock-based compensation awards	(651)	—
Proceeds from issuance of convertible promissory note	—	1,250
Payment of contingent value rights liability related to proceeds from sale of net assets held for sale	—	(3,899)
Net cash provided by financing activities	<u>15,518</u>	<u>29,647</u>
Net change in cash and cash equivalents	(8,615)	8,663
Cash and cash equivalents at beginning of period	<u>54,439</u>	<u>8,323</u>
Cash and cash equivalents at end of period	<u>\$ 45,824</u>	<u>\$ 16,986</u>
Cash paid during the period for:		
Interest	\$ 3,726	\$ 5,399
Income taxes	\$ —	\$ —

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 – ORGANIZATION

Organization

TeraWulf Inc. (“TeraWulf” or the “Company”) is a digital asset technology company with a core business of digital infrastructure and energy development to enable sustainable bitcoin mining. TeraWulf’s principal business consists of developing and operating bitcoin mining facilities in the United States that are fueled by clean, low cost and reliable power sources. The Company generates revenue in the form of bitcoin by providing hash computation services to a mining pool operator to mine bitcoin and validate transactions on the global bitcoin network using application-specific integrated circuit computers (“ASIC” or “miners”) owned by the Company. The earned bitcoin are routinely sold for U.S. dollars. The Company also earned revenue by providing miner hosting services to third parties. In 2024, the Company established WULF Compute as its internal innovation center, with a specific focus on the research, development, and deployment of its expansive and scalable digital infrastructure intended to support a broader high-performance computing (“HPC”) initiative, strategically aimed at diversifying the Company’s revenue streams. Given the increasing demand from high density compute loads, the Company’s assets are well positioned to supply energy infrastructure with low cost, zero-carbon power. While the Company may choose to mine other digital currencies, it has no plans to do so currently.

TeraWulf currently owns and operates, either independently or through a joint venture, two bitcoin mining facilities: the Lake Mariner Facility located in upstate New York (the “Lake Mariner Facility”) and the Nautilus Cryptomine Facility located in central Pennsylvania (the “Nautilus Cryptomine Facility”). The Company’s wholly-owned Lake Mariner Facility began mining bitcoin in March 2022 and, as of March 31, 2024, the Company has energized three buildings and additional infrastructure comprising 160 MW of capacity. The Nautilus Cryptomine Facility, which has been developed and constructed through a joint venture (see Note 11), commenced mining operations in February 2023 and, in April 2023, achieved full energization of the Company’s allotted infrastructure capacity of 50 MW.

On December 13, 2021, TeraWulf Inc. completed a strategic business combination (the “Merger”) with IKONICS Corporation (“IKONICS”), a Minnesota corporation, pursuant to which, among other things, the Company effectively acquired IKONICS and became a publicly traded company on the National Association of Securities Dealers Automated Quotations (“Nasdaq”), which was the primary purpose of the business combination. IKONICS’ traditional business was the development and manufacturing of high-quality photochemical imaging systems for sale primarily to a wide range of printers and decorators of surfaces. Customers’ applications were primarily screen printing and abrasive etching. TeraWulf initially classified the IKONICS business as held for sale and discontinued operations in its consolidated financial statements. During the year ended December 31, 2023, the Company completed sales of substantially all of IKONICS’ historical net assets (see Note 3). Subsequent to the asset sales, IKONICS’ name was changed to RM 101 Inc. (“RM 101”).

Risks and Uncertainties

Liquidity and Financial Condition

The Company incurred a net loss attributable to common stockholders of \$9.9 million and generated cash flows from continuing operations of \$22.8 million for the three months ended March 31, 2024. As of March 31, 2024, the Company had balances of cash and cash equivalents of \$45.8 million, a working capital deficiency of \$67.8 million, total stockholders’ equity of \$272.3 million and an accumulated deficit of \$269.5 million. As of March 31, 2024, the working capital deficiency included the then outstanding \$106.0 million principal balance of the Company’s Term Loans (See Note 9) which matures on December 1, 2024. The Company had 8.0 EH/s of operating capacity across the Lake Mariner Facility and the Nautilus Cryptomine Facility as of March 2024. To date, the Company has relied primarily on proceeds from its issuances of debt and equity and sale of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility (see Note 11), to fund its principal operations.

In accordance with development of its bitcoin mining facilities, during the three months ended March 31, 2024, the Company invested approximately \$7.0 million for purchases of and deposits on plant and equipment. TeraWulf expects to fund its business operations and incremental infrastructure buildout primarily through positive cash flows from operations, including sales of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility, cash on the balance sheet and the issuance of equity securities.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

During the year ended December 31, 2023, the Company achieved significant milestones by initiating and delivering rapid organic growth at the Lake Mariner Facility, and commencing operations at the Nautilus Cryptomine Facility, resulting in positive cash flows from continuing operations. During the three months ended March 31, 2024, the Company additionally accomplished several notable steps to continue to achieve positive cash flows from operations, namely: (1) the Company repaid \$33.4 million of outstanding principal of its Term Loans to remove the fixed principal amortization and extend the excess cash flow sweep through maturity (see Note 9), (2) the Company received net proceeds of \$50.7 million through the issuance of shares of our common stock, par value \$0.001 per share (the “Common Stock”), (3) the Company received bitcoin distributions of \$12.0 million from the joint venture which owns the Nautilus Cryptomine Facility, (4) the Company received substantially all contracted miners from the miner suppliers and has no remaining outstanding financial commitments under the miner purchase agreements (see Notes 11 and 12) for the existing operations at the Lake Mariner Facility and the Nautilus Cryptomine Facility, (5) the construction activities at the Lake Mariner Facility for buildings one, two and three and at the Nautilus Cryptomine Facility are complete as of March 31, 2024, although the Company intends to expand its infrastructure. Additionally, if a business need requires its use, the Company has an active at-the-market sales agreement for sale of shares of Common Stock having an aggregate offering price of up to \$200.0 million (the “ATM Sales Agreement”), which had a remaining capacity of \$28.9 million as of March 31, 2024. The issuance of Common Stock under this agreement would be made pursuant to the Company’s effective registration statement on Form S-3 (Registration statement No. 333-262226). The Company has determined that it is probable that it will generate positive cash flows from operations and be able to realize its assets and discharge its liabilities and commitments in the normal course of business, including the Term Loans through maturity, based on its expected range of forecasted bitcoin prices, network hashrate, and power prices and, therefore, there is not substantial doubt about the Company’s ability to continue as a going concern through at least the next twelve months. The consolidated financial statements do not include any adjustments that might result from TeraWulf’s possible inability to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. In the opinion of the Company, the accompanying unaudited interim consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for a fair statement of such interim results. All intercompany balances and transactions have been eliminated.

Certain amounts in the unaudited interim consolidated statement of cash flows for the three months ended March 31, 2023 were restated as previously disclosed in the Amendment No. 1 to the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2023. The misstatements related solely to incorrectly classifying payments of contingent value rights liability related to proceeds from sale of net assets held for sale as an investing activity instead of a financing activity as originally included in the respective interim unaudited consolidated statements of cash flows.

The results for the unaudited interim consolidated statements of operations are not necessarily indicative of results to be expected for the year ending December 31, 2024 or for any future interim period. The unaudited interim consolidated financial statements do not include all the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited interim financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for (but are not limited to) such items as the fair values of contingent consideration issued in a business combination, the establishment of useful lives for property, plant and equipment and intangible assets, the fair value of equity securities or warrants to purchase common stock issued individually or as a component of a debt or equity offering, the fair value of changes to the conversion terms of embedded conversion features, the fair value and requisite service periods of stock-based compensation, the fair value of assets received in nonmonetary transactions, the establishment of right-of-use assets and lease liabilities that arise from leasing arrangements, the timing of commencement of capitalization for plant and equipment, impairment of indefinite-lived intangible assets, impairment of long-lived assets, recoverability of deferred tax assets, amortization of deferred issuance costs and debt discount, and the recording of various accruals. These estimates are made after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

Revenue Recognition

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

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the Company satisfies a performance obligation

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

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

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

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

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

- Consideration payable to a customer

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

Mining Pool

The Company has entered into an arrangement with a cryptocurrency mining pool (the Foundry USA Pool) to perform hash computation (i.e. hashrate) for the mining pool in exchange for consideration. Providing hash computation services to a mining pool is an output of the Company's ordinary activities. The provision of such hash computation services is the sole performance obligation. The mining pool arrangement is terminable at any time without substantial penalty by Foundry USA Pool and may be terminated without substantial penalty by the Company upon providing one Contract Day's, as defined, prior written notice. The Company's enforceable right to compensation only begins when and continues while the Company provides hash computation services to its customer, the mining pool operator. Accordingly, the contract term with Foundry USA Pool is deemed to be less than 24 hours and to continuously renew throughout the day. Additionally, the Company concluded that the mining pool operator's (i.e., the customer's) renewal right is not a material right because the renewal rights do not include any discounts; that is, the terms, conditions, and compensation amounts are at the then-current market rates.

There is no significant financing component in these transactions.

The mining pool applies the Full Pay Per Share ("FPPS") payout model. Under the FPPS model, in exchange for providing hash computation services to the pool, the Company is entitled to pay-per-share base amount and transaction fee reward compensation, calculated on a daily basis, at an amount that approximates the total bitcoin that could have been mined and transaction fees that could have been awarded using the Company's hash computation services, based upon the then current blockchain difficulty. Under this model, the Company is entitled to compensation, payable in bitcoin, regardless of whether the pool operator successfully records a block to the bitcoin blockchain.

The transaction consideration the Company receives, if any, is noncash consideration and is all variable. Because digital currency is considered noncash consideration, fair value of the digital currency award received would generally be determined using the quoted price of the related digital currency in the Company's principal market at the time of contract inception. The Company has adopted an accounting policy to aggregate individual contracts with individual terms less than 24-hours within each intraday period and apply a consistent valuation point, the start of day Coordinated Universal Time (00:00:00 UTC), to value the related noncash consideration. Revenue is recognized when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur, which is the same day that control of the contracted service transfers to the mining pool, which is the same day as the contract inception. After every 24-hour contract term, the mining pool transfers the digital currency consideration to our designated digital currency wallet.

Consideration payable to the customer in the form of a pool operator fee, which is incurred only to the extent that the Company has generated FPPS consideration, is deducted from the bitcoin the Company receives and is recorded as contra-revenue, as it does not represent a payment for a distinct good or service.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Data Center Hosting

The Company's hosting contracts were service contracts with a single performance obligation. The service the Company provided primarily included hosting the customers' miners in a physically secure data center with electrical power, internet connectivity, ambient air cooling and available maintenance resources. Hosting revenue was recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance. The Company recognized hosting revenue to the extent that a significant reversal of such revenue will not occur. Data center hosting customers were invoiced and payments were due on a monthly basis. While the majority of consideration was paid in cash, certain consideration was payable in digital currency. Because digital currency is considered noncash consideration, fair value of the digital currency award received was determined using the quoted price of the related digital currency in the Company's principal market at the time of contract inception. The Company had one data center hosting contract with a customer, which expired in February 2024, for which the quoted price of bitcoin in the Company's principal market at the time of contract inception was approximately \$38,000. The Company recorded miner hosting revenue of \$0.8 million and \$2.3 million during the three months ended March 31, 2024 and 2023, respectively.

Cost of Revenue

Cost of revenue for mining pool revenue is comprised primarily of direct costs of electricity but excludes depreciation which is separately presented. Cost of revenue for data center hosting is comprised primarily of direct costs of electricity, labor and internet provision.

Power Curtailment Credits

Proceeds related to participation in demand response programs are recorded as a reduction in cost of revenue in the consolidated statements of operations in the period corresponding to the underlying associated demand response program period. The Company recorded demand response program amounts of approximately \$1.2 million and \$0.1 million during the three months ended March 31, 2024 and 2023, respectively.

Cash and Cash Equivalents

Highly liquid instruments with an original maturity of three months or less are classified as cash equivalents. As of March 31, 2024 and December 31, 2023, the Company had cash and cash equivalents of \$45.8 million and \$54.4 million, respectively.

The Company currently maintains cash and cash equivalent balances primarily at two financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company's accounts at these institutions are insured, up to \$250,000, by the FDIC. As of March 31, 2024, the Company had no bank balances that exceeded the FDIC insurance limit. To reduce its risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institutions in which it holds deposits.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Supplemental Cash Flow Information

The following table shows supplemental cash flow information (in thousands):

	Three Months Ended March 31,	
	2024	2023
Supplemental disclosure of non-cash activities:		
Cumulative-effect adjustment due to the adoption of Accounting Standard Update 2023-08	\$ 37	\$ —
Contribution of plant and equipment or deposits on plant and equipment to joint venture	\$ —	\$ 35,792
Common stock issuance costs in accounts payable	\$ —	\$ 250
Purchases of and deposits on plant and equipment in accounts payable, accrued construction liabilities, other accrued liabilities and long-term debt	\$ 4,385	\$ 2,621
Purchases of and deposits on plant and equipment with digital currency	\$ 316	\$ —
Investment in joint venture in other accrued liabilities, other amounts due to related parties and long-term debt	\$ —	\$ 721
Convertible promissory notes converted to common stock	\$ —	\$ 4,666
Common stock issued for share based liabilities due to related party	\$ 2,500	\$ —
Common stock warrants issued for discount on long-term debt	\$ —	\$ 16,036
Decrease to investment in joint venture and increase in plant and equipment for distribution or transfer of nonmonetary assets	\$ —	\$ 4,519
Decrease to investment in joint venture due to bitcoin received as distribution from investee	\$ 12,022	\$ —
Common stock reacquired in exchange for warrants	\$ —	\$ 12,479

Nonmonetary Transactions

The Company accounts for goods and services exchanged in nonmonetary transactions at fair value unless the underlying exchange transaction lacks commercial substance or the fair value of the assets received or relinquished is not reasonably determinable, in which case the nonmonetary exchange would be measured based on the recorded amount of the nonmonetary asset relinquished.

Digital currency

Digital currency is comprised of bitcoin earned as noncash consideration in exchange for providing hash computation services to a mining pool as well as in exchange for data center hosting services which are accounted for in connection with the Company's revenue recognition policy disclosed above. From time to time, the Company also receives bitcoin as distributions-in-kind from its joint venture. Digital currency is included in current assets in the consolidated balance sheets due to the Company's ability to sell it in a highly liquid marketplace and because the Company reasonably expects to liquidate its digital currency to support operations within the next twelve months.

In December 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-08, Intangible – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08"). ASU 2023-08 requires entities with certain crypto assets to subsequently measure such assets at fair value, with changes in fair value recorded in net income in each reporting period. Crypto assets that meet all the following criteria are within the scope of the ASC 350-60:

- meet the definition of intangible assets as defined in the Codification
- do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
- are created or reside on a distributed ledger based on blockchain or similar technology

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

- are secured through cryptography
- are fungible, and
- are not created or issued by the reporting entity or its related parties. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets.

ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted and the Company has elected to early adopt ASU 2023-08 effective January 1, 2024, resulting in a cumulative-effect change of \$37,000 to increase the balance of digital currency with a corresponding decrease in the opening balance of accumulated deficit in the consolidated balance sheet as of January 1, 2024.

As a result of adopting ASU 2023-08 on January 1, 2024, the Company measures digital currency at fair value as of each reporting period in accordance with ASC 820 *Fair Value Measurement* ("ASC 820"), based on quoted prices on the active trading platform that the Company normally transacts and has determined is its principal market for bitcoin (Level 1 inputs), based on all information that is reasonably available. Since bitcoin is traded on a 24-hour period, the Company utilizes the price as of midnight UTC time, which aligns with the Company's revenue recognition policy. Gains and losses from the remeasurement of digital currency are included within gain on fair value of digital currency, net in the consolidated statements of operations. The Company sells bitcoin and gains and losses from such transactions, measured as the difference between the cash proceeds and the carrying basis of bitcoin as determined on a first-in-first-out basis, are also included within gain on fair value of digital currency, net in the consolidated statements of operations. During the three months ended March 31, 2024, the Company recognized \$1.3 million of gain on fair value of digital currency, net.

Prior to the adoption of ASU 2023-08, the Company accounted for digital currency as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently if events or changes in circumstances indicate it is more likely than not that the asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. The Company elected to bypass the optional qualitative impairment assessment and to track its bitcoin activity daily for impairment assessment purposes. The Company determined the fair value of its bitcoin on a nonrecurring basis in accordance with ASC 820 based on quoted prices on the active trading platform that the Company normally transacts and has determined is its principal market for bitcoin (Level 1 inputs), based on all information that was reasonably available. The Company performed an analysis each day to identify whether events or changes in circumstances, principally decreases in the quoted price of bitcoin on the active trading platform, indicated that it was more likely than not that its bitcoin were impaired. For impairment testing purposes, the lowest intraday trading price of bitcoin was identified at the single bitcoin level (one bitcoin). The excess, if any, of the carrying amount of bitcoin and the lowest daily trading price of bitcoin represented a recognized impairment loss. To the extent an impairment loss was recognized, the loss established the new cost basis of the asset. Subsequent reversal of previously recorded impairment losses was prohibited. The Company recognized impairment of digital currency of \$0.6 million during the three months ended March 31, 2023.

Digital currency received as noncash consideration through the Company's mining activities are included as an adjustment to reconcile net loss to cash provided by (used in) operating activities on the consolidated statements of cash flows. The receipt of digital currency as distributions-in-kind from equity investees are included within supplemental disclosures of noncash investing activities. Proceeds from sales of digital currency are included within cash flows from operating activities on the consolidated statements of cash flows as bitcoin are converted nearly immediately into cash.

Concentrations

The Company and its joint venture have primarily contracted with two suppliers for the provision of bitcoin miners and one mining pool operator. The Company does not believe that these counterparties represent a significant performance risk. Revenue from one data center hosting customer represents 1.8% and 17.2% of consolidated revenue for the three months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024 and 2023, the Company only operated bitcoin mining facilities; however, the Company has targeted an initial commitment for an allocation of a 2 MW power block at the Lake Mariner Facility intended to support a broader HPC initiative. While the Company may choose to mine other digital currencies, it has no plans to do so currently. If the market value of bitcoin declines significantly, the consolidated financial condition and results of operations of the Company may be adversely affected.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally 5 years for computer equipment and 4 years for miners). Leasehold improvements and electrical equipment are depreciated over the shorter of their estimated useful lives or the lease term. Changes in depreciation and amortization, generally accelerated depreciation and variable amortization, are determined and recorded when estimates of the remaining useful lives or residual values of long-term assets change. Property, plant and equipment, net includes deposits, amounting to approximately \$16.3 million and \$36.5 million as of March 31, 2024 and December 31, 2023, respectively, on purchases of such assets, including miners, which would be included in property, plant and equipment upon receipt.

Interest related to construction of assets is capitalized when the financial statement effect of capitalization is material, construction of the asset has begun, and interest is being incurred. Interest capitalization ends at the earlier of the asset being substantially complete and ready for its intended use or when interest costs are no longer being incurred.

Impairment of Long-lived Assets

The Company reviews its long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. Any impairment loss recorded is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. During the three months ended March 31, 2024 and 2023, the Company recorded no impairment charges for long-lived assets.

Leases

The Company determines if an arrangement is a lease at inception and, if so, classifies the lease as an operating or finance lease. Operating leases are included in right-of-use ("ROU") asset, current portion of operating lease liability, and operating lease liability, net of current portion in the consolidated balance sheets. Finance leases would be included in property, plant and equipment, current portion of finance lease liabilities, and finance lease liabilities, net of current portion in the consolidated balance sheets. The Company does not recognize a ROU asset or lease liability for short-term leases having initial terms of 12 months or less and instead recognizes rent expense on a straight-line basis over the lease term. In an arrangement that is determined to be a lease, the Company includes both the lease and nonlease components as a single component and accounts for it as a lease when the Company would otherwise recognize the cost associated with both the lease and nonlease components in a similar fashion.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date, and subsequently remeasured upon changes to the underlying lease arrangement, based on the present value of lease payments over the lease term. If the lease does not provide an implicit rate or if the implicit rate is not determinable, the Company generally uses an estimate of its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date. The ROU asset also includes any lease prepayments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Costs associated with operating lease ROU assets are recognized on a straight-line basis within operating expenses or selling, general and administrative, as appropriate, over the term of the lease. Variable lease costs are recognized as incurred and primarily consist of common area maintenance charges not included in the measurement of right-of-use assets and operating lease liabilities. Finance ROU lease assets are amortized within operating expenses or selling, general and administrative expenses, as appropriate, on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

As of March 31, 2024 and December 31, 2023, the Company was not a counterparty to any finance leases.

Debt Issuance Costs and Debt Discount

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Debt issuance costs and debt discount are recorded as a direct reduction of the carrying amount of the debt and are amortized to interest expense using the effective interest method over the contractual term of the debt and in consideration of expected future principal payments subject to an excess cash flow sweep (see Note 9). Debt issuance costs include incremental third-party costs directly related to debt issuance such as attorney and financial advisor fees. Debt discount includes upfront fees and proceeds allocated to other components included in the debt issuance. The allocation of proceeds between the debt instrument and any other components included in the debt issuance, including common stock or warrants to purchase common stock, is generally based on the relative fair value allocation method. All warrants granted by the Company as a component of debt transactions are classified as equity in the consolidated balance sheets as of March 31, 2024 and December 31, 2023.

Debt Modification

The Company evaluates amendments to its debt instruments in accordance with applicable U.S. GAAP. This evaluation includes comparing (1) if applicable, the change in fair value of an embedded conversion option to that of the carrying amount of the debt immediately prior to amendment and (2) the net present value of future cash flows of the amended debt to that of the original debt to determine, in each case, if a change greater than 10% occurred. In instances where the net present value of future cash flows or the fair value of an embedded conversion option, if any, changed more than 10%, the Company applies extinguishment accounting. In instances where the net present value of future cash flows and the fair value of an embedded conversion option, if any, changed less than 10%, the Company accounts for the amendment to the debt as a debt modification. For debt that has been amended more than once in a twelve-month period, the debt terms that existed just prior to the earliest amendment occurring in the prior twelve months are applied to the 10% test, provided modification accounting was previously applied. Gains and losses on debt amendments that are considered extinguishments are recognized in current earnings. Debt amendments that are considered debt modifications are accounted for prospectively through yield adjustments, based on the revised terms. Legal fees and other costs incurred with third parties that are directly related to debt modifications are expensed as incurred and generally are included in interest expense in the consolidated statements of operations. Amounts paid by the Company to the lenders, including upfront fees and the fair value of warrants issued, are included in future cash flows for accounting treatment determination and, if debt modification is applicable, are also included in the determination of yield adjustment.

Convertible Instruments

The Company accounts for its issuance of convertible debt and convertible equity instruments in accordance with applicable U.S. GAAP. In connection with that accounting, the Company assesses the various terms and features of the agreement in accordance with ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815, *Derivatives and Hedging Activities* ("ASC 815"). ASC 480 requires liability accounting for certain financial instruments, including shares that embody an unconditional obligation to transfer a variable number of shares, provided that the monetary value of the obligation is based solely or predominantly on one of the following three characteristics: (1) a fixed monetary amount known at inception, (2) variations in something other than the fair value of the issuer's equity shares or (3) variations in the fair value of the issuer's equity shares, but the monetary value to the counterparty moves in the opposite direction as the value of the issuer's shares. In accordance with ASC 815, the Company assesses the various terms and features of the agreement to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in the current period's operating results.

Warrants

The Company applies ASC 480 and ASC 815 to assist in the determination of whether warrants issued for the purchase of Common Stock should be classified as liabilities or equity. Warrants that are determined to require liability classification are measured at fair value upon issuance and are subsequently remeasured to their then fair value at each subsequent reporting period with changes in fair value recorded in current earnings. Warrants that are determined to require equity classification are measured at fair value upon issuance and are not subsequently remeasured unless they are required to be reclassified. All warrants granted by the Company to date are classified as equity.

Stock Issuance Costs

Stock issuance costs are recorded as a reduction to issuance proceeds. Stock issuance costs incurred prior to the closing of the related issuances, including under shelf registration statements, are recorded in other assets in the consolidated balance sheets if the closing of the related issuance is deemed probable.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Stock-based Compensation

The Company periodically issues restricted stock units (“RSUs”) to employees and non-employees in non-capital raising transactions for services. In accordance with ASC 718, *Compensation – Stock Compensation*, the Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award. For RSUs with time-based vesting, the fair value is determined by the Company’s stock price on the date of grant. For RSUs with vesting based on market conditions (“PSUs”), the effect of the market condition is considered in the determination of fair value on the grant date using a Monte Carlo simulation model. As of March 31, 2024, the Company had not issued stock options.

Expense for RSUs is recognized on a straight-line basis over the employee’s or non-employee’s service period, including the derived service period for PSUs with market conditions. Stock-based compensation for PSUs is recorded over the derived service period unless the market condition is satisfied in advance of the derived service period, in which case a cumulative catch-up is recognized as of the date of achievement. Stock-based compensation for PSUs is recorded regardless of whether the market conditions are met unless the service conditions are not met. The Company accounts for forfeitures as they occur. The Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit within net loss and the related cash flows are classified within operating activities.

Other Income

Other income consists primarily of interest income on bank deposits.

Loss per Share

The Company computes earnings (loss) per share using the two-class method required for participating securities. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic loss per share of common stock is computed by dividing the Company’s net loss attributed to common stockholders (adjusted for preferred stock dividends declared or accumulated) by the weighted average number of shares of common stock outstanding during the period. Convertible preferred stock, which are participating securities because they share in a pro rata basis any dividends declared on common stock but because they do not have the obligation to share in the loss of the Company, are excluded from the calculation of basic net loss per share. Diluted loss per share reflects the effect on weighted average shares outstanding of the number of additional shares outstanding if potentially dilutive instruments, if any, were converted into common stock using the treasury stock method or as-converted method as appropriate. The computation of diluted loss per share does not include dilutive instruments in the weighted average shares outstanding, as they would be anti-dilutive. The Company’s dilutive instruments or participating securities as of March 31, 2024 include convertible preferred stock, common stock warrants and RSUs issued for services. The Company’s dilutive instruments or participating securities as of December 31, 2023 include convertible preferred stock, convertible promissory notes, common stock warrants and RSUs issued for services. If the entire liquidation preference of the Convertible Preferred Stock (as defined in Note 13) was converted at its conversion price as of March 31, 2024, the Company would issue approximately 1.2 million shares of Common Stock. As of March 31, 2024, Common Stock warrants outstanding were 49,120,642 with a weighted average strike price of \$0.58 and total RSUs outstanding were 11,590,695.

Segment Reporting

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, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group (“CODM”) is composed of the chief executive officer, chief operating officer and chief strategy officer. Currently, the Company operates solely in the Digital Currency Mining segment. The Company’s mining operations are located in the United States, and the Company has employees only in the United States and views its mining operations as one operating segment as the CODM reviews financial information on a consolidated basis in making decisions regarding resource allocations and assessing performance. Prior to the sale of substantially all of RM 101’s assets, through its ownership of RM 101, the Company operated in the Imaging Technology segment. TeraWulf classified the RM 101 segment as held for sale and discontinued operations in these consolidated financial statements (see Note 3).

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 3 – BUSINESS COMBINATION, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On December 13, 2021, the Company completed the Merger with RM 101 (formerly known as IKONICS Corporation) pursuant to which, among other things, the Company effectively acquired RM 101 and became a publicly traded company on the Nasdaq. The consideration in the Merger included, among other things, contractual contingent value rights (“CVR”) per a Contingent Value Rights Agreement (the “CVR Agreement”), pursuant to which each shareholder of RM 101 as of immediately prior to the Merger, received one non-transferable CVR for each outstanding share of common stock of RM 101 then held. The holders of the CVRs were entitled to receive 95% of the Net Proceeds (as defined in the CVR Agreement), if any, from the sale, transfer, disposition, spin-off, or license of all or any part of the pre-merger business of RM 101. Payments under the CVR Agreement were calculated quarterly, paid on the sixtieth day after the respective quarterly calculation period and were subject to a reserve of up to 10% of the Gross Proceeds (as defined in the CVR Agreement) from such transaction or more under certain conditions. The CVRs did not confer to the holders thereof any voting or equity or ownership interest in TeraWulf, were not transferable, except in limited circumstances, and were not listed on any quotation system or traded on any securities exchange. The CVR Agreement terminated after all payment obligations to the holders thereof were satisfied.

In August 2022, RM 101 sold a certain property, including a warehouse, to a third party for \$6.7 million gross with net sale proceeds of \$6.2 million. The Definitive Agreement governing the sale included certain indemnifications which were subject to an \$850,000 limitation and which expired in August 2023.

In August 2022, RM 101 sold (i) certain property, including a warehouse and a building which houses manufacturing, operations and administration, (ii) substantially all of its working capital and (iii) its historical business to a third party for \$7.7 million gross, including net working capital, with net sale proceeds of \$7.0 million. The Asset Purchase Agreement (the “APA”) governing the sale was structured as an asset sale. The APA included certain indemnifications which were subject to a \$650,000 limitation and a related escrow of that amount upon consummation of the transaction. Substantially all the remaining purchase price was placed into escrow upon consummation of the transaction pending the completion of certain remaining environmental testing and remediation resulting therefrom, if any. In February 2023, all escrowed funds were released to the Company.

During the three months ended March 31, 2023, the Company made payments of the CVR liability related to proceeds from sales of net assets held for sale of \$3.9 million. Additionally, the Company made payments of the CVR liability of \$5.7 million and \$1.4 million in May and November 2023, respectively, such that as of December 31, 2023, the Company had made all of the aggregate required distributions of \$11.0 million of proceeds to the CVR Holders and the CVR Agreement was deemed terminated.

Upon acquisition, the RM 101 business met the assets held-for-sale and discontinued operations criteria and is reflected as discontinued operations held for sale in these consolidated financial statements. The loss from discontinued operations, net of tax presented in the consolidated statements of operations included immaterial selling, general and administrative, and was \$0 and \$35,000 for the three months ended March 31, 2024 and 2023, respectively. Total cash flows used in operating activities from discontinued operations was \$0 and \$0.1 million in the consolidated statements of cash flows for the three months ended March 31, 2024 and 2023, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-level fair value hierarchy prioritizing the inputs to valuation techniques is used to measure fair value. The levels are as follows: (Level 1) observable inputs such as quoted prices in active markets for identical assets or liabilities; (Level 2) observable inputs for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable either directly or indirectly from market data; and (Level 3) unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the Company’s financial instruments measured at fair value on a recurring basis and their level within the fair value hierarchy as of March 31, 2024 (in thousands):

	Carrying Value	Level 1	Level 2	Level 3
Bitcoin	\$ 2,018	\$ 2,018	\$ —	\$ —
	\$ 2,018	\$ 2,018	\$ —	\$ —

The Company has determined the long-term debt fair value as of March 31, 2024 is approximately \$00.2 million (see Note 9). The carrying values of cash and cash equivalents, prepaid expenses, other receivables, other current assets, accounts payable, accrued construction liabilities, other accrued liabilities and other amounts due to related parties are considered to be representative of their respective fair values principally due to their short-term maturities. There were no additional material non-recurring fair value measurements as of March 31, 2024 and December 31, 2023, except for (i) the calculation of fair value of Common Stock warrants issued in connection with amendments to the Company’s long-term debt agreement (see Note 9), in connection with the issuance of Common Stock (see Note 15), in connection with a Common Stock exchange agreement (see Note 14) and on a standalone basis (see Note 14), (ii) the change in fair value of embedded derivatives in certain of the Company’s convertible promissory notes (see Note 14) and (iii) the calculation of fair value of nonmonetary assets distributed from the Company’s joint venture (see Note 11). The Company utilized a Black-Scholes option pricing model to value its Common Stock warrants issued (except as discussed for warrants issued in connection with the New Term Facility and the Fifth Amendment (each as defined in Note 9) and to value the change in fair value of embedded derivatives in certain of the Company’s convertible promissory notes. The estimated fair value of the warrants and embedded derivatives is determined using Level 2 and Level 3 inputs. Inherent in the model and fair value estimate are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates volatility based on public company peer group volatility over the contractual term of the warrants. The risk-free interest rate is based on the U.S. Treasury rate on the grant date for a maturity similar to the expected life of the warrants or the conversion term, as applicable. The dividend rate is based on the historical rate, which the Company anticipates will remain at zero.

The Company utilized a Black-Scholes option pricing model and the application of a discount for lack of marketability (“DLOM”) to value its Common Stock warrants issued in connection with the New Term Facility and to value its Common Stock warrants issued in connection with the Fifth Amendment. The DLOM is applied primarily due to contractual restrictions on the exercise of the respective warrants. The estimated fair value of the warrants is determined using Level 3 inputs. Inherent in the model and fair value estimate are assumptions related to expected share-price volatility, expected life, risk-free interest rate, dividend yield and DLOM. The Company estimates volatility based on public company peer group volatility over the contractual term of the warrants. The risk-free interest rate is based on the U.S. Treasury rate on the grant date for a maturity similar to the expected life of the warrants, which is assumed to be equivalent to their contractual term. The Company applied a DLOM of 20% to value its Common Stock warrants issued in connection with the New Term Facility and applied a DLOM of 30% to value its Common Stock warrants issued in connection with the Fifth Amendment.

NOTE 5 – BITCOIN

The following table presents the Company’s bitcoin holdings as of March 31, 2024 and December 31, 2023:

Bitcoin holdings	March 31, 2024	December 31, 2023
Number of bitcoin held	28	43
Carrying basis of bitcoin (in thousands)	\$ 1,982	\$ 1,801
Fair value of bitcoin (in thousands)	\$ 2,018	\$ 1,838

The carrying basis represents the valuation of bitcoin at the time the Company earns the bitcoin through mining activities. The carrying amount for 43 bitcoin held as of December 31, 2023 was determined on the “cost-less-impairment” basis prior to the adoption of ASU 2023-08.

The Company’s bitcoin holdings are not subject to contractual sale restrictions. As of March 31, 2024, the Company held no other digital currency.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Miners	\$ 160,014	\$ 100,531
Construction in process	11,848	24,578
Leasehold improvements	77,689	62,850
Equipment	22,007	15,736
Vehicles	104	104
Deposits on miners	16,298	36,469
	287,960	240,268
Less: accumulated depreciation	(50,071)	(34,984)
	\$ 237,889	\$ 205,284

Prior to the three months ended March 31, 2024, the Company capitalized a portion of the interest on funds borrowed to finance its capital expenditures. Capitalized interest is recorded as part of an asset's cost and is depreciated over the same period as the related asset. Capitalized interest costs were \$0 and \$1.0 million for the three months ended March 31, 2024 and 2023, respectively.

Depreciation expense was \$15.1 million and \$5.4 million for the three months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024, the Company recorded accelerated depreciation expense of \$3.8 million related to certain miners of which the Company shortened their estimated useful lives based on expected replacement by April 30, 2024.

NOTE 7 – LEASES

In May 2021, the Company entered into a ground lease (the "Ground Lease") related to the Lake Mariner Facility in New York with a counterparty which is a related party due to control by a member of Company management, which was subsequently amended in July 2022. The Ground Lease includes fixed payments and contingent payments, including an annual escalation factor as well as the Company's proportionate share of the landlord's cost to own, operate and maintain the premises. The Ground Lease has a term of eight years and a renewal term of five years at the option of the Company, subject to the Company not then being in default, as defined. The Ground Lease, which is classified as an operating lease, was remeasured as of the date of the amendment and utilized a discount rate of 12.6%, which was an estimate of the Company's incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the remeasurement date. Upon expiration of the lease, the buildings and improvements on the premises will revert to the landlord in good order.

For the three months ended March 31, 2024 and 2023, the Company recorded operating lease expense of \$0.3 million and \$0.3 million, respectively, including contingent expense of \$36,000 and \$0.1 million, respectively, in operating expenses – related party in the consolidated statements of operations and made cash lease payments of \$0.1 million and \$0.3 million, respectively. The remaining lease term based on the terms of the amended Ground Lease as of March 31, 2024 is 10.2 years.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

The following is a maturity analysis of the annual undiscounted cash flows of the estimated operating lease liabilities as of March 31, 2024 (in thousands):

Year ending December 31:		
2024	\$	122
2025		163
2026		163
2027		163
2028		163
Thereafter		882
	\$	<u>1,656</u>

A reconciliation of the undiscounted cash flows to the operating lease liabilities recognized in the consolidated balance sheet as of March 31, 2024 follows (in thousands):

Undiscounted cash flows of the operating lease	\$	1,656
Unamortized discount		721
Total operating lease liability		<u>935</u>
Current portion of operating lease liability		49
Operating lease liability, net of current portion	\$	<u>886</u>

The Company periodically enters into short term lease arrangements for operating equipment and recorded \$48,000 and \$0.1 million under these short-term lease arrangements in operating expenses in the consolidated statements of operations for the three months ended March 31, 2024 and 2023, respectively.

NOTE 8 – INCOME TAXES

The Company's tax provision or benefit from income taxes for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. The Company has an effective tax rate of 0% for each of the three months ended March 31, 2024 and 2023. The Company's effective rate differs from its statutory rate of 21% primarily due to the recording of a valuation allowance against its deferred tax assets.

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more likely than not that some or a portion or all the deferred tax assets will not be realized. As of March 31, 2024 and 2023, the Company estimated a portion of its deferred tax assets will be utilized to offset the Company's deferred tax liabilities. Based upon the level of historical U.S. losses and future projections over the period in which the remaining deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of the remaining deductible temporary differences, and as a result the Company has recorded a valuation allowance as of March 31, 2024 and December 31, 2023 for the amount of deferred tax assets that will not be realized.

The Company has no unrecognized tax benefits as of March 31, 2024 and December 31, 2023. The Company's policy is to recognize interest accrued and penalties related to unrecognized tax benefits in tax expense. No accrued interest or penalties were recorded during the three months ended March 31, 2024 and 2023.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 9 – DEBT

Long-term debt consists of the following (in thousands):

	March 31, 2024	December 31, 2023
Term loan	\$ 105,990	\$ 139,401
Debt issuance costs and debt discount	(6,664)	(15,970)
Property, plant and equipment finance agreement	81	90
	<u>99,407</u>	<u>123,521</u>
Less long-term debt due within one year	<u>99,360</u>	<u>123,465</u>
Total long-term debt, net of portion due within one year	<u>\$ 47</u>	<u>\$ 56</u>

On December 1, 2021, the Company entered into a Loan, Guaranty and Security Agreement (the “LGSA”) with Wilmington Trust, National Association as administrative agent, which consisted of an original term loan facility of \$123.5 million (the “Original Term Loan”). In July 2022, the Company entered into an amendment to the LGSA (the “First Amendment”) and borrowed \$15.0 million at its closing (the “First Amendment Term Loan”). In October 2022, the Company entered into a third amendment to the LGSA (the “Third Amendment”) and borrowed \$7.5 million at its closing (the “Third Amendment Term Loan” and, collectively with the Original Term Loan and First Amendment Term Loan, the “Term Loans”). The Term Loans bear an interest rate of 11.5% and have a maturity date of December 1, 2024. Upon the occurrence and during the continuance of an event of default, as defined, the applicable interest rate will be 13.5%. The interest rate may be increased, if applicable, to the cash interest rate on any junior capital raised plus 8.5%, if higher. As of March 31, 2024, no interest rate adjustments had been made under this provision.

Subsequent to an amendment to the LGSA in March 2023 (the “Fifth Amendment,” as described below) and as of March 31, 2024, the Company is required to pay amounts subject to an excess cash flow sweep, as defined, on a quarterly basis which will automatically extend to the maturity of the Term Loans in the event the Company repays at least \$40.0 million of the principal balance of the Term Loans by April 1, 2024. Interest payments were due quarterly in arrears prior to the Fifth Amendment and are due monthly in arrears subsequent to the Fifth Amendment. The Company has the option to prepay all or any portion of the Term Loans in increments of at least \$5.0 million subject to certain prepayment fees for the Original Term Loan equal to (1) if paid prior to December 1, 2023, an amount of 3% of the prepaid principal and (2) if paid subsequent to December 1, 2023 but prior to the maturity date of the Term Loans, an amount of 2% of the prepaid principal. Certain events, as described in the LGSA, require mandatory prepayment. During the three months ended March 31, 2024 the Company repaid \$33.4 million of the principal balance of the Term Loans, including a voluntary prepayment of \$18.6 million, such that \$40.0 million was repaid in the aggregate as of March 31, 2024 and the excess cash flow sweep automatically extended to the maturity of the Term Loans. In connection with the voluntary prepayment the Company recorded a loss on extinguishment of debt of \$2.0 million which is included in the consolidated statement of operations for the three months ended March 31, 2024, consisting of \$0.3 million of prepayment fees and the immediate write-off of \$1.7 million of unamortized debt discount associated with the principal repaid. The Company made no repayments on the principal balance of the Term Loans during the three months ended March 31, 2023.

The Term Loans are guaranteed by TeraWulf Inc. and TeraCub and its subsidiaries, as defined, and is collateralized by substantially all of the properties, rights and assets of TeraWulf Inc. and its subsidiaries (except RM 101), as defined.

The LGSA, as amended, requires the Company to maintain or meet certain affirmative, negative and reporting covenants. The affirmative covenants include, among other things, a requirement for the Company to maintain insurance coverage, maintain mining equipment and comply in all material respects with the Company’s Nautilus joint venture agreement (see Note 11), each as defined. The negative covenants restrict or limit the Company’s ability to, among other things, incur debt, create liens, divest or acquire assets, make restricted payments and permit the Company’s interest in the Nautilus joint venture to be reduced below 25%, each as defined. The LGSA also contains usual and customary events of default. If an event of default occurs and is continuing, the then outstanding obligations under the LGSA may become immediately due and payable.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As of December 31, 2023, certain of the investors in the Term Loans were related parties due to cumulative voting control by members of the Company's management and an individual who was then a member of the Company's board of directors. As of March 31, 2024 and December 31, 2023, the outstanding principal amounts under the Term Loans held by related party entities were \$6.7 million and \$12.9 million, respectively.

In connection with the Original Term Loan, the Company issued to the holders of the Original Term Loan 839,398 shares of Common Stock (the "Term Loan Equity"), which is a quantity of Common Stock which represented 1.5% of the outstanding shares of the publicly registered shares of TeraWulf subsequent to the closing of the Original Term Loan. In connection with the issuance of the Original Term Loan, the Company incurred aggregate issuance costs of approximately \$4.0 million, in addition to a \$1.2 million upfront fee. The aggregate issuance costs and the upfront fee were allocated to the Term Loan Equity and the Original Term Loan based on the relative fair value method in the amounts of \$1.1 million and \$4.1 million, respectively. For the Original Term Loan, this \$4.1 million was included in debt discount along with the fair value of the Term Loan Equity, an amount of \$25.7 million. The total of these items, an amount of \$29.8 million, represented debt issuance costs and debt discount and was deducted from the Original Term Loan proceeds and was being accreted into the long-term debt balance over the term of the debt at an effective interest rate of 12.9%, which was in addition to the stated interest rate.

In July 2022, the First Amendment to the LGSA provided for an additional \$50.0 million term loan facility (the "New Term Facility"). Pursuant to the New Term Facility, funds could have been drawn in three tranches. The First Amendment Term Loan represented the first tranche and was drawn at closing in July 2022, and the subsequent tranches of up to \$35 million (the "Delayed Draw Term Loan Commitment") may have been drawn at Company's option prior to December 31, 2022, subject to certain conditions, including the raising of matching junior capital, as defined. In connection with the New Term Facility, the Company paid an upfront fee of \$0.1 million and issued warrants to the lenders under the New Term Facility to purchase 5,787,732 shares of Common Stock at \$0.01 per share, an aggregate number of shares of the Company's Common Stock equal to 5.0% (comprised of 2.0% related to the Delayed Draw Term Loan Commitment and 3.0% related to the First Amendment Term Loan) of the then fully diluted equity of the Company. In connection with the issuance of the New Term Facility, the Company also incurred aggregate issuance costs of approximately \$1.5 million, in addition to the aforementioned upfront fee. If the Company drew subsequent tranches, it was required to issue warrants to the lenders to purchase shares of the Company's Common Stock equal to dilution of 3.75% upon the issuance of a second tranche in the amount of \$15.0 million and 4.25% upon issuance of a third tranche in the amount of \$20.0 million, in each case as a percentage of the then fully diluted equity of the Company, respectively.

The Company determined that debt modification accounting applied in connection with the New Term Facility. Third party and upfront fees were allocated pro rata between the First Amendment Term Loan and the Delayed Draw Term Loan Commitment. Fees paid to lenders and the allocated value of the Common Stock warrants, an aggregate \$3.5 million, related to the First Amendment Term Loan were included with the unamortized discount on the Original Term Loan and were being amortized as an adjustment of interest expense over the remaining term of the Term Loans at an effective rate of 13.1%, which was in addition to the stated interest rate.

In October 2022, the Third Amendment to the LGSA divided the initial funding of up to \$15.0 million of the Delayed Draw Term Loan Commitment under the First Amendment to the LGSA into two tranches of up to \$7.5 million each. The Third Amendment Term Loan represented the first tranche and was borrowed upon the closing in October 2022. In connection with the Third Amendment, the Company entered into an amendment and restatement of the warrant agreement related to the New Term Facility. The amended and restated warrant agreement provides that holders thereto are entitled to additional warrants to purchase an aggregate number of shares of Common Stock equal to an incremental 3.75%, to be divided into two separate increments of 1.875% each, of the fully diluted equity of the Company, determined on the date of the funding of the two separate sub-tranches of \$7.5 million each pursuant to the Third Amendment. In connection with the Third Amendment Term Loan, the Company issued warrants to purchase 2,667,678 shares of Common Stock at \$0.01 per share. The fair value of the Common Stock warrants and the related proportional carrying value of the Commitment Fee Asset, an aggregate \$2.9 million, related to Third Amendment were included with the unamortized discount on the Original Term Loan and First Amendment Term Loan and were being amortized as an adjustment of interest expense over the remaining term of the Term Loans at an effective rate of 25.1%, which was in addition to the stated interest rate.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In March 2023, the Fifth Amendment to the LGSA eliminated mandatory amortization of the Term Loans through April 7, 2024, as long as the Company received aggregate net proceeds of at least \$33.5 million from the issuance of equity or equity-linked securities by March 15, 2023 (such condition, the “Amortization Relief Condition”). The Company satisfied the Amortization Relief Condition on March 9, 2023. As a condition of the Fifth Amendment becoming effective, the Company entered into a warrant agreement (the “Warrant Agreement”) to issue the following warrants to the lenders: (i) 27,759,265 warrants to purchase an aggregate number of shares of the Company’s Common Stock equal to 10.0% of the fully diluted equity of the Company as of the Fifth Amendment effective date with an exercise price of \$0.01 per share of the Company’s Common Stock (the “Penny Warrants”) and (ii) 13,879,630 warrants to purchase an aggregate number of shares of the Company’s Common Stock equal to 5.0% of the fully diluted equity of the Company as of the Fifth Amendment effective date with an exercise price of \$1.00 per share of the Company’s Common Stock (the “Dollar Warrants”). The quantity of the Penny Warrants and the Dollar Warrants include the final impact of anti-dilution protection for additional capital raising transactions by the Company of up to \$5.0 million subsequent to the \$33.5 million aggregate net proceeds associated with the Amortization Relief Condition. The Penny Warrants are exercisable during the period beginning on April 1, 2024 and ending on December 31, 2025, and the Dollar Warrants are exercisable during the period beginning on April 1, 2024 and ending on December 31, 2026. In March 2023, in connection with the issuance of the warrants pursuant to the Warrant Agreement, the Company entered into a registration rights agreement pursuant to which the Company has agreed to provide customary shelf and piggyback registration rights to the LGSA lenders with respect to the common stock issuable upon exercise of the warrants described above.

The Company determined that debt modification accounting applied in connection with the Fifth Amendment. Because the First Amendment and the Fifth Amendment occurred within a twelve-month period, the debt terms that existed just prior to the First Amendment were applied in determining the appropriateness of the debt modification accounting model. The allocated value of the Penny Warrants and Dollar Warrants, an aggregate \$16.0 million, related to the Fifth Amendment were included with the unamortized discount on the LGSA, as amended, and are being amortized as an adjustment of interest expense over the remaining term of the modified LGSA at an effective rate of 28.5% as of March 31, 2024, which is in addition to the stated interest rate.

During the three months ended March 31, 2024, the Company amortized total debt issuance costs and debt discount of \$7.6 million which was recorded as interest expense in the consolidated statement of operations. During the three months ended March 31, 2023, the Company amortized total debt issuance costs and debt discount of \$3.5 million, of which \$2.5 million was recorded as interest expense in the consolidated statement of operations, \$0.5 million was capitalized interest in property, plant and equipment, net in the consolidated balance sheet as of December 31, 2023, and \$0.5 million was capitalized interest in equity in net assets of investee in the consolidated balance sheet as of December 31, 2023.

Principal maturities of outstanding long-term debt as of March 31, 2024 are as follows (in thousands):

Year ending December 31:		
2024	\$	106,015
2025		36
2026		20
Total principal maturities	\$	<u>106,071</u>

NOTE 10 – CONVERTIBLE PROMISSORY NOTES

In November 2022, the Company issued convertible promissory notes (the “Convertible Notes”) in an aggregate principal amount of approximately \$4.4 million to certain accredited investors, including to members of Company management in the amount of \$1.7 million. The Convertible Notes were issued in privately negotiated transactions as part of a private placement exempt from registration under the Securities Act of 1933, as amended. In December 2022, the Company amended the Convertible Notes to (a) change the conversion date to March 1, 2023 and (b) allow for the conversion price to be reduced if an additional Qualified Financing were to occur prior to the conversion date at a price lower than the then existing Convertible Note conversion price. As a result of the private placement, the conversion price was \$0.40 per share of Common Stock. In January 2023, the Convertible Notes were amended to change the conversion date to the third business day following the Shareholder Approval Date (as defined in Note 14). In March 2023, the Convertible Notes and accrued but unpaid interest were converted into 8,628,024 shares of Common Stock.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In January 2023, the Company entered into a convertible promissory note (the “January Convertible Note”) to an accredited investor in a privately negotiated transaction as part of a private placement exempt from registration under Section 4(a)(2) and/or Regulation D under the Securities Act in an aggregate principal amount of \$1.3 million. The January Convertible Note had a maturity date of April 1, 2025 and accrued annual interest at a rate of 4.0%. The January Convertible Note was automatically convertible into Common Stock on the third business day following the Shareholder Approval Date (the “Conversion Date”) at a conversion price equal to the lowest price per share paid by investors purchasing equity securities in any sale of equity securities by the Company between November 25, 2022 and the Conversion Date with an aggregate gross sales price of not less than \$5 million, subject to certain exclusions set forth in the January Convertible Note. The conversion price was \$0.40 per share of Common Stock upon issuance. In March 2023, the January Convertible Note and accrued but unpaid interest were converted into 3,134,932 shares of Common Stock.

NOTE 11 – JOINT VENTURE

In May 2021, the Company and a subsidiary of Talen Energy Corporation (“Talen”) (each a “Member” and collectively the “Members”) entered into a joint venture, Nautilus Cryptomine LLC (“Nautilus”), to develop, construct and operate up to 300 MW of zero-carbon bitcoin mining in Pennsylvania (the “Joint Venture”). In connection with the Joint Venture, Nautilus simultaneously entered into (i) a ground lease (the “Nautilus Ground Lease”), which includes an electricity supply component, with a related party of Talen, (ii) a Facility Operations Agreement (the “FOA”) with a related party of the Company and (iii) a Corporate Services Agreement (the “CSA”) with a related party of Talen. Each Member originally held a 50% interest in the Joint Venture. The Members subsequently amended the Joint Venture agreement in August 2022 (the “A&R Nautilus Agreement”) and March 2023 (the “Second A&R Nautilus Agreement”) whereby, among other changes, the unit ownership will be determined by infrastructure contributions while distributions of mined bitcoin will be determined by each Member’s respective hashrate contributions. Members are allowed to make contributions of miners up to the effective electrical capacity of their owned infrastructure percentage. Each party retains access to 50% of the electricity supply outlined in the Nautilus Ground Lease. Pursuant to the Second A&R Nautilus Agreement, the Company holds a 25% equity interest in Nautilus and Talen holds a 75% equity interest in Nautilus, each subject to adjustment based on relative capital contributions. With the change in ownership percentage, governance rights were amended to provide for greater Talen board participation, among other changes.

Pursuant to the terms of the Second A&R Nautilus Agreement, the Nautilus Cryptomine Facility initially requires 200 MW of electric capacity. Prior to May 13, 2024, the Company had the option to expand the energy requirement of the Nautilus Cryptomine Facility by up to 50 MW, funded solely by the Company. In February 2024, the Company exercised its election to expand the energy requirements of the Nautilus Cryptomine Facility by an additional 50 MW. Pursuant to the terms of the Second A&R Nautilus Agreement, the Talen Member may, within twelve months of the Company’s election, elect to expand the energy requirement of the Nautilus Cryptomine Facility by up to an additional 50 MW, funded solely by the Talen Member, for a total capacity of up to 300 MW. Upon such election, Nautilus will call additional capital for expansion and enter into an additional energy supply agreement with Talen Member or its affiliate for the additional capacity, subject to any regulatory approvals and third-party consents. As of May 13, 2024, no additional capital calls for expansion have been made and no additional energy supply has been procured.

On March 1, 2024, a subsidiary of Talen sold substantially all its assets to an unaffiliated third party, including the land that Nautilus utilizes pursuant to the Nautilus Ground Lease. In connection with the sale, the Nautilus Ground Lease was assigned from Talen to the purchaser of the assets.

The Company capitalized a portion of the interest on funds borrowed to finance its investments in Nautilus prior to Nautilus commencing its principal operations. Capitalized interest costs were \$0 and \$0.9 million for the three months ended March 31, 2024 and 2023, respectively.

Distributions are made periodically in accordance with each Member’s respective hashrate contributions after deducting primarily each Member’s share of power and operational costs. The Company received bitcoin distributions from Nautilus with a fair value of \$12.0 million and \$0 during the three months ended March 31, 2024 and 2023, respectively.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Nautilus is a VIE accounted for using the equity method of accounting. The table below summarizes the Company's interest in Nautilus and the Company's maximum exposure to loss as a result of its involvement with the VIE as of March 31, 2024 (in thousands, except for percentages):

Entity	% Ownership	Initial Investment	Additional Investment, Net	Net loss Inception to Date	Company's Variable Interest in Entity	Commitment to Future Additional Contributions (1)	Company's Maximum Exposure to Loss in Entity (2)
Nautilus	25.0 %	\$ 18,000	\$ 95,131	\$ 21,265	\$ 91,866	\$ —	\$ 91,866

- (1) The Members may mutually agree on changes to the Nautilus facility, which could increase the amount of contributions the Company is required to provide. The Members may seek alternate financing for the Nautilus facility, which could reduce the amount of investments each Member may be required to provide.
- (2) The maximum exposure at March 31, 2024 is determined by adding the Company's variable interest in the entity and any explicit or implicit arrangements that could require the Company to provide additional financial support. The amount represents the contractually required capital contributions of the Company which were required for the initial phase of the Nautilus facility buildout.

In August 2022, due to the change in Member ownership percentage and governance rights under the A&R Nautilus Agreement, Talen determined it controlled the Joint Venture from an accounting perspective and thereby was required to fair value the identifiable assets and liabilities of the Joint Venture for its internal accounting purposes. Under the CSA, Talen is responsible for maintaining the books and records of the Joint Venture and elected to push down the fair value adjustments to Nautilus' books and records. The Company accounts for the Joint Venture as an equity method investment and the change in ownership percentage does not impact the Company's method of accounting or basis. Therefore, there is a basis difference between the books and records of Nautilus and the Company's accounting basis in the Joint Venture. The condensed results of operations for the three months ended March 31, 2024 and 2023 and the condensed financial position as of March 31, 2024 and December 31, 2023 of Nautilus are summarized below (in thousands):

	Three Months Ended March 31, (1)	
	2024	2023
Condensed statement of operations information:		
Revenue	\$ 41,740	\$ 9,106
Operating expense	26,322	12,137
Net income (loss)	\$ 15,418	\$ (3,031)

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

	March 31, 2024 (1)	December 31, 2023 (1)
Condensed balance sheet information:		
Current assets	\$ 12,560	\$ 12,406
Noncurrent assets	158,946	171,245
Total assets	<u>\$ 171,506</u>	<u>\$ 183,651</u>
Current liabilities	\$ 13,289	\$ 13,149
Noncurrent liabilities	29,755	29,493
Equity	128,462	141,009
Total liabilities and equity	<u>\$ 171,506</u>	<u>\$ 183,651</u>

- (1) The condensed statements of operations information for the three months ended March 31, 2024 and 2023 and the condensed balance sheet information as of March 31, 2024 and December 31, 2023 reflect the impact of the Talen-estimated fair value measurements of Nautilus which, resulting from the application of ASC 805, *Business Combinations*, have been pushed down to the books and records of Nautilus by Talen, as discussed above. The Company's basis in the assets and liabilities of Nautilus continue to be recorded at historical value on the accompanying consolidated balance sheets.

In February, March and April 2023, the Company, as allowed under the A&R Nautilus Agreement, transferred control of approximately 4,900 MinerVA miners from Nautilus to its Lake Mariner Facility, including certain miners that have yet to be shipped from MinerVA. Accordingly, the Company recorded the miners at an estimated fair value of \$6.9 million, determined based on a contemporaneous observed market price for similar assets, in property, plant and equipment, net and the Company reduced the equity in net assets of investee balance by \$20.5 million, the book value of the miners in Nautilus' books and records, in the consolidated balance sheet as of December 31, 2023 and recorded a loss of \$13.6 million as a component of equity in net loss of investee, net of tax in the consolidated statement of operations, of which \$8.9 million was recorded during the three months ended March 31, 2023.

As contemplated in the A&R Nautilus Agreement, members are allowed to make contributions of miners up to the effective electrical capacity of their owned infrastructure percentage. During the three months ended March 31, 2023, the Company contributed to Nautilus certain miners with a fair value, determined based on miner vendor contracts, of \$36.7 million. Accordingly, as of December 31, 2023, the Company increased the equity in net assets of investee balance by \$6.7 million and reduced the property, plant and equipment, net balance by the same amounts in the consolidated balance sheet.

NOTE 12 – COMMITMENTS AND CONTINGENCIES**Litigation**

The Company is not a party to any material legal proceedings and is not aware of any pending or threatened claims. From time to time, the Company may be subject to various legal proceedings, regulatory inquiries and claims that arise in the ordinary course of its business activities.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Bitmain Miner Purchase Agreements

In March 2024, the Company entered into a Future Sales and Purchase Agreement (the “March 2024 Bitmain Purchase Agreement”) with Bitmain Technologies Delaware Limited (“Bitmain Delaware”) for the purchase of 5,000 S21 miners for a total purchase price of \$17.5 million. As of March 31, 2024, the Company made payments of \$3.5 million. Subsequent to March 31, 2024 the Company paid the remaining \$14.0 million of the purchase price. The March 2024 Bitmain Purchase Agreement also provides the Company the right, but not the obligation, to purchase up to an additional 6,000 PH (approximately 30,000 miners), pursuant to certain payment timing conditions, by December 31, 2024 for a purchase price of \$96.0 million (“Bitmain Call Option”). Pursuant to the Bitmain Call Option, the Company paid \$9.6 million, calculated as 10% of the purchase price, as consideration for the Bitmain Call Option during the three months ended March 31, 2024 (the “Call Option Fee”). The Call Option Fee shall be applied to the settlement of future down payments of purchases under the Bitmain Call Option, in whole or in part in proportion to the ratio of quantity to be purchased to the maximum PH available under the Bitmain Call Option.

Other Commitments

In February 2022, the Company entered into an agreement with the Power Authority of the State of New York (“NYPA”) for the purchase of up to 90 MW of electric power over a term of ten years. This agreement includes certain Company site investment commitments including employment targets and capital investment targets. The allocation of 90 MW may be reduced by NYPA based on the Company’s actual electricity usage, as defined and periodically measured, if lower than the allocation or if the site investment commitments are not met.

NOTE 13 – CONVERTIBLE PREFERRED STOCK

In March 2022, TeraWulf entered into Series A Convertible Preferred Stock Subscription Agreements (the “Subscription Agreements”) with certain accredited and institutional investors (collectively, the “Holders”). Pursuant to the Subscription Agreements, the Company sold 9,566 shares (of 10,000 shares authorized) of Series A Convertible Preferred Stock, par value \$0.001 per share (the “Convertible Preferred Stock”) to the Purchasers for an aggregate purchase price of \$9.6 million. The Subscription Agreements contain customary representations, warranties, covenants and agreements of the Company. The offer and sale of the Convertible Preferred Stock were made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement.

Holders of the Convertible Preferred Stock will accumulate cumulative dividends at an annual rate of 10.0% on the stated amount per share plus the amount of any accrued and unpaid dividends on such share, accumulating on a daily basis and payable quarterly on March 31st, June 30th, September 30th and December 31st, respectively, in each year and commencing June 30, 2022. Commencing June 30, 2022, unpaid dividends will be accreted to the liquidation preference. The initial liquidation preference is \$1,000 per share. Holders of the Convertible Preferred Stock will also be entitled to such dividends paid to holders of the Company’s Common Stock, if applicable, as if such holders of the Convertible Preferred Stock had converted their Preferred Shares into Common Stock (without regard to any limitations on conversions) and had held such shares of the Company’s Common Stock on the record date for such dividends and distributions. If applicable, such payments will be made concurrently with the dividend or distribution to the holders of the Company’s Common Stock. Upon liquidation, the Convertible Preferred Stock will rank senior to the Company’s Common Stock, and will have the right to be paid, out of the assets of the Company legally available for distribution to its stockholders, an amount equal to the Liquidation Preference (as defined in the Company’s Series A Convertible Preferred Certificate of Designations) per share of the Convertible Preferred Stock. Holders of Convertible Preferred Stock will not generally have the right to vote at any meeting of stockholders, except for certain protective voting rights, as defined. The Convertible Preferred Stock does not have a maturity date.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The Holders of the Convertible Preferred Stock will have a right to effect an optional conversion of all or any whole number of shares of the Convertible Preferred Stock at any time and from time to time. The Company will have a right to effect a mandatory conversion of the Convertible Preferred Stock after the third anniversary of the issuance date if the Last Reported Sale Price (as defined in the Company's Series A Convertible Preferred Certificate of Designations) per share of Common Stock exceeds 130% of the Conversion Price, as defined, on each of at least five (5) trading days (whether or not consecutive) during the fifteen consecutive trading days ending on, and including, the trading day immediately before the mandatory conversion notice date for such mandatory conversion. The number of shares of Common Stock issuable upon conversion will be equal to the liquidation preference, including accumulated and unpaid dividends, divided by the Conversion Price, as defined. The Conversion Price is determined by dividing \$1,000 by the Conversion Rate, as defined, which is initially 100 shares of Common Stock per \$1,000 liquidation preference of Convertible Preferred Stock. The Conversion Rate will be adjusted for certain customary events, including (but not limited to) stock dividends, stock splits or combinations, tender offers or exchange offers and, additionally, for Fundamental Changes, as defined, to include (but are not limited to) a change in control of the Company, disposition of substantially all assets of the Company, the Company's Common Stock holders approve a plan of liquidation or dissolution or the Company's Common Stock cease to be listed on the Nasdaq Capital Market. A Fundamental Change will adjust the Conversion Rate based on the date of the Fundamental Change and the Stock Price, as defined, on such date. The Conversion rate will not exceed 125 shares of Common Stock per \$1,000 liquidation preference of Convertible Preferred Stock. If any Convertible Preferred Stock is to be converted pursuant to a Holder's optional conversion, the Company will have the option to settle such conversion in cash, as defined.

No dividends were paid during the three months ended March 31, 2024 and 2023. Cumulative dividends of \$2.1 million were accumulated and accreted to liquidation preference as of March 31, 2024. As of March 31, 2024, the aggregate liquidation preference of the Convertible Preferred Stock was approximately \$11.7 million. If the entire liquidation preference of the Convertible Preferred Stock was converted at the Conversion Price, the Company would issue approximately 1.2 million shares of Common Stock.

NOTE 14 – COMMON STOCK

On February 23, 2023 (the "Shareholder Approval Date"), the Company held a Special Meeting of Stockholders. Two proposals were approved. The results of the matters submitted to a stockholder vote at the Special Meeting were as follows: (1) the Company's stockholders adopted a charter amendment to increase the number of authorized shares of the Company's common stock, par value \$0.001 per share, from 200,000,000 to 400,000,000 and increase the number of authorized shares of the Company's preferred stock, par value \$0.001 per share, from 25,000,000 to 100,000,000 and (2) the Company's stockholders adopted a charter amendment to remove the restriction on stockholder action by written consent.

TeraWulf's Certificate of Incorporation as of March 31, 2024 provides for authorized shares of 500,000,000, divided into (a) 400,000,000 shares of Common Stock, with par value of \$0.001 per share and (b) 100,000,000 shares of Preferred Stock, with par value of \$0.001 per share. Each holder of a share of Common Stock shall be entitled to one vote of each common share held. Each holder of a share of Preferred Stock shall not be entitled to any voting powers, except as provided in an applicable Certificate of Designations. The board of directors may authorize one or more series of Preferred Stock and may fix the number of shares in such series and the designation, powers, preferences, rights, qualifications, limitations and restrictions in respect of the shares of such series. One series of preferred stock, the Convertible Preferred Stock, was authorized as of March 31, 2024.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

In April 2022, the Company entered into a sales agreement (the “ATM Sales Agreement”) with Cantor Fitzgerald & Co., B. Riley Securities, Inc. and D.A. Davidson & Co. (“D.A. Davidson”), pursuant to which the Company may offer and sell, from time to time, through or to the agents thereunder, shares of the Company’s Common Stock, par value \$0.001 per share, having an aggregate offering price of up to \$200.0 million (the “ATM Program”). The ATM Sales Agreement replaced a similar agreement with B. Riley Securities, Inc. and D.A. Davidson. Following the Company’s and D.A. Davidson’s agreement to terminate the ATM Sales Agreement with respect to D.A. Davidson effective August 7, 2023, the ATM Sales Agreement was further amended on August 11, 2023, adding Northland Securities, Inc. and Compass Point Research & Trading, LLC as agents (all four agents, collectively, the “ATM Agents”). The Company is not obligated to sell any shares under the ATM Program. The Company will pay the ATM Agents a commission equal to 3.0% of the gross sales price from each sale of shares. The issuance and sale of the Shares by the Company under the ATM Program are made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement, including a final prospectus supplement dated April 26, 2022. During the three months ended March 31, 2024, the Company sold pursuant to the ATM Program 23,268,600 shares of Common Stock for net proceeds of \$50.7 million. During the three months ended March 31, 2023, the Company did not sell any shares of Common Stock pursuant to the ATM Program. As of March 31, 2024, the remaining capacity of the ATM Program to offer and sell shares of Common Stock is \$28.9 million.

In October 2022, the Company entered into unit subscription agreements with certain accredited investors in privately negotiated transactions (collectively, the “October Purchasers”) as part of a private placement (the “October Private Placement”) exempt from registration under the Securities Act of 1933, as amended. Pursuant to the Unit Subscription Agreements, the Company sold 7,481,747 units, each consisting of one share of the Common Stock and one warrant (the “October Warrants”), exercisable at a price of \$1.93 per Common Share, to the October Purchasers for an aggregate purchase price of approximately \$9.4 million based on an offering price equal to the trailing 10-day volume weighted price of \$1.26 for each Common Share plus one warrant. Approximately \$3.5 million of the aggregate purchase price related to investments by entities controlled by members of Company management. In connection with the Unit Subscription Agreements, the Company and the October Purchasers entered into a Registration Rights Agreement, pursuant to which the Company agreed to provide customary shelf and piggyback registration rights to the October Purchasers with respect to the shares of Common Stock underlying the October Warrants. The Company allocated the proceeds between the Common Stock and the October Warrants based on the relative fair values of the financial instruments, with \$5.1 million allocated to the Common Stock and \$4.3 million allocated to the October Warrants. In January 2023, certain of these investors agreed to amend the terms of their October Warrants such that their warrants would become exercisable only after the Shareholder Approval Date.

In December 2022, the Company entered into subscription agreements or unit subscription agreements with certain accredited and institutional investors in privately negotiated transactions (the “December Purchasers”) as part of a private placement (the “December Private Placement”) exempt from registration under the Securities Act of 1933, as amended. Pursuant to these agreements, the Company issued for an aggregate purchase price of \$6.7 million (i) 16,850,000 shares of Common Stock at a purchase price of \$0.40 per share of Common Stock and (ii) 11,250,000 warrants (the “December Warrants”) exercisable for 8,750,000 shares of Common Stock, at an exercise price equal to \$0.40 per share of Common Stock. The December Warrants became exercisable on January 16, 2023 and expired on January 31, 2023. In connection with the issuance of the December Warrants, the Company and the December Purchasers entered into a Registration Rights Agreement, pursuant to which the Company agreed to provide customary shelf and piggyback registration rights to the December Purchasers with respect to the shares of Common Stock underlying the December Warrants. The Company allocated the proceeds between the Common Stock and the December Warrants based on the relative fair values of the financial instruments, with \$5.4 million allocated to the Common Stock and \$1.3 million allocated to the December Warrants. In January 2023, 50% of the December Warrants were exercised for proceeds of \$1.8 million while the remaining 50% of the December Warrants expired. In January 2023, the Company entered into additional subscription agreements with certain December Purchasers pursuant to which such December Purchasers purchased from the Company shares of Common Stock, at a purchase price of \$0.40 per share of Common Stock, in private placement transactions exempt from registration under Section 4(a)(2) and/or Regulation D under the Securities Act for an aggregate purchase price of \$1.8 million (the “January Private Placement”). The January Private Placement effectively replaced the then 50% unexercised December Warrants at the same purchase price of \$0.40 per share of Common Stock. The closing of the January Private Placement was subject to certain conditions, including the completion of a \$30 million equity capital raise by the Company, which may have been unilaterally waived by the December Purchasers, and the receipt of shareholder approval of an increase to issued and unauthorized shares of Common Stock. Pursuant to these Common Stock subscription agreements, the Company agreed to provide customary registration rights to the certain December Purchasers. These Common Stock subscription agreements contain customary representations, warranties, covenants and are subject to customary closing conditions and termination rights. The funds pursuant to the additional subscription agreements were received during the three months ended March 31, 2023 and the shares of Common Stock were issued in April 2023.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In January 2023, the Company entered into (a) subscription agreements (the “Warrant Subscription Agreements”) with certain accredited investor entities controlled by members of Company management (the “Warrant Investors”) pursuant to which such Warrant Investors purchased from the Company 2,380,952 warrants, each exercisable to purchase one share of the Company’s Common Stock at an exercise price of \$0.00001 per share of Common Stock (the “January 2023 Warrants”), in private placement transactions exempt from registration under Section 4(a)(2) and/or Regulation D under the Securities Act for an aggregate purchase price of \$2.5 million, based on a price per share of Common Stock of \$1.05 for a total of 2,380,952 shares of Common Stock and (b) warrant agreements (the “Warrant Agreements”) with such Warrant Investors. The Warrant Agreements governed the terms and conditions of the January 2023 Warrants, which were exercisable beginning on the first business day following the date on which shareholder approval of an increase in the Company’s authorized Common Stock was obtained, which occurred on the Shareholder Approval Date, and would have expired on December 31, 2023. The Warrant Investors are entitled to customary registration rights with respect to the shares of common stock issuable upon exercise of the Warrant Subscription Agreements. The January 2023 Warrants were exercised and 2,380,952 shares of Common Stock were issued in April 2023.

In January 2023, the Company entered into an exchange agreement (the “Exchange Agreement”) with an entity controlled by a member of management (the “Exchanging Shareholder”). Pursuant to the Exchange Agreement, the Exchanging Shareholder exchanged a total of 12,000,000 shares of Common Stock for 12,000,000 new warrants issued by the Company (the “New Exchange Warrants”) in a private exchange exempt from registration under Section 4(a)(2) and/or Regulation D under the Securities Act. The reacquired shares of Common Stock were not retired. The New Exchange Warrants were exercisable at a strike price of \$0.0001 per share beginning on the first business day following the date on which shareholder approval of an increase in the Company’s authorized Common Stock was obtained, which occurred on the Shareholder Approval Date, and would have expired on December 31, 2023. The Exchanging Shareholder is entitled to customary registration rights with respect to the shares of common stock issuable upon exercise of the New Exchange Warrants. The Exchange Agreement contains customary representations, warranties, covenants and is subject to customary closing conditions and termination rights. The New Exchange Warrants were exercised and 12,000,000 shares of Common Stock were issued in April 2023.

In February 2023, the Company commenced an underwritten public offering of 36,764,706 shares of Common Stock at \$0.68 per share (the “Offering”). JonesTrading Institutional Services LLC, as representative of the several underwriters (the “Underwriters”) and pursuant to an underwriting agreement (the “Underwriting Agreement”), acted as book-running manager for the Offering. The Underwriting Agreement includes customary representations, warranties and covenants by the Company and customary conditions to closing, obligations of the parties and termination provisions. Additionally, under the terms of the Underwriting Agreement, the Company agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the Underwriters may be required to make in respect of these liabilities. Pursuant to the Underwriting Agreement, the Company granted the Underwriters a 30-day over-allotment option to purchase up to an additional 5,514,705 shares of its Common Stock, of which the Underwriters elected to purchase 4,000,000 of the over-allotment prior to the close of the Offering. The Offering closed on March 1, 2023 and the Company issued 40,764,706 shares of Common Stock and received net proceeds under the Offering of \$26.6 million. The Common Stock was issued pursuant to the Company’s effective Registration Statement on Form S-3 (File No. 333-262226).

In February 2023, the Company entered into subscription agreements with certain accredited investors (the “February Common Stock Investors”), pursuant to which the February Common Stock Investors purchased 1,386,467 shares of Common Stock at a purchase price of \$0.68 per share for net proceeds to the Company of \$0.9 million. The purchase funds were received during the three months ended March 31, 2023 and the shares of Common Stock were issued in April 2023. The private placement transaction was exempt from registration under Section 4(a)(2) and/or Regulation D under the Securities Act.

During the three months ended March 31, 2023, 342,326 warrants issued in connection with the LGSA were exercised for issuance of the same number of shares of Common Stock for aggregate proceeds to the Company of \$3,000. For the three months ended March 31, 2024, no such warrant exercises occurred.

No dividends were declared during the three months ended March 31, 2024 and 2023.

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
NOTE 15 – STOCK-BASED COMPENSATION

In May 2021, the Company made effective the 2021 Omnibus Incentive Plan (the “Plan”) for purpose of attracting and retaining employees, consultants and directors of the Company and its affiliates by providing each the opportunity to acquire an equity interest in the Company or other incentive compensation in order to align the interests of such individuals with those of the Company’s stockholders. The Plan provides for a maximum number of shares to be issued, limitations of shares to be delivered for incentive stock options and a maximum compensation amount for any non-employee member of the board of directors, among other provisions. The form of grants under the Plan includes stock options, stock appreciation rights, restricted stock and RSUs. Additionally, during the three months ended March 31, 2024 the Company issued 39,064 shares of Common Stock to Board of Director members for payment of quarterly fees in lieu of cash payments. For the three months ended March 31, 2024 and 2023, stock-based compensation expense was \$6.9 million and \$0.9 million, respectively.

The following table summarizes the activities for unvested Company RSUs granted to employees and Board of Directors members during the three months ended March 31, 2024:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2023	3,952,749	\$ 1.26
Granted	7,100,000	\$ 1.78
Vested	(1,303,334)	\$ 0.65
Forfeited/canceled	—	\$ -
Unvested as of March 31, 2024	<u>9,749,415</u>	<u>\$ 1.72</u>

RSUs granted as set out in the table above include RSUs representing 4,197,000 shares with vesting based on market conditions tied to the Company’s stock price (the “PSUs”). The PSUs are subject to performance-based vesting conditions measured over a three-year performance period and vest based on the Company’s achievement of certain stock price hurdles by certain determination dates, subject to the respective employee’s continued service through the applicable determination date. The stock price hurdle represents the average closing price of the Company’s Common Stock on Nasdaq during the 45 trading days immediately preceding the applicable determination date. Any unvested PSUs will be forfeited if the performance targets are not achieved within three years of the grant date. The requisite service period for RSUs is between one and three years. As of March 31, 2024, there was \$9.1 million of unrecognized compensation cost related to unvested RSUs and PSUs granted to employees and Board of Directors members. The amount is expected to be recognized over a weighted average period of 0.4 years.

The following table summarizes the activities for unvested Company RSUs granted to non-employees, excluding Board of Directors members, during the three months ended March 31, 2024:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2023	2,389,392	\$ 0.79
Granted	300,000	\$ 2.49
Vested	(848,112)	\$ 0.85
Forfeited/canceled	—	\$ -
Unvested as of March 31, 2024	<u>1,841,280</u>	<u>\$ 1.05</u>

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

The requisite service period for grants, including derived service periods for RSUs with market conditions, is generally between one and three years. As of March 31, 2024, there was \$1.6 million of unrecognized compensation cost related to unvested non-employee, excluding Board of Director members, RSUs. The amount is expected to be recognized over a weighted average period of 1.2 years.

NOTE 16 – RELATED PARTY TRANSACTIONS

In April 2021, the Company entered into an Administrative and Infrastructure Services Agreement (the “Services Agreement”) with Beowulf Electricity & Data Inc. (“Beowulf E&D”), a related party due to control by a member of Company management. Under the Services Agreement, Beowulf E&D will provide, or cause its affiliates to provide, to TeraWulf certain services necessary to construct and operate certain bitcoin mining facilities developed or anticipated to be developed by the Company and support the Company’s ongoing business, including, among others, services related to construction, technical and engineering, operations and maintenance, procurement, information technology, finance and accounting, human resources, legal, risk management and external affairs consultation. The Services Agreement has an initial term of five years and provides for certain fixed, passthrough and incentive payments to Beowulf E&D, including issuing to certain designated employees of Beowulf E&D awards with respect to shares of TeraWulf Common Stock upon the consummation of an initial public offering of TeraWulf or the consummation of a merger following which TeraWulf is listed on a nationally recognized securities exchange and, thereafter, upon achievement of certain milestones regarding bitcoin mining capacity deployed at the bitcoin mining facilities. For the base fee, the Company originally agreed to pay Beowulf E&D in monthly installments an annual fee for the first year in the amount of \$7.0 million and, thereafter, an annual fee equal to the greater of \$10.0 million or \$0.0037 per kilowatt hour of electric load utilized by the bitcoin mining facilities. In March 2023, TeraWulf and Beowulf E&D entered into an Amendment No. 1 to the Services Agreement, pursuant to which TeraWulf agreed to pay Beowulf E&D, effective as of January 1, 2023, a reduced annual base fee equal to \$8.5 million payable in monthly installments, until all obligations under the Company’s LGSA, as amended and restated from time to time, are either indefeasibly repaid in full or refinanced. The Services Agreement also provides for reimbursement of cost and expenses incurred in connection with providing the services. For the three months ended March 31, 2024 and 2023, the Company paid Beowulf E&D \$3.4 million and \$3.2 million, respectively, under the Services Agreement, including payments related to construction agreements with contractors at the Lake Mariner Facility. For the three months ended March 31, 2024 and 2023, selling, general and administrative expenses – related party in the consolidated statements of operations includes \$2.6 million and \$2.9 million, respectively, and operating expenses – related party in the consolidated statements of operations includes \$0.6 million and \$0.3 million, respectively, in each case related to the base fee and reimbursement of costs and expenses. As of March 31, 2024, \$0.7 million is included in prepaid expenses, \$1.0 million is included in other amounts due to related parties and \$0.2 million is included in property, plant and equipment, net in the consolidated balance sheet. As of December 31, 2023, \$0.7 million is included in prepaid expenses, \$1.0 million is included in amounts due to related parties and \$6.6 million is included in property, plant and equipment, net in the consolidated balance sheet.

The Services Agreement also provides for performance-related milestones and related incentive compensation. In connection with the listing of its Common Stock on a nationally recognized stock exchange in December 2021, pursuant to the Services Agreement, the Company agreed to issue awards valued at \$12.5 million with respect to shares of its Common Stock to certain designated employees of Beowulf E&D in accordance with TeraWulf’s then effective Plan. Additionally, once the mining facilities have utilized 100 MW of cryptocurrency mining load in the aggregate, and for every incremental 100 MW of cryptocurrency mining load deployed thereafter, TeraWulf agreed to issue additional awards of shares of TeraWulf Common Stock each in the amount of \$2.5 million to certain designated employees of Beowulf E&D in accordance with TeraWulf’s then effective Plan. The first performance milestone of 100 MW of mining load deployed by the mining facilities was met in April 2023 and the Company recorded performance milestone expense related to this milestone of \$0.3 million included in selling, general and administrative expense – related party in the consolidated statement of operations for the three months ended March 31, 2023. The Company recorded no performance milestone expense for the three months ended March 31, 2024. In September 2023, the Company considered it probable that the second performance milestone of incremental 100 MW of mining load deployed by the mining facilities would be met by December 2023. Accordingly, the Company recognized \$2.5 million in share based liabilities due to related party in the consolidated balance sheet as of December 31, 2023. During the three months ended March 31, 2024, the Company issued 1,083,189 shares of the Company’s Common Stock with a fair value of \$2.5 million to settle the share based liabilities due to related party.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 17 – SUBSEQUENT EVENTS

In April 2024, 25,191,155 Penny Warrants and 449,543 Dollar Warrants were exercised for 25,640,698 shares of Common Stock and net proceeds of \$0.7 million.

On April 8, 2024, the Company repaid \$30.2 million of the outstanding principal balance of the Term Loans in accordance with the excess cash flow sweep provision of the Fifth Amendment to the LGSA for the quarter ended March 31, 2024.

On April 16, 2024, the Company held its 2024 Annual Meeting of Stockholders (the “2024 Annual Meeting”). As a result of the matters submitted to a stockholder vote at the 2024 Annual Meeting, the Company's stockholders adopted a charter amendment increasing the number of authorized shares of the Company's Common Stock from 400,000,000 to 600,000,000.

Subsequent to March 31, 2024 and through to May 13, 2024, the Company sold, pursuant to the ATM Program, 4,508,896 shares of Common Stock for net proceeds of \$10.8 million.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with a review of the other Items included in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. All figures presented below represent results from continuing operations, unless otherwise specified. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the consolidated financial statements. Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to the “Company,” “TeraWulf,” “we,” “us” or “our” refers to TeraWulf Inc. and its consolidated subsidiaries, unless otherwise indicated. Certain statements contained in this Management’s Discussion and Analysis of Financial Condition and Results of Operations may be deemed to be forward-looking statements. See “Forward-Looking Statements.”

Overview

We are a leading digital asset technology firm that specializes in digital infrastructure and sustainable energy development. Our primary focus is supporting environmentally conscious bitcoin mining operations by developing and operating state-of-the-art facilities within the United States. Our bitcoin mining facilities are powered by clean, affordable, and reliable energy sources, underscoring our commitment to sustainable practices within the cryptocurrency mining industry. In 2024, the Company established WULF Compute as its internal innovation center, with a specific focus on the research, development, and deployment of its expansive and scalable digital infrastructure intended to support a broader high-performance computing (“HPC”) initiative, strategically aimed at diversifying the Company’s revenue streams. Given the increasing demand from high density compute loads, the Company’s assets are well positioned to supply energy infrastructure with low cost, zero-carbon power.

Revenue Structure

Our primary source of revenue stems from the mining of bitcoin conducted at our sustainable mining facility site. Additionally, we occasionally generate revenue through the provision of miner hosting services to third-party entities. We exclusively engage in bitcoin mining for our own purposes and do not facilitate bitcoin transactions for external parties.

Our industrial-scale bitcoin mining operations are strategically designed to optimize efficiency. This involves continuously expanding our hashrate, which represents the computational power dedicated to supporting the bitcoin blockchain. By doing so, we enhance our chances of successfully solving cryptographic hashes, thereby generating new blocks on the bitcoin blockchain—a process commonly known as “solving a block.” Typically, a miner’s likelihood of solving a block and earning the block reward is directly linked to the proportion of the bitcoin blockchain’s total network hashrate that its hashrate represents.

In addition to block rewards, bitcoin miners also earn transaction fees for confirming transactions. By validating unconfirmed transactions and incorporating them into new blocks within the blockchain, miners collect these fees. While miners are not obliged to confirm specific transactions, economic incentives drive them to validate legitimate transactions to earn fees. Historically, miners have accepted relatively low transaction fees, but these fees can vary, making future fee predictions challenging.

Presently, we liquidate the bitcoin mined as part of our routine treasury management processes to acquire U.S. dollars for operational, capital, or other corporate expenses. Our bitcoin holdings are securely stored in a cold storage wallet managed by our custodian, NYDIG Trust Company LLC, a duly chartered New York limited liability trust company (“NYDIG”).

For our bitcoin mining operations, we utilize a third-party mining pool operated by Foundry Digital LLC (“Foundry”). At the close of each day, the bitcoin we have earned is transferred by Foundry to our custodial wallet address at NYDIG. We abstain from engaging in the direct sale of our bitcoin on any exchange. Instead, we rely on NYDIG to handle the sale of our mined bitcoin in accordance with our execution agreement with NYDIG, as detailed further in the “Risk Factors” section herein. Our bitcoin sales occur on a daily and weekly basis.

Bitcoin and Blockchain

Bitcoin, introduced in 2008, fundamentally transformed the landscape of digital currency by providing a decentralized mechanism for exchanging and preserving value. It operates on a consensus-based network, utilizing a public ledger termed as the “blockchain” to meticulously record every bitcoin transaction. TeraWulf’s fully integrated bitcoin mining facilities capitalize on zero-carbon energy sources, primarily sourced from baseload nuclear and hydroelectric power.

Bitcoin mining involves validating transactions through a proof-of-work consensus method, where miners solve complex mathematical problems to add transactions to the blockchain. TeraWulf invests in computation networks (mining rigs) equipped with application-specific integrated circuit (“ASIC”) chips and secures power to validate transactions and maintain the bitcoin ledger. Factors such as computing capacity, electricity costs, and location play pivotal roles in mining operations.

Bitcoin Reward Halving

On April 20, 2024, the bitcoin rewards issued for each block solved dropped from 6.25 to 3.125, effectively reducing the non-cash consideration received from bitcoin mining by 50% (excluding transactions fee rewards).

Our Facilities

TeraWulf currently conducts its bitcoin mining operations at two established data centers: the Lake Mariner Facility in upstate New York (the “Lake Mariner Facility”) and the jointly owned Nautilus facility located in central Pennsylvania (the “Nautilus Cryptomine Facility”). As of March 31, 2024, 95% of TeraWulf’s mining operations were fueled by zero-carbon energy, reflecting our dedication to sustainability. The Company’s ongoing objective is to achieve complete reliance on zero-carbon energy sources.

As of March 31, 2024, these two industrial scale projects had a combined operating capacity of 8.0 EH/s with approximately 66,900 miners deployed, comprised of 51,100 operational miners at the Lake Mariner Facility and 15,800 self-miners at the Nautilus Cryptomine Facility. As of the date of this Quarterly Report, the Company has a total operational capacity of 210 megawatts (“MW”) and is currently constructing an additional 35 MW at its Lake Mariner Facility, which is expected to be operational in mid-2024.

The Lake Mariner Facility

Located at a site adjacent to the now decommissioned coal-fired power plant in Barker, New York, the Lake Mariner Facility began sustainably mining bitcoin in March 2022. As of the date of this Quarterly Report, the Lake Mariner Facility is operating approximately 160 MW of bitcoin mining capacity and the Company has an agreement in place with the Power Authority of the State of New York (“NYPA”) for 90 MW of high load factor power to support its bitcoin mining operations (the “PPA”). The PPA was executed in February 2022 and has a term of ten years from the date of commencement of NYPA’s power delivery. The Lake Mariner Facility is situated on an expansive site on the shores of Lake Ontario and has the ability to scale up to 500 MW of capacity.

As of March 31, 2024, we own approximately 51,100 miners of which approximately 47,200 are operational at the Lake Mariner Facility with the remainder undergoing maintenance, awaiting disposal or on standby to replace miners under repair. These miners were comprised as follows:

Vendor and Model	Number of miners
Bitmain S19 Pro	6,700
Bitmain S19 XP	6,300
Bitmain S19j Pro	11,800
Bitmain S19j XP	19,400
Bitmain S19k Pro	1,600
MinerVA MV7	4,100
Whatsminer M30S+	1,200
	<u>51,100</u>

As of March 31, 2024, our fleet of miners ranged in age from 0.1 to 1.8 years with an average age of approximately 0.7 years. We do not have scheduled downtime for our miners; however, while we periodically perform unscheduled maintenance on our miners, such downtime has not been significant historically. When performing unscheduled maintenance, depending on the length of estimated repair time, we may replace a miner with a substitute miner to limit overall downtime. As of March 31, 2024, our fleet of miners at the Lake Mariner Facility had a range of energy efficiency from 22 to 39 joules per terahash (“j/th”) and has an average energy efficiency of 25.2 j/th.

The Nautilus Cryptomine Facility

Located in Berwick, Pennsylvania, Nautilus Cryptomine LLC (“Nautilus”) is a joint venture between TeraWulf and a subsidiary of Talen Energy Corporation (“Talen”). Nautilus currently owns a 200 MW bitcoin mining facility located adjacent to the 2.5 gigawatt nuclear-powered Susquehanna Station. The Nautilus Cryptomine Facility represents the first bitcoin mining facility site that is powered by 100% “behind the meter” zero-carbon nuclear energy, which is contracted at a fixed rate of 2.0 cents per kilowatt hour (“kWh”) for a term of five years with two successive three-year renewal options. Under the Nautilus joint venture agreement, the Company holds a 25% equity interest in Nautilus and Talen holds a 75% equity interest, each subject to adjustment based on relative capital contributions. TeraWulf began mining bitcoin at the Nautilus Cryptomine Facility in the first quarter of 2023 and, as of March 31, 2024, had an allotted 50 MW of operational bitcoin mining capacity at the Nautilus Cryptomine Facility. Furthermore, TeraWulf plans to expand mining capacity at the Nautilus Cryptomine Facility by another 50 MW in 2025, solidifying its position for scalable growth. Accordingly, in February 2024, the Company exercised its option to increase its energy requirement at the Nautilus Cryptomine Facility by an incremental 50 MW at its own cost (for a total of 100 MW of bitcoin mining capacity attributable to TeraWulf). As of the date of this Quarterly Report, no additional capital calls for expansion have been made and no additional energy supply has been procured.

As of March 31, 2024, approximately 48,000 miners have been deployed at the Nautilus Cryptomine Facility of which 46,000 are operational with the remainder undergoing maintenance or on standby to replace miners under repair. Approximately 15,800 of the deployed miners are attributed to TeraWulf’s contributions to Nautilus in order to utilize TeraWulf’s allotted 50 MW of bitcoin mining capacity. These miners are comprised as follows:

Vendor and Model	Number of miners
Bitmain S19 Pro	6,300
Bitmain S19 XP	7,100
Bitmain S19j Pro	2,400
	<u>15,800</u>

As of March 31, 2024, these miners ranged in age from 1.0 to 1.1 years with an average age of approximately 1.0 year. Nautilus does not have scheduled downtime for our miners; however, while Nautilus periodically performs unscheduled maintenance on miners, such downtime has not been significant historically. When performing unscheduled maintenance, depending on the length of estimated repair time, Nautilus may replace a miner with a substitute miner to limit overall downtime. As of March 31, 2024, these miners had a range of energy efficiency from 22 to 30 j/th and an average energy efficiency of 25.5 j/th. While the Company holds a 25% equity interest in Nautilus, the distributions of mined bitcoin are determined by each of TeraWulf’s and Talen’s respective hashrate contributions. Accordingly, the Company has contributed approximately 1.9 EH/s of a total 5.2 EH/s of miners which results in an approximate 35.7% of the hashrate share attributed to the Company.

Combined Facilities

As described above, there are a variety of factors that influence our ability to mine bitcoin profitably, including bitcoin’s value in USD, mining difficulty global hashrate, power prices, fleet energy efficiency, data center energy efficiency and other factors. The energy efficiency of a mining fleet helps drive profitability, because the most significant direct expense for bitcoin mining is power. We believe we operate a highly efficient fleet of miners. The Company uses the following metrics as indicators of operational progress and effectiveness and believes they are useful to investors for the same purposes and to provide comparisons to peer companies.

The table below presents our miner efficiency and computing power as compared to the global computing power as of March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Combined facilities¹		
Global hashrate (EH/s) ²	566.0	335.3
Miner efficiency (j/th) ³	25.4	24.1
TeraWulf combined average operating hashrate (EH/s) ⁴	8.0	2.8
TeraWulf % of global hashrate	1.4 %	0.8 %

1 Results reflect hashrate of mining operations at the Lake Mariner Facility and TeraWulf's net share of hashrate produced at the Nautilus Cryptomine Facility.

2 Total global hashrate obtained from YCHARTS (https://ycharts.com/indicators/bitcoin_network_hash_rate)

3 Joules of energy required to produce each terahash of processing power

4 While nameplate inventory for TeraWulf's two facilities is 8.0 EH/s, inclusive of gross total hosted miners, actual monthly hashrate performance depends on a variety of factors, including (but not limited to) performance tuning to increase efficiency and maximize margin, scheduled outages (scopes to improve reliability or performance), unscheduled outages, curtailment due to participation in various cash generating demand response programs, derate of ASICs due to adverse weather and ASIC maintenance and repair.

As of March 31, 2024 our operating hashrate was approximately 1.4% of the total global hashrate, and we received approximately the same percentage of the global blockchain rewards, which as of that date, equaled approximately 10 to 13 bitcoin per day. Ultimately, in order to mine profitably, we work to ensure that these mining rewards cover our direct operating costs.

The table below presents the average cost of mining each bitcoin, including bitcoin mined at the Lake Mariner Facility and the Company's net share of bitcoin mined at the Nautilus Cryptomine Facility, for the three months ended March 31, 2024 and 2023 and the total energy cost per kWh utilized within the facilities:

Cost of mining - Analysis of costs to mine one bitcoin

	Three Months Ended March 31,	
	2024	2023
Cost of mining - Lake Mariner Facility and net share of the Nautilus Cryptomine Facility		
Cost of energy per bitcoin mined	\$ 15,501	\$ 7,842
Other direct costs of mining - non energy utilities per bitcoin mined	\$ 27	\$ 56
Cost to mine one bitcoin ⁽¹⁾	\$ 15,529	\$ 7,897
Value of each bitcoin mined ⁽²⁾	\$ 53,750	\$ 23,077
Cost to mine one bitcoin as % of value of bitcoin mined	28.9 %	34.2 %

Statistics

Lake Mariner Facility and net share of the Nautilus Cryptomine Facility

Total bitcoin mined ⁽³⁾	1,051	514
Total value of bitcoin mined ⁽²⁾ (\$ in thousands)	\$ 56,491	\$ 11,873
Total kWhs utilized	393,410,672	103,563,770
Total energy expense, net of expected demand response proceeds ⁽⁴⁾ (\$ in thousands)	\$ 16,292	\$ 4,034
Cost per kWh	\$ 0.041	\$ 0.039
Energy expense, net as % of value of bitcoin mined	28.8 %	34.0 %
Other direct costs of mining (\$ in thousands)	\$ 29	\$ 29

(1) "Cost to mine one bitcoin" is a cash cost metric and does not include depreciation. Although the Company recognizes depreciation with respect to its mining assets, it does not consider depreciation in determining whether it is economical to operate its mining equipment. As a result, the Company does not consider the sunk costs or depreciation of past capital investments in its historical or forecasted breakeven analysis. If depreciation of our miner fleet were factored into the above cost of mining analysis, it would add \$15,092 and \$10,349 per bitcoin mined for the three months ended March 31, 2024 and 2023, respectively, bringing the total "cost to mine one bitcoin" to \$30,621 and \$18,246 for the three months ended March 31, 2024 and 2023, respectively.

(2) Computed as the weighted-average opening price of bitcoin on each respective day the mined bitcoin is earned. Excludes bitcoin earned from profit sharing associated with a hosting agreement that expired in February 2024 at the Lake Mariner Facility.

(3) Excludes bitcoin earned from profit sharing associated with a hosting agreement that expired in February 2024 at the Lake Mariner Facility of 6 and 20 bitcoin for the three months ended March 31, 2024 and 2023, respectively, and includes TeraWulf's net share of bitcoin mined at the Nautilus Cryptomine Facility, based on the hashrate share attributed to the Company.

- (4) Excludes energy expenses associated with a hosting agreement that expired in February 2024 at the Lake Mariner Facility and includes TeraWulf's net share of energy expense at the Nautilus Cryptomine Facility, based on aggregate nameplate power consumption of deployed miners attributed to TeraWulf's contribution to Nautilus.

Power prices are the most significant cost driver for our bitcoin mining operations, and energy costs represented 28.8% and 34.0% as expressed as a percentage of bitcoin mining during the three months ended March 31, 2024 and 2023, respectively.

Energy prices can be highly volatile and global events (including the war in Ukraine and the resulting natural gas shortage) have caused power prices to increase nationwide over the past year. Our wholly-owned Lake Mariner Facility in New York is subject to variable prices and market rate fluctuations with respect to wholesale power costs. Such prices are governed by market power prices and said prices can change hour to hour. While this renders energy prices less predictable, it also gives us greater ability and flexibility to actively manage the energy we consume with an eye towards increasing profitability and energy efficiency. Energy prices are also highly sensitive to weather events, such as winter storms and polar vortices, which increase the demand for power regionally. When such events occur, we may curtail our operations to avoid using power at increased rates or we may be curtailed under demand response programs in which we participate. The average power prices incurred at the Lake Mariner Facility and the Nautilus Cryptomine Facility during each of the three months ended March 31, 2024 and 2023 was \$0.041 and \$0.039 per kilowatt hour, respectively.

The management team makes real-time determinations on the need and timing during which we should curtail. If not otherwise curtailed under demand response programs, we curtail when power prices exceed the value we would receive for the corresponding fixed bitcoin reward. This means if bitcoin's value decrease or energy prices increase, our curtailment will increase; likewise, when bitcoin's value increases and energy prices decrease, our curtailment will decrease. The management team manages this decision on an hour-by-hour basis.

During the three months ended March 31, 2024 and 2023, the Company curtailed operations at the Lake Mariner Facility due to weather events, energy price spikes, and demand response program participation. The Company records expected payments to be received for demand response programs as a reduction in cost of revenue, which amounted to \$1.2 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively.

The Company has purchased all miners with cash and has not used limited recourse equipment financing to complete its miner purchases. The Company has raised capital through both the issuance of equity and corporate level debt. These funds have been utilized to support operations, invest in our joint ventures, and purchase miners and other fixed assets. Costs related to such issuances are not included in this analysis. Additionally, miner acquisition costs, or capital expenditures, are not factored into the above cost of mining analysis as capital expenditures do not impact the marginal cost of production of one bitcoin. Miner acquisition costs, or capital expenditures, are generally recorded at cost in property, plant and equipment in the consolidated balance sheets. Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the equipment: generally 4 years for miners and 5 years for computer equipment. Additionally, during the three months ended March 31, 2024, the Company recorded accelerated depreciation expense of \$3.8 million related to certain miners of which the Company shortened their estimated useful lives based on expected replacement by April 30, 2024. While we currently depreciate our miners over a 4-year period, given our historical low cost of power (\$0.041 and \$0.039 per kilowatt-hour for the three months ended March 31, 2024 and 2023, respectively), it is possible the average actual useful life of our miners may exceed the depreciation period in certain circumstances. Nevertheless, if depreciation of our miner fleet were factored into the above cost of mining analysis, it would add \$15,092 and \$10,349 per bitcoin mined in the three months ended March 31, 2024 and 2023, respectively.

The estimation of asset useful lives requires management judgement, including consideration of historical operating data, which is limited in the industrial-scale bitcoin mining space given the advent of next-generation mining rigs primarily used by the Company's bitcoin mining operations. Depreciation periods can be adjusted periodically if an event, regulatory action, or change in retirement patterns indicates an update is necessary. Additionally, management considers expected future energy market prices and conditions, operating costs, maintenance practices and capital investment requirements in determining the estimated useful lives of our equipment and reassesses the reasonableness of estimated useful lives whenever events or changes in circumstances warrant. When a determination has been made that an asset will be retired or extended before or after the end of its current estimated useful life, depreciation provisions will be accelerated or extended to reflect the shortened or lengthened estimated useful life, which could have a material unfavorable or favorable impact on future results of operations.

Recent Developments

On April 8, 2024, the Company repaid \$30.2 million of the outstanding principal balance of the term loans in accordance with the excess cash flow sweep provision of the Fifth Amendment to its Loan, Guaranty and Security Agreement, dated as of March 1, 2023 (the “LGSA”), for the quarter ended March 31, 2024.

On April 16, 2024, the Company held its 2024 Annual Meeting of Stockholders (the “2024 Annual Meeting”). As a result of the matters submitted to a stockholder vote at the 2024 Annual Meeting, the Company’s stockholders adopted a charter amendment increasing the number of authorized shares of the Company’s common stock (the “Common Stock”) from 400,000,000 to 600,000,000.

The Business Combination

TeraWulf completed its business combination with IKONICS Corporation (“IKONICS”) on December 13, 2021 pursuant to which, among other things, the Company effectively acquired IKONICS and became a publicly traded company on the Nasdaq, which was the primary purpose of the business combination. The consideration in the Merger included, among other things, contractual contingent value rights (“CVR”) per a Contingent Value Rights Agreement (the “CVR Agreement”) pursuant to which each shareholder of IKONICS as of immediately prior to the Merger, received one non-transferable CVR for each outstanding share of common stock of IKONICS then held. The holders of the CVRs were entitled to receive 95% of the Net Proceeds (as defined in the CVR Agreement), if any, from the sale, transfer, disposition, spin-off, or license of all or any part of the pre-merger business of IKONICS. Payments under the CVR Agreement were calculated quarterly, paid on the sixtieth day after the respective quarterly calculation period and were subject to a reserve of up to 10% of the Gross Proceeds (as defined in the CVR Agreement) from such transaction or more under certain conditions. The CVRs did not confer to their holders thereof any voting or equity or ownership interest in TeraWulf, were not transferable, except in limited circumstances, and were not listed on any quotation system or traded on any securities exchange. During the three months ended March 31, 2023, the Company made payments of the CVR liability related to proceeds from sales of net assets held for sale of \$3.9 million. Additionally, the Company made payments of the CVR liability of \$5.7 million and \$1.4 million in May and November 2023, respectively, such that as of December 31, 2023, the Company had made all of the aggregate required distributions of \$11.0 million of proceeds to the CVR Holders and the CVR Agreement was deemed terminated.

Results of Operations

The Company generates revenue in the form of bitcoin by providing hash computation services to a mining pool operator to mine bitcoin and validate transactions on the global Bitcoin Network using application-specific integrated circuit computers owned by the Company. The earned bitcoin are routinely sold for U.S. dollars. The Company also earned revenue by providing miner hosting services to third parties. While the Company may choose to mine other digital currencies, it has no plans to do so currently. The Company’s plan of operation for the next twelve months is to continue to increase the mining capacity at its operating mining facilities, including completion of the construction of the fourth building at its Lake Mariner Facility.

Revenue and Cost of Revenue

The following table presents revenue and cost of revenue (exclusive of depreciation) (in thousands):

	Three Months Ended	
	March 31,	
	2024	2023
Revenue	\$ 42,433	\$ 11,533
Cost of revenue (exclusive of depreciation)	\$ 14,408	\$ 5,002

Revenue for the three months ended March 31, 2024 and 2023 was \$42.4 million and \$11.5 million, respectively, an increase of \$30.9 million due primarily to the increase in mining capacity due to infrastructure constructed and placed in service between March 31, 2023 and March 31, 2024 as well as an increase in the quoted price of bitcoin. The Company began mining bitcoin at the Lake Mariner Facility in March 2022 and, as of March 31, 2024, the Company had energized three buildings and additional infrastructure comprising 160 MW of capacity as compared to 60 MW of capacity as of March 31, 2023. During the three months ended March 31, 2024, revenue from mining was \$41.6 million as compared to \$9.2 million during the same period in 2023. During the three months ended March 31, 2024, revenue from hosting was \$0.8 million as compared to \$2.3 million, a decrease of \$1.5 million due to the expiration of the Company's one data center hosting contract with a customer in February 2024.

Cost of revenue (exclusive of depreciation) for the three months ended March 31, 2024 and 2023, was \$14.4 million and \$5.0 million, respectively, an increase of approximately \$9.4 million. The increase was primarily due to the increase in mining and hosting capacity due to infrastructure constructed and placed in service between March 31, 2023 and March 31, 2024. Cost of revenues is primarily comprised of power expense. The Company records proceeds related to participation in demand response programs as a reduction in cost of revenue in the period corresponding to the underlying demand response program period; the amount of aggregate proceeds received or expected to be received were \$1.2 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively. The Company is actively expanding its enrollment in such available programs in New York State.

Costs and Expenses

The following table presents operating expenses (in thousands):

	Three Months Ended March 31,	
	2024	2023
Operating expenses	\$ 785	\$ 308
Operating expenses – related party	888	597
	<u>\$ 1,673</u>	<u>\$ 905</u>

Operating expenses (including related party expenses) for the three months ended March 31, 2024 and 2023, were \$1.7 million and \$0.9 million, respectively, a net increase of \$0.8 million. Operating expenses increased due to higher property insurance, miner repair costs, and spare parts. Operating expenses – related party increased due to increased staffing at the Lake Mariner Facility. These increases related to infrastructure constructed and placed in service between March 31, 2023 and 2024.

The following table presents selling, general and administrative expenses (in thousands):

	Three Months Ended March 31,	
	2024	2023
Selling, general and administrative expenses	\$ 12,289	\$ 6,492
Selling, general and administrative expenses – related party	2,620	2,898
	<u>\$ 14,909</u>	<u>\$ 9,390</u>

Selling, general and administrative expenses (including related party expenses) for the three months ended March 31, 2024 and 2023 were \$14.9 million and \$9.4 million, respectively, a net increase of \$5.5 million. Selling, general and administrative expenses are comprised primarily of professional fees, legal fees, employee compensation and benefits, stock-based compensation to employees and consultants, insurance and general corporate expenses. The increase was primarily due to increased expense during the three months ended March 31, 2024 as compared to the same period in the prior year of stock-based compensation of \$6.2 million and employee compensation and benefits of \$0.3 million. These increases were partially offset by decreased expenses during the three months ended March 31, 2024 as compared to the same period in the prior year of legal fees of \$0.2 million and insurance expense of \$0.2 million. Selling, general and administrative expenses – related party decreased due to performance milestone expense of \$0.3 million under the Administrative and Infrastructure Services Agreement with Beowulf Electricity & Data Inc. As previously disclosed, the Company has undertaken cost reduction initiatives targeted at reducing its overall selling, general and administrative expenses that are expected to benefit its operating profitability going forward.

Depreciation for the three months ended March 31, 2024 and 2023 was \$15.1 million and \$5.4 million, respectively, an increase of \$9.7 million primarily due to the increase in mining capacity due to infrastructure constructed and placed in service between March 31, 2023 and March 31, 2024. Additionally, during the three months ended March 31, 2024, the Company recorded accelerated depreciation expense of \$3.8 million related to certain miners of which the Company shortened their estimated useful lives based on expected replacement by April 30, 2024.

Gain on fair value of digital currency, net was \$1.3 million during the three months ended March 31, 2024 as a result of the Company adopting Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2023-08, Intangible – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (“ASU 2023-08”) on January 1, 2024 which requires entities with certain crypto assets to subsequently measure such assets at fair value, with changes in fair value recorded in net income in each reporting period. Prior to the adoption of ASU 2023-08, the Company recorded Impairment of digital currency and Realized gain on sale of digital currency for the three months ended March 31, 2023 of \$0.6 million and \$0.6 million, respectively, representing the decline in bitcoin prices during the Company’s holding period of its bitcoin, which was not reversed during its holding period, and gains recognized upon subsequent liquidation of bitcoin held. The Company elected to early adopt ASU 2023-08 effective January 1, 2024, resulting in a cumulative-effect change of \$37,000 to increase the balance of digital currency with a corresponding decrease in the opening balance of accumulated deficit in the consolidated balance sheet as of January 1, 2024.

Interest expense was \$11.0 million and \$6.8 million for the three months ended March 31, 2024 and 2023, respectively, an increase of \$4.2 million. Interest expense relates primarily to the Company’s Term Loans which had a principal balance of \$106.0 million as of March 31, 2024. The increase in interest expense for the three months ended March 31, 2024 as compared to the same period in the prior year is primarily due to (i) an increase of amortization of debt issuance costs and debt discount of \$5.0 million during the three months ended March 31, 2024 as compared to the same period in 2023 due to the recognition of debt discount in March 2023 in connection with the issuance of warrants concurrent with the Fifth Amendment to the LGSA, partially offset by (ii) a decrease of \$0.8 million in interest expense related to the stated interest rate, which remained unchanged, on the Term Loans resulting from the reduction in principal balance due to principal repayments made between March 31, 2023 and March 31, 2024. The Company’s term loan financing has a maturity date of December 1, 2024.

Loss on extinguishment of debt was \$2.0 million for the three months ended March 31, 2024 related to prepayment fees of \$0.3 million incurred to voluntarily prepay \$18.6 million of the Company’s Term Loans during the three months ended March 31, 2024 and the derecognition of unamortized debt discount of \$1.7 million associated with the principal repaid. The Company made no repayments on the principal balance of the Term Loans during the three months ended March 31, 2023.

Income tax benefit was \$0 for the three months ended March 31, 2024 and 2023. Based upon the level of historical U.S. losses and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of the remaining deductible temporary differences, and as a result the Company has recorded a full valuation allowance against its gross deferred tax assets as of March 31, 2024 and December 31, 2023.

Equity in net income (loss) of investee, net of tax

Equity in net income (loss) of investee, net of tax for the three months ended March 31, 2024 and 2023 was \$5.3 million and \$(10.2) million, respectively, which represents TeraWulf’s proportional share of income or losses of Nautilus, which commenced principal operations in February 2023. For the three months ended March 31, 2023, the amount also includes an impairment loss of \$8.9 million on the distribution of miners from Nautilus to the Company whereby the miners were marked to fair value from book value on the date distributed. The impairment loss was the result of decreasing prices for miners between initial purchase and distribution.

Non-GAAP Measure

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States (“GAAP”), we disclose Adjusted EBITDA as a non-GAAP measure. This measure is not a financial measure calculated in accordance with GAAP, and it should not be considered as a substitute for net income, operating income, or any other measure calculated in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies.

We define Adjusted EBITDA as income (loss) from continuing operations adjusted for (i) impacts of interest, taxes, depreciation and amortization; (ii) preferred stock dividends, stock-based compensation expense and related party expense to be settled with respect to common stock, all of which are non-cash items that the Company believes are not reflective of its general business performance, and for which the accounting requires management judgment, and the resulting expenses could vary significantly in comparison to other companies; (iii) equity in net income (loss) of investee, net of tax, related to Nautilus; (iv) other income which is related to interest income or income for which management believes is not reflective of the Company's ongoing operating activities; (v) loss on extinguishment of debt, which is not reflective of the Company's general business performance and (vi) loss from discontinued operations, net of tax, which is not applicable to the Company's future business activities. The Company's Adjusted EBITDA also includes the impact of distributions from investee received in bitcoin related to a return on the Nautilus investment, which management believes, in conjunction with excluding the impact of equity in net income (loss) of investee, net of tax, is reflective of assets available for the Company's use in its ongoing operations as a result of its investment in Nautilus.

Management believes that providing this non-GAAP financial measure allows for meaningful comparisons between the Company's core business operating results and those of other companies, and provides the Company with an important tool for financial and operational decision making and for evaluating its own core business operating results over different periods of time. In addition to management's internal use of non-GAAP Adjusted EBITDA, management believes that Adjusted EBITDA is also useful to investors and analysts in comparing the Company's performance across reporting periods on a consistent basis. Management believes the foregoing to be the case even though some of the excluded items involve cash outlays and some of them recur on a regular basis (although management does not believe any of such items are normal operating expenses necessary to generate the Company's bitcoin related revenues). For example, the Company expects that share-based compensation expense, which is excluded from Adjusted EBITDA, will continue to be a significant recurring expense over the coming years and is an important part of the compensation provided to certain employees, officers, directors and consultants. Additionally, management does not consider any of the excluded items to be expenses necessary to generate the Company's bitcoin related revenue.

The Company's Adjusted EBITDA measure may not be directly comparable to similar measures provided by other companies in the Company's industry, as other companies in the Company's industry may calculate non-GAAP financial results differently. The Company's Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating loss or any other measure of performance derived in accordance with GAAP. Although management utilizes internally and presents Adjusted EBITDA, the Company only utilizes that measure supplementally and does not consider it to be a substitute for, or superior to, the information provided by GAAP financial results. Accordingly, Adjusted EBITDA is not meant to be considered in isolation of, and should be read in conjunction with, the information contained in the Company's consolidated financial statements, which have been prepared in accordance with GAAP.

The following table is a reconciliation of the Company's non-GAAP Adjusted EBITDA to its most directly comparable GAAP measure (i.e., net loss attributable to common stockholders) for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net loss attributable to common stockholders	\$ (9,899)	\$ (26,516)
Adjustments to reconcile net loss attributable to common stockholders to non-GAAP Adjusted EBITDA:		
Preferred stock dividends	286	259
Loss from discontinued operations, net of tax	—	35
Equity in net (income) loss of investee, net of tax	(5,275)	10,167
Distributions from investee, related to Nautilus	12,022	—
Income tax benefit	—	—
Other income	(500)	—
Loss on extinguishment of debt	2,027	—
Interest expense	11,045	6,834
Depreciation	15,088	5,433
Amortization of right-of-use asset	252	250
Stock-based compensation expense	6,931	876
Related party expense to be settled with respect to common stock	—	313
Non-GAAP Adjusted EBITDA	<u>\$ 31,977</u>	<u>\$ (2,349)</u>

Liquidity and Capital Resources

As of March 31, 2024, the Company had cash and cash equivalents of \$45.8 million, a working capital deficiency of \$67.8 million, total stockholders' equity of \$272.3 million and an accumulated deficit of \$269.5 million. The Company incurred a net loss attributable to common stockholders of \$9.9 million for the three months ended March 31, 2024. The Company began mining bitcoin in March 2022 and had 8.0 EH/s of operating capacity across the Lake Mariner Facility and the Nautilus Cryptomine Facility as of March 31, 2024. To date, the Company has relied primarily on proceeds from its issuances of debt and equity and sale of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility, to fund its principal operations.

The principal uses of cash are for the operation and buildout of mining facilities, debt service and general corporate activities and, to a lesser extent in 2023, investments in Nautilus joint venture related to mining facility buildout and general corporate activities. Cash flow information is as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash provided by (used in):		
Operating activities:		
Continuing operations	\$ 22,846	\$ (8,623)
Discontinued operations	—	(90)
Total operating activities	22,846	(8,713)
Investing activities	(46,979)	(12,271)
Financing activities	15,518	29,647
Net change in cash and cash equivalents	<u>\$ (8,615)</u>	<u>\$ 8,663</u>

Certain amounts in the unaudited interim consolidated statement of cash flows for the three months ended March 31, 2023 were restated as previously disclosed in the restated unaudited interim consolidated statement of cash flows for the three months ended March 31, 2023 included in the Company's Amendment No. 1 to its Quarterly Report on Form 10-Q for the period ended September 30, 2023.

Cash provided by (used in) operating activities for continuing operations was \$22.8 million and \$(8.7) million for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024, cash used in operations resulted from a net loss of \$9.6 million less non-cash expenses, net of \$16.3 million, adjusted for changes in certain asset and liability balances and increased by proceeds from sale of bitcoin of \$54.4 million. The non-cash expenses were primarily comprised of (i) amortization of debt issuance cost, commitment fees and accretion of debt discount of \$7.6 million, (ii) stock-based compensation of \$6.9 million, (iii) depreciation of \$15.1 million, (iv) amortization of right-of-use asset of \$0.3 million, (v) increase in digital currency from mining and hosting services of \$41.5 million, (vi) gain on fair value of digital currency, net of \$1.3 million, (vii) loss on extinguishment of debt of \$2.0 million and (viii) \$5.3 million related to the Company's equity in net income, net of tax of Nautilus. The changes in certain assets and liabilities were primarily comprised of a net increase in current assets of \$0.2 million (which includes prepaid expenses, other receivables, and other current assets) and a net decrease in current liabilities (which includes accounts payable, other accrued liabilities and other amounts due to related parties) of \$5.5 million. For the three months ended March 31, 2023, cash used in operations resulted from a net loss of \$26.3 million plus non-cash expenses, net of \$10.7 million, adjusted for changes in certain asset and liability balances and increased by proceeds from sale of bitcoin of \$10.0 million. The non-cash expenses were primarily comprised of (i) amortization of debt issuance cost, commitment fees and accretion of debt discount of \$3.5 million, (ii) related party expense to be settled with respect to common stock of \$0.3 million (iii) stock-based compensation of \$0.9 million, (iv) depreciation of \$5.4 million, (v) amortization of right-of-use asset of \$0.3 million, (vi) increase in digital currency from mining and hosting services of \$9.9 million, and (vii) \$10.2 million related to the Company's equity in net loss, net of tax of Nautilus. The changes in certain assets and liabilities were primarily comprised of a net decrease in current liabilities (which includes accounts payable, other accrued liabilities and other amounts due to related parties) of \$3.5 million, a net decrease in current assets (which includes prepaid expenses and other current assets) of \$0.5 million and an increase in other assets of \$0.1 million.

Cash used in investing activities for continuing operations was \$47.0 million and \$12.3 million for the three months ended March 31, 2024 and 2023, respectively. The Company invested \$47.0 million and \$10.0 million in the buildout of its mining facilities at the Lake Mariner Facility for the three months ended March 31, 2024 and 2023, respectively. Additionally, during the three months ended March 31, 2023, the Company invested \$2.3 million, on a net basis, in its joint venture.

Cash provided by financing activities for continuing operations was \$15.5 million and \$29.6 million for the three months ended March 31, 2024 and 2023, respectively primarily related to proceeds from Common Stock issued or to be issued, net of issuance costs, of \$50.7 million and \$31.0 million for the three months ended March 31, 2024 and 2023, respectively. The Company made principal payments in excess of proceeds from insurance premium financings of \$0.8 million and \$1.2 million for the three months ended March 31, 2024 and 2023, respectively. In addition, for the three months ended March 31, 2024, the Company made principal payments on long-term debt of \$33.4 million and payments of \$0.7 million related to tax withholdings related to net share settlements of stock-based compensation awards. For the three months ended March 31, 2023, the Company (i) received proceeds from warrant issuances of \$2.5 million, (ii) received proceeds from issuance of a convertible promissory note of \$1.3 million, and (iii) made payments of contingent value rights liability related to proceeds from sale of net assets held for sale of \$3.9 million.

Contractual Obligations and Other Commitments

In March 2024, the Company entered into a Future Sales and Purchase Agreement (the "March 2024 Bitmain Purchase Agreement") with Bitmain Technologies Delaware Limited ("Bitmain Delaware") for the purchase of 5,000 S21 miners for a total purchase price of \$17.5 million. As of March 31, 2024, the Company made payments of \$3.5 million. Subsequent to March 31, 2024 the Company paid the remaining \$14.0 million of the purchase price. The March 2024 Bitmain Purchase Agreement also provides the Company the right, but not the obligation, to purchase up to an additional 6,000 PH (approximately 30,000 miners), pursuant to certain payment timing conditions, by December 31, 2024 for a purchase price of \$96.0 million ("Bitmain Call Option"). Pursuant to the Bitmain Call Option, the Company paid \$9.6 million, calculated as 10% of the purchase price, as consideration for the Bitmain Call Option during the three months ended March 31, 2024 (the "Call Option Fee"). The Call Option Fee shall be applied to the settlement of future down payments of purchases under the Bitmain Call Option, in whole or in part in proportion to the ratio of quantity to be purchased to the maximum PH available under the Bitmain Call Option. TeraWulf plans to use the new miners to expand mining capacity at its Lake Mariner Facility.

The Company is counterparty to the Amended and Restated Talen Joint Venture Agreement dated August 27, 2022 ("A/R Joint Venture Agreement"). Under this A/R Joint Venture Agreement, the Company has invested \$113.1 million on a net basis and has right-sized its equity ownership interest to 25% of the joint venture. The Company does not expect any additional material capital contributions to be required for the existing operations at the Nautilus Cryptomine Facility.

Financial Condition

As of March 31, 2024, the Company had balances of cash and cash equivalents of \$45.8 million, a working capital deficiency of \$67.8 million, total stockholders' equity of \$272.3 million and an accumulated deficit of \$269.5 million. As of March 31, 2024, the working capital deficiency included the then outstanding \$106.0 million principal balance of the Company's Term Loans which mature on December 1, 2024. To date, the Company has relied primarily on proceeds from its issuances of debt and equity and sale of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility, to fund its principal operations.

During the year ended December 31, 2023, the Company achieved significant milestones by initiating and delivering rapid organic growth at the Lake Mariner Facility, and commencing operations at the Nautilus Cryptomine Facility, resulting in positive cash flows from continuing operations. During the three months ended March 31, 2024, the Company additionally accomplished several notable steps to continue to achieve positive cash flows from operations, namely: (1) the Company repaid \$33.4 million of outstanding principal of the Company's Term Loans to remove the fixed principal amortization and extend the excess cash flow sweep through maturity, (2) the Company received net proceeds of \$50.7 million through the issuance of shares of our Common Stock, par value \$0.001 per share, (3) the Company received bitcoin distributions of \$12.0 million from the joint venture which owns the Nautilus Cryptomine Facility, (4) the Company received substantially all contracted miners from the miner suppliers and has no remaining outstanding financial commitments under the miner purchase agreements for the existing operations at the Lake Mariner Facility and the Nautilus Cryptomine Facility, (5) the construction activities at the Lake Mariner Facility for buildings one, two and three and at the Nautilus Cryptomine Facility are complete as of March 31, 2024, although the Company intends to expand its infrastructure. Additionally, if a business need requires its use, the Company has an active at-the-market sales agreement for sale of shares of Common Stock having an aggregate offering price of up to \$200.0 million (the "ATM Sales Agreement"), which had a remaining capacity of \$28.9 million as of March 31, 2024. The issuance of Common Stock under this agreement would be made pursuant to the Company's effective registration statement on Form S-3 (Registration statement No. 333-262226).

The Company is required to pay amounts under its Term Loans subject to an excess cash flow sweep, as defined, on a quarterly basis through the maturity of the Term Loans of December 1, 2024. As of May 13, 2024, the outstanding principal balance of the Term Loans was \$75.8 million. The Company has determined that it is probable that it will generate positive cash flows from operations and be able to realize its assets and discharge its liabilities and commitments in the normal course of business, including the Term Loans through maturity, based on its expected range of forecasted bitcoin prices, network hashrate, and power prices and, therefore, there is not substantial doubt about the Company's ability to continue as a going concern through at least the next twelve months. The consolidated financial statements do not include any adjustments that might result from TeraWulf's possible inability to continue as a going concern.

Critical Accounting Policies and Estimates

The above discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the Company's consolidated financial statements requires the application of accounting policies and the use of estimates. The accounting policies most important to the preparation of the consolidated financial statements and estimates that require management's most difficult, subjective or complex judgments are described below.

See Note 2 of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q and Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a summary of the Company's significant accounting policies.

Revenue Recognition

The Company recognizes revenue under FASB Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Mining Pool

The Company has entered into an arrangement with a cryptocurrency mining pool (the "Foundry USA Pool") to perform hash computation (i.e. hashrate) for the mining pool in exchange for consideration. Providing hash computation services to a mining pool is an output of the Company's ordinary activities. The provision of such hash computation services is the sole performance obligation. The mining pool arrangement is terminable at any time without substantial penalty by Foundry USA Pool and may be terminated without substantial penalty by the Company upon providing one Contract Day's, as defined, prior written notice. The Company's enforceable right to compensation only begins when and continues while the Company provides hash computation services to its customer, the mining pool operator. Accordingly, the contract term with Foundry USA Pool is deemed to be less than 24 hours and to continuously renew throughout the day. Additionally, the Company concluded that the mining pool operator's (i.e., the customer's) renewal right is not a material right because the renewal rights do not include any discounts; that is, the terms, conditions, and compensation amounts are at the then-current market rates.

There is no significant financing component in these transactions.

The mining pool applies the Full Pay Per Share ("FPPS") payout model. Under the FPPS model, in exchange for providing hash computation services to the pool, the Company is entitled to pay-per-share base amount and transaction fee reward compensation, calculated on a daily basis, at an amount that approximates the total bitcoin that could have been mined and transaction fees that could have been awarded using the Company's hash computation services, based upon the then current blockchain difficulty. Under this model, the Company is entitled to compensation, payable in bitcoin, regardless of whether the pool operator successfully records a block to the bitcoin blockchain.

The transaction consideration the Company receives, if any, is noncash consideration and is all variable. Because digital currency is considered noncash consideration, fair value of the digital currency award received would generally be determined using the quoted price of the related digital currency in the Company's principal market at the time of contract inception. The Company has adopted an accounting policy to aggregate individual contracts with individual terms less than 24-hours within each intraday period and apply a consistent valuation point, the start of day Coordinated Universal Time (00:00:00 UTC), to value the related noncash consideration. Revenue is recognized when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur, which is the same day that control of the contracted service transfers to the mining pool, which is the same day as the contract inception. After every 24-hour contract term, the mining pool transfers the digital currency consideration to our designated digital currency wallet.

Consideration payable to the customer in the form of a pool operator fee, which is incurred only to the extent that the Company has generated FPPS consideration, is deducted from the bitcoin the Company receives and is recorded as contra-revenue, as it does not represent a payment for a distinct good or service.

Data Center Hosting

The Company's prior hosting contracts have been service contracts with a single performance obligation. The service the Company provided primarily included hosting the customers' miners in a physically secure data center with electrical power, internet connectivity, ambient air cooling and available maintenance resources. Hosting revenue was recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance. The Company recognized hosting revenue to the extent that a significant reversal of such revenue will not occur. Data center hosting customers were invoiced and payments were due on a monthly basis. While the majority of consideration was paid in cash, certain consideration was payable in digital currency. Because digital currency is considered noncash consideration, fair value of the digital currency award received was determined using the quoted price of the related digital currency in the Company's principal market at the time of contract inception. The Company had one data center hosting contract with a customer, which expired in February 2024, for which the quoted price of bitcoin in the Company's principal market at the time of contract inception was approximately \$38,000. The Company recorded miner hosting revenue of \$0.8 million and \$2.3 million during the three months ended March 31, 2024 and 2023, respectively.

Digital currency

Digital currency is comprised of bitcoin earned as noncash consideration in exchange for providing hash computation services to a mining pool as well as in exchange for data center hosting services which are accounted for in connection with the Company's revenue recognition policy disclosed above. From time to time, the Company also receives bitcoin as distributions-in-kind from its joint venture. Digital currency is included in current assets in the consolidated balance sheets due to the Company's ability to sell it in a highly liquid marketplace and because the Company reasonably expects to liquidate its digital currency to support operations within the next twelve months.

In December 2023, the FASB issued ASU 2023-08 which requires entities with certain crypto assets to subsequently measure such assets at fair value, with changes in fair value recorded in net income in each reporting period. Crypto assets that meet all the following criteria are within the scope of the ASC 350-60:

- meet the definition of intangible assets as defined in the Codification
- do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
- are created or reside on a distributed ledger based on blockchain or similar technology
- are secured through cryptography
- are fungible, and
- are not created or issued by the reporting entity or its related parties. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets.

ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted and the Company has elected to early adopt ASU 2023-08 effective January 1, 2024, resulting in a cumulative-effect change of \$37,000 to increase the balance of digital currency with a corresponding decrease in the opening balance of accumulated deficit in the consolidated balance sheet as of March 31, 2024.

As a result of adopting ASU 2023-08 on January 1, 2024, the Company measures digital currency at fair value as of each reporting period in accordance with ASC 820, Fair Value Measurement ("ASC 820"), based on quoted prices on the active trading platform that the Company normally transacts and has determined is its principal market for bitcoin (Level 1 inputs), based on all information that is reasonably available. Since bitcoin is traded on a 24-hour period, the Company utilizes the price as of midnight UTC time, which aligns with the Company's revenue recognition policy. Gains and losses from the remeasurement of digital currency are included within gain on fair value of digital currency, net in the consolidated statements of operations. The Company sells bitcoin and gains and losses from such transactions, measured as the difference between the cash proceeds and the carrying basis of bitcoin as determined on a first-in-first-out basis, are also included within gain on fair value of digital currency, net in the consolidated statements of operations. During the three months ended March 31, 2024, the Company recognized \$1.3 million of gain on fair value of digital currency, net.

Prior to the adoption of ASU 2023-08, the Company accounted for digital currency as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently if events or changes in circumstances indicate it is more likely than not that the asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. The Company elected to bypass the optional qualitative impairment assessment and to track its bitcoin activity daily for impairment assessment purposes. The Company determined the fair value of its bitcoin on a nonrecurring basis in accordance with ASC 820 based on quoted prices on the active trading platform that the Company normally transacts and has determined is its principal market for bitcoin (Level 1 inputs), based on all information that was reasonably available. The Company performed an analysis each day to identify whether events or changes in circumstances, principally decreases in the quoted price of bitcoin on the active trading platform, indicated that it was more likely than not that its bitcoin were impaired. For impairment testing purposes, the lowest intraday trading price of bitcoin was identified at the single bitcoin level (one bitcoin). The excess, if any, of the carrying amount of bitcoin and the lowest daily trading price of bitcoin represented a recognized impairment loss. To the extent an impairment loss was recognized, the loss established the new cost basis of the asset. Subsequent reversal of previously recorded impairment losses was prohibited. The Company recognized impairment of digital currency of \$0.6 million during the three months ended March 31, 2023.

Digital currency received as noncash consideration through the Company's mining activities are included as an adjustment to reconcile net loss to cash provided by (used in) operating activities on the consolidated statements of cash flows. The receipt of digital currency as distributions-in-kind from equity investees are included within supplemental disclosures of noncash investing activities. Proceeds from sales of digital currency are included within cash flows from operating activities on the consolidated statements of cash flows as bitcoin are converted nearly immediately into cash.

Variable Interest Entities

Variable interest entities (“VIE”) are legal entities in which equity investors do not have (i) sufficient equity at risk for the legal entity to finance its activities without additional subordinated financial support, or (ii) as a group, the power, through voting or similar rights, to direct the activities of the legal entity that most significantly impact the entity’s economic performance, or (iii) the obligation to absorb the expected losses of the legal entity or the right to receive expected residual returns of the legal entity. The Company would consolidate any VIE in which it has a controlling financial interest through being deemed to be the primary beneficiary of the VIE. The primary beneficiary of a VIE has both of the following characteristics: (1) the power to direct the activities of the VIE that most significantly impact its economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If both characteristics are met, the Company considers itself to be the primary beneficiary and therefore will consolidate that VIE into its consolidated financial statements.

The Company determines whether it is the primary beneficiary of a VIE upon initial involvement with a VIE and reassesses whether it is the primary beneficiary of a VIE on an ongoing basis. The determination of whether an entity is a VIE and whether the Company is the primary beneficiary of a VIE is based upon facts and circumstances for the VIE and requires significant judgments such as whether the entity is a VIE, whether the Company’s interest in a VIE is a variable interest, the determination of the activities that most significantly impact the economic performance of the entity, whether the Company controls those activities, and whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

In 2021, the Company entered into a joint venture, Nautilus, with an unrelated co-venturer to develop, construct and operate a bitcoin mining facility in Pennsylvania. Due to the initial nature of the joint venture and the continued commitment for additional financing, the Company determined Nautilus is a VIE. While the Company has the ability to exercise significant influence over Nautilus, the Company has determined that it does not have the power to direct the activities that most significantly impact the economic performance of Nautilus. Initially, the power to direct the activities of Nautilus that most significantly impact Nautilus’ economic performance were shared equally by both parties within the joint venture due to the requirement for both equity holders to approve many of the key operating decisions and when not equally shared, were predominantly under the control of the co-venturer, including through the co-venturer’s majority representation on the board of managers. As such, the Company has determined that it is not the primary beneficiary of Nautilus and, therefore, has accounted for this entity under the equity method of accounting. Risks associated with the Company’s involvement with Nautilus include a commitment to potentially fund additional equity investments.

Impairment of Long-lived Assets

The Company reviews its long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. Any impairment loss recorded is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. During the three months ended March 31, 2024 and 2023, the Company recorded \$0 impairment charges for long-lived assets.

Issuance of Debt with Warrants; Debt Modification

In March 2023, the Company entered into a fifth amendment to the LGSA, which included the issuance of warrants to purchase 27,759,265 shares of Common Stock at \$0.01 per share and 13,879,630 shares of Common Stock at \$1.00 per share. The accounting for debt modifications is complex and requires significant judgment. Potential accounting outcomes include troubled debt restructuring accounting, extinguishment accounting or modification accounting, each with different implications for the consolidated financial statements. The Company has determined that modification accounting is applicable. Additionally, debt modification accounting requires the determination of the fair value of the warrants issued, which requires significant judgment. As a measure of sensitivity, a 10% change in the estimated fair value of the warrants would result in a \$1.6 million change in the recorded value of the borrowing under the Third Amendment.

Convertible Instruments

The Company accounts for its issuance of convertible debt and convertible equity instruments in accordance with applicable U.S. GAAP. In connection with that accounting, the Company assesses the various terms and features of the agreement in accordance with ASC 480, *Distinguishing Liabilities from Equity* (“ASC 480”) and ASC 815, *Derivatives and Hedging Activities* (“ASC 815”). ASC 480 requires liability accounting for certain financial instruments, including shares that embody an unconditional obligation to transfer a variable number of shares, provided that the monetary value of the obligation is based solely or predominantly on one of the following three characteristics: (1) a fixed monetary amount known at inception, (2) variations in something other than the fair value of the issuer’s equity shares or (3) variations in the fair value of the issuer’s equity shares, but the monetary value to the counterparty moves in the opposite direction as the value of the issuer’s shares. In accordance with ASC 815, the Company assesses the various terms and features of the agreement to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in the current period’s operating results. The Company did not have any liabilities required to be revalued in accordance with ASC 480 or ASC 815 as of March 31, 2024 or December 31, 2023.

Income Taxes

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes* (“ASC 740”), which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred tax asset will not be realized. The Company follows the provision of ASC 740 related to accounting for uncertain income tax positions. When tax returns are filed, it is more likely than not that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the Company’s balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The most critical estimate for income taxes is the determination of whether to record a valuation allowance for any net deferred tax asset, including net loss carryforwards, whereby management must estimate whether it is more likely than not that the deferred tax asset would be realized.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide this information.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of such period, are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are:

- Recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and
- Accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2024 that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, TeraWulf may be involved in various legal and administrative proceedings, lawsuits and claims incidental to the conduct of its business. Some of these proceedings, lawsuits or claims may be material and involve highly complex issues that are subject to substantial uncertainties and could result in damages, fines, penalties, non-monetary sanctions or relief. TeraWulf recognizes provisions for claims or pending litigation when it determines that an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. TeraWulf was not subject to any material pending legal and administrative proceedings, lawsuits or claims during the period covered by this Quarterly Report. TeraWulf's business and operations are also subject to extensive regulation, which may result in regulatory proceedings against TeraWulf.

ITEM 1A. Risk Factors

Our business faces many risks. Before deciding whether to invest in our Common Stock, in addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K, which is incorporated herein by reference. If any of the risks or uncertainties described therein actually occurs, our business, financial condition, results of operations or cash flow could be materially and adversely affected. This could cause the trading price of our Common Stock to decline, resulting in a loss of all or part of your investment. The risks and uncertainties we have described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q.

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

None.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

None.

ITEM 5. Other Information.

None.

PART IV

ITEM 6. Exhibits, Financial Statement Schedules

Exhibit Number	Description
(1.1)	Amendment No. 1 to Sales Agreement, dated as of August 11, 2023, by and among TeraWulf Inc., Cantor Fitzgerald & Co., B. Riley Securities, Inc., Northland Securities, Inc. and Compass Point Research & Trading, LLC (incorporated by reference to Exhibit 1.1 of TeraWulf Inc.'s Quarterly Report on Form 10-Q filed on November 13, 2023).
(2.1)	Agreement and Plan of Merger, dated as of June 24, 2021, by and among TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), IKONICS Corporation, Telluride Merger Sub I, Inc., Telluride Merger Sub II, Inc. and TeraCub Inc. (formerly known as TeraWulf Inc.) (incorporated by reference to Appendix A of TeraWulf Inc.'s Amendment No. 6 to the Registration Statement on Form S-4 (file no. 333-258335) filed with the SEC on November 10, 2021).
(2.2)	Amendment to the Agreement and Plan of Merger, dated as of August 5, 2021, by and among TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), IKONICS Corporation, Telluride Merger Sub I, Inc., Telluride Merger Sub II, Inc. and TeraCub Inc. (formerly known as TeraWulf Inc.) (incorporated by reference to Appendix A of TeraWulf Inc.'s Amendment No. 6 to the Registration Statement on Form S-4 (file no. 333-258335) filed with the SEC on November 10, 2021).
(2.3)	Amendment No. 2 to the Agreement and Plan of Merger, dated as of September 17, 2021, by and among TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), IKONICS Corporation, Telluride Merger Sub I, Inc., Telluride Merger Sub II, Inc. and TeraCub Inc. (formerly known as TeraWulf Inc.) (incorporated by reference to Appendix A of TeraWulf Inc.'s Amendment No. 6 to the Registration Statement on Form S-4 (file no. 333-258335) filed with the SEC on November 10, 2021).
(2.4)	Amendment No. 3 to the Agreement and Plan of Merger, dated as of December 2, 2021, by and among TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), IKONICS Corporation, Telluride Merger Sub I, Inc., Telluride Merger Sub II, Inc. and TeraCub Inc. (formerly known as TeraWulf Inc.) (incorporated by reference to Exhibit 2.1 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on December 3, 2021).
(2.5)	Amendment No. 4 to the Agreement and Plan of Merger, dated as of December 8, 2021, by and among TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), IKONICS Corporation, Telluride Merger Sub I, Inc., Telluride Merger Sub II, Inc. and TeraCub Inc. (formerly known as TeraWulf Inc.) (incorporated by reference to Exhibit 2.1 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on December 9, 2021).
(3.1)	Amended and Restated Certificate of Incorporation of TeraWulf Inc., dated as of December 13, 2021 (incorporated by reference to Exhibit 3.1 of TeraWulf's Current Report on Form 8-K filed with the SEC on December 13, 2021).
(3.2)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of TeraWulf Inc., dated as of February 23, 2023 (incorporated by reference to Exhibit 3.3 of TeraWulf Inc.'s Amendment No. 3 to the Registration Statement on Form S-3 (file no. 333-268563) filed with the SEC on March 10, 2023).
(3.3)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of TeraWulf Inc., dated as of February 23, 2023 (incorporated by reference to Exhibit 3.4 of TeraWulf Inc.'s Amendment No. 3 to the Registration Statement on Form S-3 (file no. 333-268563) filed with the SEC on March 10, 2023).
**3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation of TeraWulf Inc., dated as of April 16, 2024
(3.5)	Amended and Restated Bylaws of TeraWulf Inc., effective as of December 13, 2021 (incorporated by reference to Exhibit 3.2 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on December 13, 2021).
(10.1)	Future Sales and Purchase Agreement, dated as of July 14, 2023, by and between Bitmain Technologies Delaware Limited and TeraLease LLC (incorporated by reference to Exhibit 10.1 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on July 18, 2023).

**10.2 (10.3)	Future Sales and Purchase Agreement, dated as of March 20, 2024, by and between Bitmain Technologies Delaware Limited and TeraLease LLC Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.2 of TeraWulf Inc.'s Quarterly Report on Form 10-Q filed on November 13, 2023).
**31.1	Certification of the Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
**31.2	Certification of the Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
***32.1	Certification of the Principal Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
***32.2	Certification of the Principal Financial Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
**101	Financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL); (i) Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023, (ii) Consolidated Statements of Operations for the Three Months ended March 31, 2024 and 2023, (iii) Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2024 and 2023, (iv) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023, and (v) Notes to Consolidated Financial Statements.
**104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

() Exhibits previously filed in the Company's SEC filings as specifically noted.

† Certain portions of this exhibit have been redacted pursuant to Item 601(b)(2)(ii) and Item 601(b)(10)(iv) of Regulation S-K, as applicable. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Commission upon its request.

** Filed herewith.

*** Furnished herewith.

SIGNATURES

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

TERAWULF INC.
(Registrant)

May 13, 2024
(Date)

By: /s/ Paul B. Prager
Paul B. Prager
Chief Executive Officer and Chairman
(Principal Executive Officer)

By: /s/ Patrick A. Fleury
Patrick A. Fleury
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Kenneth J. Deane
Kenneth J. Deane
Chief Accounting Officer and Treasurer
(Principal Accounting Officer)

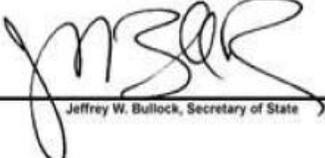
Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TERAWULF INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF APRIL, A.D. 2024, AT 3:45 O`CLOCK P.M.




Jeffrey W. Bullock, Secretary of State

SR# 20241475297



Date: 04-16-24

You may verify this certificate online at corp.delaware.gov/authver.shtml

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
TERAWULF INC.**

TeraWulf Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), DOES HEREBY CERTIFY THAT:

1. The certificate of incorporation of the Corporation as heretofore in effect is hereby amended by replacing Article IV, Section 4.1 with the following:

“4.1 Authorized Stock. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 700,000,000 shares, divided into (a) 600,000,000 shares of Common Stock, with the par value of \$0.001 per share (the “Common Stock”), and (b) 100,000,000 shares of Preferred Stock, with the par value of \$0.001 per share (the “Preferred Stock”). The authorized number of shares of any class or series of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Corporation entitled to vote, and no separate vote of such class or series of stock the authorized number of which is to be increased or decreased shall be necessary to effect such change.

The Board (as defined below) is hereby authorized, by resolution or resolutions thereof, to provide, out of the unissued shares of Preferred Stock, for one or more series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designations, powers, preferences, rights, qualifications, limitations and restrictions in respect of the shares of such series. The powers, designations, preferences and relative, participating, optional or other rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, may differ from those of any and all other series at any time outstanding.”

2. The forgoing amendment was duly adopted in accordance with the provisions of Section 242 of the DGCL.

[Signature Page Follows]

State of Michigan

Secretary of State

Division of Corporations

Delivered 03:45 PM 04/16/2024

FILED 03:45 PM 04/16/2024

SR 20241475297 - File Number 6011565

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by its duly authorized officer on this 16th day of April, 2024.

TeraWulf Inc.

By:  _____
Name: Paul Prager
Title: Chief Executive Officer

BITMAIN

DATED 2024-03-~~12~~ 20

PP

**FUTURE
SALES AND PURCHASE AGREEMENT**

BETWEEN

BITMAIN TECHNOLOGIES DELAWARE LIMITED

("BITMAIN")

and

TeraLease LLC

("PURCHASER")

BM Ref: FUTR-XS-00120240307007

(
T
S
)

BITMAIN

THIS AGREEMENT (the "Agreement") is made on 2024-03-~~20~~ 20

PP

BETWEEN:

(1) **BITMAIN TECHNOLOGIES DELAWARE LIMITED**, a company incorporated under the laws of the State of Delaware, the United States (File Number: 6096946), having its principal address at 840 New Burton Street, Suite 201, Dover, Kent, DE 19904 ("**BITMAIN**"); and

(2) **TeraLease LLC**, a company incorporated under the laws of the State of United States (Company Registration No. 921072608), having its principal address at 9 Federal Street, Easton, MD 21601, USA ("**Purchaser**").

Each of the parties to this Agreement is referred herein individually as a "**Party**" and collectively as the "**Parties**".

WHEREAS:

(A) Purchaser fully understands the market risks, the price-setting principles and the market fluctuations relating to the products of BITMAIN and is familiar with the purchase and ordering process of products of BITMAIN.

(B) Purchaser agrees to purchase and BITMAIN agrees to supply the Products (as defined below) in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth in this Agreement, the Parties agree as follows:

1. Definitions and Interpretations

1.1 The following terms, as used herein, have the following meanings:

"**Affiliate(s)**" means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person.

"**Applicable Law(s)**" means any treaty, law, decree, order, regulation, decision, statute, ordinance, rule, directive, code or other document that has legal force under any system of law, including, without limitation, local law, law of any other state or part thereof or international law, and which creates or purports to create any requirement or rule that may affect, restrict, prohibit or expressly allow the terms of this Agreement or any activity contemplated or carried out under this Agreement.

"**Business Day(s)**" means a day (other than Saturday or Sunday) on which banking institutions in the

Relevant Jurisdiction are open generally for normal banking business.

V3.2.0.20231221(US)

Pages 2 of 30

BITMAIN

“**Contracted Hashrate**” means the aggregation of the hashrate of all the Products as set forth in Appendix A.

“**Control**” means, with respect to any Person, the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, provided that in the case of a Person that is an entity, such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the holders of the shares or other equity interests or registered capital of such Person or power to control the composition of a majority of the board of directors or similar governing body of such Person. The terms “Controlled” and “Controlling” have meanings correlative to the foregoing.

“**Digital Currency**” means USDT, USDC, or any other digital currency as agreed between the Parties in writing.

“**Fiat Currency**” means US Dollar, or any other government-issued currency designated as legal tender in its country of issuance through government decree, regulation, or law.

“**Force Majeure**” means in respect of either Party, any event or occurrence whatsoever beyond the reasonable control of that Party, non-foreseeable, or even if foreseen, was unavoidable and occurs after the date of this Agreement in or affecting the Relevant Jurisdictions. “**Force Majeure Event(s)**” include, without limitation, war (declared or undeclared), terrorist activities, acts of sabotage, blockade, fire, lightning, acts of God, national strikes, riots, insurrections, civil commotions, quarantine restrictions, epidemics, earthquakes, landslides, avalanches, floods, hurricanes, explosions, acts of government, and other instances which are accepted as a force majeure event in general international commercial practice. For the avoidance of doubt, any prohibition or restriction in relation to the production and/or sale of cryptocurrency mining hardware declared by any Governmental Authority (other than the local Governmental Authority with competent authority over BITMAIN) shall not constitute a Force Majeure Event.

“**Governmental Authority**” means any government of any nation, federation, province, state or locality or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of any country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

“**Intellectual Property Rights**” means any and all intellectual property rights, including but not

"Intellectual property rights" means any and all intellectual property rights, including but not limited to those concerning inventions, patents, utility models, registered designs and models,

BITMAIN

engineering or production materials, drawings, trademarks, service marks, domain names, applications for any of the foregoing (and the rights to apply for any of the foregoing), proprietary or business sensitive information and/or technical know-how, copyright, authorship, whether registered or not, and any neighbor rights.

“**Person**” means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity (whether or not having separate legal personality).

“**Purchase Unit Price**” the per T price of the Products, as set forth in Appendix A.

“**Product(s)**” means the cryptocurrency mining hardware and other equipment or merchandise that BITMAIN will sell to the Purchaser in accordance with this Agreement, details of which are set forth in Appendix A.

“**Quantity of the Products**” means the quantity of the Products as set forth in Appendix A, being the quotient of the Contracted Hashrate divided by Rated Hashrate per Unit as set forth in Appendix A, excluding any Forward Deliverables pursuant to Appendix C, which is for reference only and shall not be deemed as any representation, warranty or covenant made by BITMAIN. The Quantity of the Products shall be automatically adjusted in accordance with the change (if any) of the Rated Hashrate per Unit of the delivered Products.

“**Rated Hashrate per Unit**” means the rated hashrate of each unit of the Products as set forth in Appendix A.

“**Relevant Jurisdiction**” means the State of Delaware, the United States.

“**Shipping Period**” means the estimated time period when BITMAIN shall ship the applicable batch of Products on condition that the Purchaser has fulfilled its payment obligations hereunder, as set forth in Appendix A and Appendix C, as the case may be.

“**Total Purchase Price**” means the total purchase price of the Products as set forth in Appendix A, being the product of Purchase Unit Price multiplied by the Contracted Hashrate, but excluding the Call Purchase Fee and Call Purchase Price contemplated in Appendix C.

“**US\$**” or “**US Dollar(s)**” means the lawful currency of the United States of America.

“**Warranty Period**” means the period of time that the Products are covered by the warranty granted by BITMAIN or its Affiliates in accordance with Clause 6.

“Warranty Start Date” means the date on which the Products are delivered to the carrier as recorded on BITMAIN Website (as defined below).

BITMAIN

1.2 In this Agreement, unless otherwise specified:

- (a) Any singular term in this Agreement shall be deemed to include the plural and vice versa where the context so requires
- (b) The headings in this Agreement are inserted for convenience only and shall not be taken into consideration in the interpretation or construction of this Agreement.
- (c) References to Clause(s) and Appendix(es) are references to Clause(s) and Appendix(es) of this Agreement.
- (d) The Appendixes form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement.
- (e) Unless specifically stated otherwise, all references to days shall mean calendar days.
- (f) Any reference to a code, law, statute, statutory provision, statutory instrument, order, regulation or other instrument of similar effect shall include any re-enactment or amendment thereof for the time being in force.

2. Sales and Purchase of Products

2.1 Subject to the terms and conditions set forth herein, the Purchaser agrees to purchase the Products at the Total Purchase Price. In addition, the Parties acknowledge and agree that the Purchaser shall also have the option to purchase the Forward Deliverables pursuant to the terms and conditions of the Call Option set forth herein and in Appendix C.

3. Price and Terms of Payment

3.1. The Purchaser shall pay the Total Purchase Price of each batch of Products in accordance with the payment schedule as set forth in Appendix B.

3.2 All sums payable by the Purchaser to BITMAIN shall not be subject to any abatement, set-off, claim, counterclaim, adjustment, reduction, or defense for any reason. Unless otherwise explicitly specified herein, any and all payments made by the Purchaser (including, without limitation, the payment of the Total Purchase Price) are not refundable. Without prejudice to the foregoing, the Parties acknowledge and agree that BITMAIN shall be entitled to deduct from, set-off and apply any and all deposits and credit balance of the Purchaser for any sums owed by the Purchaser to BITMAIN, including but not limited to any liquidated damages, indemnities, liabilities, etc.

3.3 In the event that the Purchaser fails to fully settle the respective percentage of the Total Purchase Price with respect to any applicable batch before the prescribed deadline(s) as set forth in Appendix B without BITMAIN's prior written consent, BITMAIN, at its sole discretion, shall be entitled to: (a) charge default interest on all unpaid amount with respect to each applicable batch, at the rate of twelve percent (12%) per annum; and (b) continue to perform its obligations with respect to such

applicable batch, provided that, in each case, any and all the losses, claims, damages or liabilities that BITMAIN may suffer shall be fully indemnified by the Purchaser.

BITMAIN

3.4 Before the Purchaser makes any payment on any batch of Product(s), the Parties shall confirm and agree on the batch of the Product(s) against which payment is being made. This confirmation shall be used to determine matters where different arrangements are applicable to different batches, including, but not limited to, defaults of the Purchaser and the product discount (if any) offered to the Purchaser.

3.5 The Purchaser shall complete the relevant order processing procedures on the official website of BITMAIN: <https://shop.bitmain.com> (the "BITMAIN Website") in accordance with BITMAIN's instructions.

3.6 The Parties understand and agree that the Total Purchase Price is inclusive of the insurance (as set forth in paragraph 2 of Appendix A) fee and applicable bank transaction fee, but is exclusive of the logistics costs of shipping from BITMAIN's factory/warehouse to the designated place of the Purchaser, relevant maintenance or other applicable costs of the Purchaser to purchase the Products, and any and all applicable import duties, taxes (any value-added taxes, sales and use tax and other similar turnover tax) and governmental charges.

3.7 The Purchaser is responsible for being compliant with tax filing requirement regulated by any federal, state or local taxing authority in the United States regarding all applicable taxes, including, but not limited to sales and use tax, value added taxes and any other governmental charges and duties connected with the services provided by BITMAIN or the payment of any amounts hereunder. The Purchaser agrees to provide BITMAIN with the tax payment certificate or acknowledgement or the confirmation email issued by the relevant state tax authorities regarding the abovementioned taxes as applicable.

3.8 The Purchaser shall indemnify and hold BITMAIN harmless from and against any and all liability of tax filing, claims, late payment interest, fines, penalties in relation to sales and use tax, value-added taxes and any other governmental charges and duties connected with the services provided by BITMAIN or the payment of any amounts hereunder.

4. Shipping of Products

4.1 The Parties agree that the shipping of the Products shall be completed as follows:

(a) BITMAIN shall notify the Purchaser when a batch or a portion of the batch of the Products is ready for shipment ("Ready-to-Ship Notification") during or after the Shipping Period as set forth in Appendix A (in any event no later than 30th day after the expiration of the Shipping Period as set forth in Appendix A), provided that, the Purchaser shall have fulfilled its payment obligations in accordance with this Agreement. For each batch, BITMAIN shall be entitled to

obligations in accordance with this Agreement. For each batch, BITMAIN shall be required to ship by installments and send a Ready-to-Ship Notification for each installment. BITMAIN

BITMAIN

shall be deemed to have fulfilled its obligation to deliver the Products once BITMAIN sends the Purchaser the Ready-to-Ship Notification.

(b) Within three (3) days upon the receipt of the Ready-to-Ship Notification, the Purchaser shall inform BITMAIN of a shipping address or its intention to self-pick up the Products in a manner as agreed by the Parties (the "Confirmation"). The title and risk of loss or damage to the Products shall pass to the Purchaser when BITMAIN delivers the Products to the carrier, or when the Purchaser self-picks up the Products, whichever is applicable.

(c) If the Purchaser fails to provide the Confirmation within thirty (30) days following receipt of the Ready-to-Ship Notification, BITMAIN shall be entitled to handle the Products in any manner it deems appropriate.

(d) Under no circumstance shall BITMAIN be required to refund the payment already made if the Purchaser fails to provide the Confirmation.

4.2 Subject to Clause 4.1 and the limitations stated in Appendix A, the terms of delivery of the Products shall be FCA (BITMAIN's factory or warehouse) according to Incoterms 2020. The Parties hereby acknowledge and agree that the delivery of the Products shall occur outside of the jurisdiction of the recipient.

4.3 In the event of any discrepancy between this Agreement and BITMAIN's cargo insurance policy regarding the insurance coverage, the then effective BITMAIN cargo insurance policy shall prevail, and BITMAIN shall be required to provide the then effective insurance coverage to the Purchaser.

4.4 If BITMAIN, at its own fault, fails to send the Ready-to-Ship Notification within thirty (30) days after the expiration of the Shipping Period as set forth in Appendix A, the Purchaser shall be entitled to cancel such batch of Products and request BITMAIN to refund the respective price of such undelivered batch of Products already paid by the Purchaser together with an interest at 0.0333% per day for the period from the next day of each payment of the price of such batch of Products to the date immediately prior to the request of refund. In the event that the Purchaser does not cancel undelivered batch of Products and requests BITMAIN to perform its delivery obligation, BITMAIN shall continue to perform its delivery obligation and compensate the Purchaser in accordance with Clause 4.5 of this Agreement.

4.5 If BITMAIN, at its own fault, fails to send the Ready-to-Ship Notification within thirty (30) days after expiration of the Shipping Period as set forth in Appendix A and the Purchaser does not cancel such batch of Products and requests BITMAIN to perform its delivery obligations, BITMAIN shall make a compensation to the Purchaser. The compensation shall equal to the aggregate amount of 0.0333% per day of the respective price already paid by the Purchaser of such undelivered batch of Products for the period from the next day of each payment of the price of such batch of Products to the date immediately prior to the request of compensation. The compensation shall be made in the

the date immediately prior to the request of compensation. The compensation shall be made in the

BITMAIN

form of increase to the Contracted Hashrate by delivery of more Products representing the amount of compensation. If there is balance of compensation after deducting the price of increased Products, or the compensation amounts less than the price of one unit of Product, the balance of the compensation or the compensation shall be made in the form of credit to the balance of the Purchaser.

4.6 There are (1) batches of Products under this Agreement and each batch shall constitute independent legal obligations of and shall be performed separately by the Parties. The delay of a particular batch shall not constitute waiver of the payment obligations of the Purchaser in respect of other batches. The Purchaser shall not terminate this Agreement solely on the ground of delay of delivery for a single batch of Products.

4.7 The Purchaser shall choose the following shipping method:

Shipping by BITMAIN via FedEx/DHL/UPS/other logistics company Self-pick

Logistics costs shall be borne by the Purchaser. BITMAIN shall be entitled to collect payments on behalf of the logistics service providers and issue logistics service invoices if the Purchaser requests BITMAIN to send the Products. If the Purchaser requests BITMAIN to send the Products on behalf of the Purchaser, BITMAIN will send a shipping confirmation to the Purchaser after it has delivered the Products to the carrier.

4.8 Notwithstanding anything to the contrary contained in Clauses 4.4 and 4.5, under no circumstances, BITMAIN shall be responsible for any delivery delay caused by the Purchaser or any third party, including but not limited to the carrier, the customs, and the import brokers, nor shall it be liable for damages, whether direct, indirect, incidental, consequential, or otherwise, for any failure, delay or error in delivery of any Products for any reason whatsoever.

4.9 BITMAIN shall not be responsible for, and the Purchaser shall be fully and exclusively responsible for any loss of Product(s), personal injury, property damage, other damage or liability caused by the Product(s) or the transportation of the Product(s) either to the Purchaser or any third party, or theft of the Product(s) during transportation from BITMAIN to the Purchaser.

4.10 BITMAIN has the right to discontinue the sales of the Products and to make changes to its Products at any time, without prior approval from or notice to the Purchaser.

4.11 If the Product(s) is rejected and/or returned to BITMAIN due to any reason and regardless of the cause of such delivery failure, the Purchaser shall be solely and exclusively liable for and shall defend, fully indemnify and hold harmless BITMAIN against any and all related expenses, fees, charges and costs incurred, arising out of or incidental to such rejection and/or return (the "Return

Expense”). Furthermore, if the Purchaser would like to ask for BITMAIN’s assistance in redelivering such Product(s) or in any other manner, and if BITMAIN at its sole discretion decides to provide this

BITMAIN

assistance, then in addition to the Return Expense, the Purchaser shall also pay BITMAIN an administrative fee in accordance with BITMAIN's then applicable internal policy.

4.12 If the Purchaser fails to provide BITMAIN with the Confirmation or the shipping address provided by the Purchaser is a false address or does not exist, or the Purchaser rejects to accept the Products when delivered, any related costs occurred (including storage costs, warehousing charge and labor costs) shall be borne by the Purchaser.

4.13 The Purchaser shall inspect the Products within two (2) days (the "Acceptance Time") after receiving the Products (the date of signature on the carrier's delivery voucher shall be the date of receipt, , or the date when the Purchaser self-picks up the Products, whichever is applicable). If the Purchaser does not raise any written objection within the Acceptance Time, the Products delivered by BITMAIN shall be deemed to be in full compliance with the provisions of this Agreement. The Products delivered are neither returnable nor refundable.

5. Customs

5.1 BITMAIN shall obtain in due time and maintain throughout the term of this Agreement (if applicable), any and all approvals, permits, authorizations, licenses and clearances for the export of the Product(s) that are required to be obtained by BITMAIN or the carrier under Applicable Laws.

5.2 The Purchaser shall obtain in due time and maintain throughout the term of this Agreement (if applicable), any and all approvals, permits, authorizations, licenses and clearances required for the import of the Products to the country of delivery as indicated in the shipping information, that are required to be obtained by the Purchaser or the carrier under Applicable Laws, and shall be responsible for any and all additional fees, expenses and charges in relation to the import of the Products.

5.3 BITMAIN shall not be liable for any loss caused by confiscation, seizure, search or other actions taken by government agencies such as customs unless such loss is caused by the gross negligence or misrepresentation of BITMAIN.

6. Warranty

6.1 The Warranty Period shall start on the Warranty Start Date and end on the 365th day after the Warranty Start Date. During the Warranty Period, the Purchaser's sole and exclusive remedy, and BITMAIN's entire liability, will be to repair or replace, at BITMAIN's option, the defective part /component of the Product(s) or the defective Product(s) at no charge to the Purchaser. If the Purchaser requires BITMAIN to provide any Warranty services, the Purchaser shall complete the

appropriate actions on BITMAIN Website in accordance with the requirements of BITMAIN and send the Product(s) to the place designated by BITMAIN within the time limit required by

BITMAIN

BITMAIN. Otherwise, BITMAIN shall be entitled to refuse to provide the Warranty services.

6.2 The Parties acknowledge and agree that the warranty provided by BITMAIN as stated in the preceding paragraph does not apply to the following:

- (a) normal wear and tear;
- (b) damage resulting from accident, abuse, misuse, neglect, improper handling or improper installation;
- (c) damage or loss of the Product(s) caused by undue physical or electrical stress, including but not limited to moisture, corrosive environments, high voltage surges, extreme temperatures, shipping, or abnormal working conditions;
- (d) damage or loss of the Product(s) caused by acts of nature including, but not limited to, floods, storms, fires, and earthquakes;
- (e) damage caused by operator error, or non-compliance with instructions as set out in accompanying documentation provided by BITMAIN;
- (f) alterations by persons other than BITMAIN, or its associated partners or authorized service facilities;
- (g) Product(s), on which the original software has been replaced or modified by persons other than BITMAIN, or its associated partners or authorized service facilities;
- (h) counterfeit products;
- (i) damage or loss of data due to interoperability with current and/or future versions of operating system, software and/or hardware;
- (j) damage or loss of data caused by improper usage and behavior which is not recommended and/or permitted in the product documentation provided by BITMAIN;
- (k) failure of the Product(s) caused by usage of products not supplied by BITMAIN; and
- (l) burnt hash boards or chips.

In case the warranty is voided, BITMAIN may, at its sole discretion, provide repair service to the Purchaser, and the Purchaser shall bear all related expenses and costs.

6.3 Notwithstanding anything to the contrary herein, the Purchaser acknowledges and agrees that the Products provided by BITMAIN do not guarantee any cryptocurrency mining time and, BITMAIN shall not be liable for any cryptocurrency mining time loss or cryptocurrency mining revenue loss that are caused by downtime of any part/component of the Products. BITMAIN does not warrant that the Products will meet the Purchaser's requirements or the Products will be uninterrupted or error free. Except as provided in Clause 6.1, BITMAIN makes no warranties to the Purchaser with respect to the Products, and no warranties of any kind, whether written, oral, express, implied or statutory, including warranties of merchantability, fitness for a particular purpose or non-infringement or

arising from course of dealing or usage in trade shall apply.

V3.2.0.20231221(US)

Pages 10 of 30

BITMAIN

6.4 In the event of any ambiguity or discrepancy between this Clause 6 and BITMAIN's After-sales Service Policy on BITMAIN Website from time to time, it is intended that the After-sales Service Policy shall prevail and the Parties shall comply with and give effect to the After-sales Service Policy. Please refer to BITMAIN Website for detailed terms of warranty and after-sales maintenance. BITMAIN has no obligation to notify the Purchaser of the update or modification of such terms.

6.5 During the warranty period, if the hardware of the product(s) needs to be repaired or replaced, the Purchaser shall bear the logistics costs of shipping the Product(s) to the address designated by BITMAIN, and BITMAIN shall bear the logistics costs of shipping back the repaired or replaced Product(s) to the address designated by the Purchaser. The Purchaser shall bear all and any additional costs incurred due to incorrect or incomplete delivery information provided by the Purchaser and all and any risks of loss or damage to the Product(s), or the parts or components of the Products(s) during the transportation period (including the transportation period when the product is sent to BITMAIN and returned by BITMAIN to the Purchaser).

7. Representations and Warranties

7.1 The Purchaser makes the following representations and warranties to BITMAIN:

- (a) It is duly incorporated or organized, validly existing and in good standing (or equivalent status) under the laws of the jurisdiction of its incorporation or organization. It has the full power and authority to own its assets and carry on its businesses.
- (b) The obligations expressed to be assumed by it under this Agreement are legal, valid, binding and enforceable obligations.
- (c) It has the power to enter into, perform and deliver, and has taken all necessary action to authorize its entry into, performance and delivery of, this Agreement and the transactions contemplated by this Agreement.
- (d) The entry into and performance by it of, and the transactions contemplated by, this Agreement do not and will not conflict with any Applicable Laws, its constitutional documents; or any agreement or instrument binding upon it or any of its assets.
- (e) All authorizations required or desirable, to enable it lawfully to enter into, exercise its rights under and comply with its obligations under this Agreement; to ensure that those obligations are legal, valid, binding and enforceable; and to make this Agreement admissible in evidence in its jurisdiction of incorporation, have been, or will have been by the time, obtained or effected and are, or will be by the appropriate time, in full force and effect.
- (f) It is not aware of any circumstances which are likely to lead to any authorization obtained or effected not remaining in full force and effect, any authorization not being obtained, renewed

BITMAIN

or effected when required or desirable; or any authorization being subject to a condition or requirement which it does not reasonably expect to satisfy or the compliance with which has or could reasonably be expected to have a material adverse effect.

(g) It is not the target of economic sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), the U.S. Department of State, the United Nations Security Council, the European Union, His Majesty's Treasury of the United Kingdom or Singapore ("Sanctions"), including by being listed on the Specially Designated Nationals and Blocked Persons (SDN) List maintained by OFAC or any other Sanctions list maintained by one of the foregoing governmental authorities, directly or indirectly owned or controlled by one or more SDNs or other Persons included on any other Sanctions list, or located, organized or resident in a country or territory that is the target of Sanctions; and (b) the purchase of the Products will not violate any Sanctions or import and export control related laws and regulations.

(h) All information supplied by the Purchaser is and shall be true and correct, and the information does not contain and will not contain any statement that is false or misleading.

(i) It acknowledges and agrees that, in entering into this Agreement, BITMAIN has relied on the representations and warranties set forth in this Clause 7.1 and Clause 14.

8. Indemnification and Limitation of Liability

8.1 The Purchaser shall, during the term of this Agreement and at any time thereafter, indemnify and save BITMAIN and/or its Affiliates harmless from and against any and all damages, suits, claims, judgments, liabilities, losses, fees, costs or expenses of any kind, including legal fees, whatsoever arising out of or incidental to the Products pursuant to this Agreement.

8.2 Notwithstanding anything to the contrary herein, BITMAIN and its Affiliates shall under no circumstances, be liable to the Purchaser for any consequential loss, or any indirect, incidental, special, exemplary or punitive damages, or any measure of damages based on diminution in value or based on any loss of goodwill, business, anticipated profits, revenue, contract, or business opportunity or similar concept arising out of or in connection with this Agreement, and the Purchaser hereby waives any claim it may at any time have against BITMAIN and its Affiliates in respect of any such damages. The foregoing limitation of liability shall apply whether in an action at law, including but not limited to contract, strict liability, negligence, willful misconduct or other tortious action, or an action in equity.

8.3 BITMAIN and its Affiliates' cumulative aggregate liability pursuant to this Agreement, whether arising from tort, breach of contract or any other cause of action shall be limited to and not exceed the amount of one hundred percent (100%) of the payment actually received by BITMAIN from the

Purchaser for the Products under this Agreement.

V3.2.0.20231221(US)

Pages 12 of 30

BITMAIN

8.4 The Products are not designed, manufactured or intended for use in hazardous or critical environments or in activities requiring emergency or fail-safe operation, such as the operation of nuclear facilities, aircraft navigation or communication systems or in any other applications or activities in which failure of the Products may pose the risk of environmental harm or physical injury or death to humans. In addition to the disclaimer of warranties set forth in Clause 6.3, BITMAIN further disclaims any express or implied warranty of fitness for any of the above described applications and any such use shall be at the Purchaser's sole risk.

8.5 As far as permitted by laws, except for the Warranty as set forth in Clause 6, BITMAIN provides no other warranty, explicit or implied, in any form, including but not limited to the warranty of the marketability, satisfaction of the quality, suitability for the specific purpose, not infringing third party's right, etc. In addition, BITMAIN shall not be responsible for any direct, specific, incidental, accidental or indirect loss arising from the use of the Products, including but not limited to the loss of commercial profits.

8.6 BITMAIN shall not be liable for any loss caused by: (a) failure of the Purchaser to use the Products in accordance with the manual, specifications, operation descriptions or operation conditions provided by BITMAIN in writing; or (b) the non-operation of the Products during the replacement/maintenance period or caused by other reasons.

8.7 The above limitations and exclusions shall survive and apply: (a) notwithstanding failure of essential purpose of any exclusive or limited remedy; and (b) whether or not BITMAIN has been advised of the possibility of such damages. The Parties acknowledge the limitation of liability and the allocation of risks in this Clause 8 is an essential element of the basis of the bargain between the Parties under this Agreement and BITMAIN's pricing reflects this allocation of risks and the abovementioned limitations of liability.

9. Distribution

9.1 This Agreement does not constitute a distributor agreement between BITMAIN and the Purchaser. Therefore, the Purchaser acknowledges that it is not an authorized distributor of BITMAIN.

9.2 The Purchaser shall in no event claim or imply to a third party that it is an authorized distributor of BITMAIN or BITMAIN (ANTMINER) or their respective Affiliates, or perform any act that will cause it to be construed as an authorized distributor of BITMAIN or BITMAIN (ANTMINER) or their respective Affiliates. As between the Purchaser and BITMAIN, the Purchaser shall be exclusively and fully responsible for complying with the Applicable Laws regarding repackaging the Products for the Purchaser's redistribution needs, and shall be solely liable for any and all liabilities

products for the purchaser's redistribution needs, and shall be solely liable for any and all royalties or costs directly incurred or incidental to such redistribution.

BITMAIN

10. Intellectual Property Rights

10.1 The Parties agree that the Intellectual Property Rights in any way contained in the Products, made, conceived or developed by BITMAIN and/or its Affiliates for the Products under this Agreement and/or, achieved, derived from, related to, connected with the provision of the Products by BITMAIN and/or acquired by BITMAIN from any other person in performance of this Agreement shall be the exclusive property of BITMAIN and/or its Affiliates.

10.2 Notwithstanding anything to the contrary herein, all Intellectual Property Rights in the Products shall remain the exclusive property of BITMAIN and/or its Affiliates and/or its licensors. Except for licenses explicitly identified in BITMAIN's shipping confirmation or in this Clause 10.2, no rights or licenses are expressly granted, or implied, whether by estoppel or otherwise, in respect of any Intellectual Property Rights of BITMAIN and/or its Affiliates or any Intellectual Property residing in the Products provided by BITMAIN to the Purchaser, including in any documentation or any data furnished by BITMAIN. BITMAIN grants the Purchaser a non-exclusive, non-transferrable, royalty-free and irrevocable license of BITMAIN and/or its Affiliates' Intellectual Property Rights to solely use the Products delivered by BITMAIN to the Purchaser for their ordinary function, and subject to the provisions set forth herein. The Purchaser shall in no event violate the Intellectual Property Rights of BITMAIN and/or its Affiliates and/or its licensors.

10.3 The Purchaser shall not illegally use or infringe the Intellectual Property Rights of the Products in any way. Otherwise, BITMAIN shall have the right to request the Purchaser to take immediate remedial measures and assume full responsibilities, including but not limited to ceasing the infringement immediately, eliminating the impact, and compensating BITMAIN and/or its Affiliates for all losses arising out of the infringement, etc.

10.4 The Purchaser shall not use any technical means to disassemble, mapping or analyze the Products of BITMAIN, and shall not reverse engineer or otherwise attempt to derive or obtain information about the function, manufacture or operation of the Products, to retrieve relevant technical information of the Products and use it for commercial purposes. Otherwise, the Purchaser shall be liable for losses caused to BITMAIN in accordance with Clause 10.3.

10.5 If applicable, payment by the Purchaser of non-recurring charges to BITMAIN for any special designs, or engineering or production materials required for BITMAIN's performance of obligations for customized Products, shall not be construed as payment for the assignment from BITMAIN to the Purchaser of title to such special design, engineering or production materials. BITMAIN shall be the sole owner of such special designs, engineering or production materials with regard to such Products.

11. Confidentiality and Communications

V3.2.0.20231221(US)

Pages 14 of 30

BITMAIN

11.1 All information concerning this Agreement and matters pertaining to or derived from the provision of Products pursuant to this Agreement between the Parties, whether in oral or written form, or in the form of drawings, computer programs or other, as well as all data derived therefrom (“**Confidential Information**”), shall be deemed to be confidential and, as such, may not be divulged to any unauthorized person. The Purchaser undertakes and agrees to take all reasonable and practicable steps to ensure and protect the confidentiality of the Confidential Information which cannot be passed, sold, traded, published or disclosed to any unauthorized person. Notwithstanding anything to the contrary herein, BITMAIN acknowledges that Purchaser is a corporation listed on NASDAQ and subject to laws, rules and regulations relating to disclosure requirements, and nothing in this section shall prevent Purchaser from making any disclosures, discretionary releases or regulatory files in any form required by applicable laws, rules and regulations.

12. Term of this Agreement

12.1 The Parties agree that, unless this Agreement specifies otherwise, no Party shall terminate this Agreement in advance.

12.2 This Agreement shall be effective upon execution by both Parties of this Agreement and shall remain effective up to and until the delivery of the last batch of Products.

13. Notices

13.1 All notices, requirements, requests, claims, and other communications in relation to this Agreement shall be in writing, and shall be given or made by delivery in person, by an internationally recognized overnight courier service, by facsimile or registered or certified mail (postage prepaid, return receipt requested) or electronic mail to the respective Parties at the addresses specified below or at such other address for a Party as may be specified in a notice given in accordance with this Clause 13.

13.2 The Purchaser undertakes that the documents, materials, vouchers, order information, payment account information, credential numbers, mobile phone numbers, transaction instructions and so on provided by the Purchaser shall be true, correct, complete and effective, and the information does not contain any statement that is false or misleading.

13.3 If there is any suspicious transaction, illegal transaction, risky transaction or other risky events of the Purchaser’s account registered on BITMAIN Website, the Purchaser agrees that BITMAIN shall have the right to disclose the Purchaser’s registration information, transaction information, identity information, logistics information upon the request of relevant judicial agencies, regulatory agencies or third-party payment institutions for investigation purpose. In addition, if necessary, the

Purchaser shall provide further information upon BITMAIN's request.

BITMAIN

13.4 The following are the initial address of each Party:

If to the Purchaser:

Address: 9 Federal Street, Easton, MD 21601 USA

Attn: Nazar Khan

Phone: +1-4107709500

Email: khan@terawulf.com

If to BITMAIN:

Address: 840 New Burton Street, Suite 201, Dover, Kent, DE 19904

Attn: BOZHAO YU

Phone: +1-6464684535

Email: bozhao.yu@bitmain.com, with a copy to legal@bitmain.com and invoice@bitmain.com

BITMAIN

13.5 All such notices and other communications shall be deemed effective in the following situations:

- (a) if sent by delivery in person, on the same day of the delivery;
- (b) if sent by registered or certified mail or overnight courier service, on the same day the written confirmation of delivery is sent; and
- (c) if sent by electronic mail, at the entrance of the related electronic mail into the recipient's electronic mail server.

14. Compliance with Laws and Regulations

14.1 The Purchaser undertakes that it will fully comply with all Applicable Laws in relation to export and import control and Sanctions and shall not take any action that would cause BITMAIN or any of its Affiliates to be in violation of any export and import control laws or Sanctions. The Purchaser shall also be fully and exclusively liable for and shall defend, fully indemnify and hold harmless BITMAIN and/or its Affiliates from and against any and all claims, demands, actions, costs or proceedings brought or instituted against BITMAIN and/or its Affiliates arising out of or in connection with any breach by the Purchaser or the carrier of any Applicable Laws in relation to export and import control or Sanction.

14.2 The Purchaser acknowledges and agrees that the Products in this Agreement are subject to the export control laws and regulations of all relevant countries, including but not limited to Export Administration Regulations of the United States ("EARs"). Without limiting the foregoing, the Purchaser shall not, without receiving the proper licenses or license exceptions from all relevant governmental authorities, including but not limited to the U.S. Bureau of Industry and Security, distribute, re-distribute, export, re-export, or transfer any Products subject to this Agreement either directly or indirectly, to any national of any country identified in Country Groups D:1 or E:1 as defined in the EARs. In addition, the Products under this Agreement may not be exported, re-exported, or transferred to (a) any person or entity for military purposes; (b) any person or entity listed on the "Entity List", "Denied Persons List" or the SDN List as such lists are maintained by the U.S. Government, or (c) an end-user engaged in activities related to weapons of mass destruction. Such activities include but are not necessarily limited to activities related to: (x) the design, development, production, or use of nuclear materials, nuclear facilities, or nuclear weapons; (y) the design, development, production, or use of missiles or support of missiles projects; and (z) the design, development, production, or use of chemical or biological weapons. The Purchaser further agrees that it will not do any of the foregoing in violation of any restriction, law, or regulation of the European Union or an individual EU member state that imposes on an exporter a burden equivalent to or greater than that imposed by the U.S. Bureau of Industry and Security.

14.3 The Purchaser undertakes that it will not take any action under this Agreement or use the

BITMAIN

Products in a way that will be a breach of any anti-money laundering laws, any anti-corruption laws, and/or any counter-terrorist financing laws.

14.4 The Purchaser warrants that the Products have been purchased with funds that are from legitimate sources and such funds do not constitute proceeds of criminal conduct, or realizable property, or proceeds of terrorism financing or property of terrorist. If BITMAIN receives, including but not limited to investigation, evidence collection, restriction and other measures, from any competent organizations or institutions, the Purchaser shall immediately cooperate with BITMAIN and such competent organizations or institutions in the investigation process, and BITMAIN may request the Purchaser to provide necessary security if so required. If any competent organizations or institutions request BITMAIN to seize or freeze the Purchaser's Products and funds (or take any other measures), BITMAIN shall be obliged to cooperate with such competent organizations or institutions, and shall not be deemed as breach of this Agreement. The Purchaser understands that if any Person resident in the Relevant Jurisdiction knows or suspects or has reasonable grounds for knowing or suspecting that another Person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the Person will be required to report such knowledge or suspicion to the competent authority. The Purchaser acknowledges that such a report shall not be treated as breach of confidence or violation of any restriction upon the disclosure of information imposed by any Applicable Law, contractually or otherwise.

14.5 BITMAIN represents and warrants to Purchaser that all Products shall have a country of origin other than China and/or any OFAC-Sanctioned country. Purchaser may reject any Products with a country of origin of China or any OFAC-Sanctioned country and, in such event, BITMAIN shall replace and provide alternate Products meeting the specifications and requirements hereunder and with country of origin other than China and/or any OFAC-sanctioned country.

15. Force Majeure

15.1 To the extent that the performance of any obligation of either Party under this Agreement (other than an obligation to make payment) is prevented, frustrated, hindered or delayed as a consequence of a Force Majeure Event and subject to the exercise of reasonable diligence by the other Party, the obligations of Parties to the extent they are affected by the Force Majeure Event (other than an obligation to make payment), shall be suspended for the duration of any inability so caused; provided that, the Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of such event: (i) notify the other Party of the nature, condition, date of inception and expected duration of such Force Majeure Event and the extent to which the claiming Party expects

that the Force Majeure Event may delay, prevent or hinder such Party from performing its obligations under this Agreement; and (ii) use its best effort to remove any such causes and resume performance

BITMAIN

under this Agreement as soon as reasonably practicable and mitigate its effects.

15.2 Except in the case of an event of Force Majeure, neither party may terminate this Agreement prior to its expiry date.

15.3 The Purchaser hereby acknowledges and warrants that this Agreement shall not be terminated by the Purchaser for the reasons of the restrictions or prohibitions of the cryptocurrency mining activities by any Applicable Laws or Governmental Authority. This Clause 15.3 shall prevail over all other clauses herein.

16. Entire Agreement and Amendment

16.1 This Agreement constitutes the entire agreement of the Parties hereto and can only be amended with the written consent of both Parties.

17. Assignment

17.1 BITMAIN may freely assign or transfer any of its rights, benefits or obligations under this Agreement in whole or in part to its Affiliates or to any third party. The Purchaser may not assign or transfer any of its rights, benefits or obligations under this Agreement in whole or in part without BITMAIN's prior written consent.

17.2 This Agreement shall be binding upon and inure to the benefit of each Party to this Agreement and its successors in title and permitted assigns.

18. Severability

18.1 To the extent possible, if any provision of this Agreement is held to be illegal, invalid or unenforceable in whole or in part by a competent court or arbitral tribunal, the provision shall apply with whatever deletion or modification is necessary so that such provision is legal, valid and enforceable and gives effect to the commercial intention of the Parties. The remaining provisions of this Agreement shall not be affected and shall remain in full force and effect.

19. Personal Data

19.1 Depending on the nature of the Purchaser's interaction with BITMAIN, some examples of personal data which BITMAIN may collect from the Purchaser include the Purchaser's name and identification information, contact information such as the Purchaser's address, email address and telephone number, nationality, gender, date of birth, and financial information such as credit card numbers, debit card numbers and bank account information.

19.2 BITMAIN generally does not collect the Purchaser's personal data unless (a) it is provided to BITMAIN voluntarily by the Purchaser directly or via a third party who has been duly authorized by

BITMAIN

the Purchaser to disclose the Purchaser's personal data to BITMAIN (the Purchaser's "authorized representative") after (i) the Purchaser (or the Purchaser's authorized representative) has been notified of the purposes for which the data is collected, and (ii) the Purchaser (or the Purchaser's authorized representative) has provided written consent to the collection and usage of the Purchaser's personal data for those purposes, or (b) collection and use of personal data without consent is permitted or required by relevant laws. BITMAIN shall seek the Purchaser's consent before collecting any additional personal data and before using the Purchaser's personal data for a purpose which has not been notified to the Purchaser (except where permitted or authorized by Applicable Laws).

Survival

20.1 All provisions of Clauses 5, 6, 8, 9, 10, 11, 14 and 19 shall survive the termination or completion of this Agreement.

21. Conflict with the Terms and Conditions

21.1 In the event of any ambiguity or discrepancy between the provisions of this Agreement and the Terms and Conditions of BITMAIN on BITMAIN Website time to time, the provisions of this Agreement shall prevail and the Parties shall comply with and give effect to this Agreement.

22. Governing Law and Dispute Resolution

22.1 This Agreement shall be solely governed by and construed in accordance with the laws of the State of Delaware, the United States.

22.2 All disputes arising under this agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflict of laws. The parties to this agreement will submit all disputes arising under this agreement to arbitration in Houston, Texas before a single arbitrator of the American Arbitration Association ("AAA"). The arbitrator shall be an attorney admitted to practice law in the State of Delaware. No party to this agreement will challenge the jurisdiction or venue provisions as provided in this section. Nothing contained herein shall prevent the party from obtaining an injunction. The breaching Party shall bear the attorney and arbitration fees of the non-breaching Party. EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

23. Waiver

23.1 Failure by either Party to enforce at any time any provision of this Agreement, or to exercise any

V3.2.0.20231221(US)

Pages 20 of 30

BITMAIN

election of options provided herein shall not constitute a waiver of such provision or option, nor affect the validity of this Agreement or any part hereof, or the right of the waiving Party to thereafter enforce each and every such provision or option.

24. Counterparts and Electronic Signatures

24.1 This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, will be deemed to constitute one and the same agreement. The facsimile, email or other electronically delivered signatures of the Parties shall be deemed to constitute original signatures, and facsimile or electronic copies hereof shall be deemed to constitute duplicate originals.

25. Further Assurance

25.1 Each Party undertakes to the other Party to execute or procure to be executed all such documents and to do or procure to be done all such other acts and things as may be reasonable and necessary to give all Parties the full benefit of this Agreement.

[The rest part of the page is intentionally left in blank]

BITMAIN

Signed for and on behalf of BITMAIN

BITMAIN TECHNOLOGIES DELAWARE LIMITED



程然

Signed for and on behalf of the Purchaser

TeraLease LLC

Signature Paul B. Peep
Title President
March 20, 2024

BITMAIN

APPENDIX A

1. Information of Products.

1.1 The specifications of the Products are as follows:

Type	Details
Product Name	HASH Super Computing Server
Model	S21
Rated Hashrate per Unit, T	200.00
Rated Power per Unit, W	3,500.00
J/T	17.50
Contracted Hashrate, T	1,000,000.00
Quantity of the Products	5,000
Description	<p>1. BITMAIN procures with commercially reasonable efforts that the error range of the J/T indicator does not exceed 10%.</p> <p>2. The Rated Hashrate per Unit and Rated Power per Unit are for reference only and such indicator of each batch or unit of Products may differ. BITMAIN makes no representation on the Rated Hashrate per Unit and/or the Rated Power per Unit of any Products.</p> <p>3. Purchaser shall not reject the Products on the grounds that the parameters of the delivered Products are not in consistence with the reference indicators.</p>

BITMAIN

1.2 It is estimated that each batch of Products shall be purchased and delivered in accordance with the following arrangements:

Batch	Model	Shipping Period	Reference Quantity	Total Rated Hashrate (T)	Purchase Unit Price(US\$/T)	Corresponding Total Purchase Price(US\$)
SALE-0305-2024-S21-02	S21	2024-06	5,000	1,000,000.00	17.50	17,500,000.00
In Total			5,000	1,000,000.00	/	17,500,000.00

1.3 Total Purchase Price (tax exclusive): US\$ 17,500,000.00 (exclusive of Call Purchase Fee, Call Purchase Price as applicable)

1.4 Both Parties confirm and agree that BITMAIN shall be entitled to adjust the total quantity of each batch of Products based on the total hashrate; provided that, the total hashrate of the Products actually delivered by BITMAIN to the Purchaser shall not be less than the Contracted Hashrate as agreed in paragraph 1.1 of this Appendix A. BITMAIN makes no representation that the quantity of the actually delivered Products shall be the same as the Quantity of the Products set forth in paragraph 1.1 of this Appendix A.

1.5 In the event that BITMAIN publishes any new type of products with less J/T value and suspends the production of the type of the Products as agreed in this Agreement, BITMAIN shall be entitled to release itself from any future obligation to deliver any subsequent Products by 10-day prior notice to the Purchaser and continue to deliver new types of products to the Purchaser, the total hashrate of which shall be no less than such subsequent Products replaced under this Agreement and the price of which shall be adjusted in accordance with the J/T value. In the event that the Purchaser explicitly refuses to accept new types of products, the Purchaser is entitled to request, after two (2) years from the date of such refusal, for a refund of the remaining balance of the Total Purchase Price already paid by the Purchaser with no interest. If the Purchaser accepts the new types of Products delivered by BITMAIN, BITMAIN shall be obliged to deliver such new types of products to fulfill its obligations under this Agreement. The Purchaser may request to lower the total hashrate of the products delivered but shall not request to increase the total hashrate to the level exceeding the Contracted Hashrate. After BITMAIN publishes new types of products and if BITMAIN has not suspended the production of the types of Products under this Agreement, BITMAIN shall continue to

BITMAIN

delivery such agreed types of Products in accordance with this Agreement and the Purchaser shall not terminate this Agreement or refuse to accept the Products on the grounds that BITMAIN has published new type(s) of products.

2. Cargo insurance coverage limitations.

2.1 This paragraph 2 of Appendix A is only applicable if the Purchaser requests BITMAIN to send the Products pursuant to Clause 4.7.

2.2 The cargo insurance coverage provided by BITMAIN is subject to the following limitations and exceptions:

- (a) loss damage or expense attributable to willful misconduct of the Assured;
- (b) ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear of the subject-matter insured;
- (c) loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject-matter insured (for the purpose of this paragraph, "packing" shall be deemed to include stowage in a container or liftvan but only when such stowage is carried out prior to attachment of this insurance or by the Assured or their servants)
- (d) loss damage or expense caused by inherent vice or nature of the subject-matter insured
- (e) loss damage or expense proximately caused by delay, even though the delay be caused by a risk insured against (except expenses payable);
- (f) loss damage or expense arising from insolvency or financial default of the owners managers charterers or operators of the vessel;
- (g) loss, damage, or expense arising from the use of any weapon of war employing atomic or nuclear fission, and/or fusion or other like reaction or radioactive force or matter;
- (h) loss, damage or expense arising from unseaworthiness of vessel or craft, unfitness of vessel craft conveyance container or liftvan for the safe carriage of the subject-matter insured, where the Assured or their servants are privy to such unseaworthiness or unfitness, at the time the subject-matter insured is loaded therein;
- (i) the Underwriters waive any breach of the implied warranties of seaworthiness of the ship and fitness of the ship to carry the subject-matter insured to destination, unless the Assured or their servants are privy to such unseaworthiness or unfitness;
- (j) loss, damage or expense caused by (1) war, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power, (2) capture, seizure, arrest, restraint or detainment (piracy excepted), and the consequences thereof or any attempt threat, (3) derelict mines, torpedoes, bombs, or other derelict weapons of war; and
- (k) loss, damage, or expense caused by strikers, locked-out workmen, or persons taking part in

labor disturbances, riots or civil commotion, resulting from strikes, lock-outs, labor

V3.2.0.20231221(US)

Pages 25 of 30

BITMAIN

disturbances, riots or civil commotions, caused by any terrorist or any person acting from a political motive.

3. Payment of the Total Purchase Price

3.1 BITMAIN's BANK ACCOUNT info:

Company Name: BITMAIN TECHNOLOGIES DELAWARE LIMITED

Company Address: 840 New Burton Street, Suite 201, Dover, Delaware, DE19904

Account Number: 6007854

Currency: USD

Incoming Domestic (US) Wires:

Beneficiary Bank: Titan Bank

Beneficiary Bank ABA: 111910762

Beneficiary Bank Address: 1701 E. Hubbard Street, Mineral Wells, TX 76067

International Incoming Wires:

Receiving Bank: TIB The Independent Bankers Bank

Receiving Bank SWIFT Code: TIBBUS44

Receiving Bank Address: 11701 Luna Road, Farmers Branch TX75234

Beneficiary Bank: Titan Bank

Beneficiary Bank ABA: 111910762

Beneficiary Bank Address: 1701 E. Hubbard Street, Mineral Wells, TX 76067

3.2 The payment shall be arranged by the Purchaser as per Appendix B.

3.3 Without prejudice to any provisions hereof, the Purchase Unit Price and the Total Purchase Price of the Products and any amount paid or payable by the Purchaser shall be denominated and paid in US Dollars (US\$). Where the Parties mutually agree that such payments shall be made in Digital Currency instead of US Dollars, the exchange rate between the US Dollars and the Digital Currency selected shall be determined by BITMAIN in its sole and absolute discretion. In the event that the Parties agree for the Purchaser to make payment under this Agreement in Digital Currency, Purchaser shall pay such amount of Digital Currency which, if converted into US\$ using the spot rate at the time of such payment (the "Return Spot Rate"), would be no less than the amount that BITMAIN would receive in US\$. The Return Spot Rate of any such Digital Currency shall be mutually agreed by the Parties in writing. Notwithstanding the above, BITMAIN shall have, at any time, the sole and absolute discretion to determine whether to accept a certain form of Fiat Currency, Digital Currency or other property instead of US Dollars for payment for any amount payable by the Purchaser under this Agreement. Unless otherwise agreed by BITMAIN, in the event

that the Parties agree for the Purchaser to make payment in Digital Currency, the designated Digital Currency shall be the USDT. In any circumstance, the Purchaser shall not ask for any refund due to

BITMAIN

the change of exchange rate.

BITMAIN

APPENDIX B

Payment	Payment Percentage	Payment Date
Down Payment	20.00%	20.00% of the Total Purchase Price of all batches of Products hereunder shall be paid by the Purchaser within two (2) days after the execution of this Agreement
Interim Payment	30.00%	30.00% of the Total Purchase Price of each batch of Products shall be paid at least Two (2) months prior to the first day of the Shipping Period of such batch of Products
Balance Payment	50.00%	The remaining of the Total Purchase Price of each batch of Products shall be paid at least One(1) months prior to the first day of the Shipping Period of such batch of Products

1. Grant of Call Option for Purchasing Additional Products

1.1 Right to Purchase. Subject to the terms and conditions of this Agreement, at any time during the period from the date of this Agreement to December 31, 2024 (the “Call Option Period”), the Purchaser shall have the right (the “Call Option”), but not the obligation, to purchase, in whole or in part, additional Products having the specifications set out in paragraph 1.1 of Appendix A (the “Forward Deliverables”) at the Call Purchase Price (as defined below) in one or more transactions, which may be done in more than one batch in non-consecutive month between July 2024 and December 2024. The maximum rated hashrate of the Forward Deliverables if exercising the Call Option in full shall be 6,000,000 T with a total purchase price of US\$96,000,000 (“Call Purchase Price”), representing US\$16 per T, and the maximum quantity of Forward Deliverables shall be approximately 30,000 units.

1.2 Call Purchase Fee. The Purchaser shall pay BITMAIN an amount of US\$9,600,000 as the consideration of the Call Option (“Call Purchase Fee”), which is calculated as 10% of the Call Purchase Price, within two (2) days after the execution of this Agreement.

1.2.1 Exercise of the Call Option in Full. In the event the Purchaser exercises the Call Option in whole, the Call Purchase Fee shall be applied in whole towards the settlement of the Down Payment of the Call Purchase Price.

1.2.2 Exercise of the Call Option in Part. In the event that the Purchaser only exercises a portion of the Call Option (less than 100%), a proportion of the Call Purchase Fee, corresponding to the ratio of the quantity to be purchased to the maximum quantity of Forward Deliverables, shall be applied to settle the total purchase price of Forward Deliverables, while any remaining proportion of the Call Purchase Fee shall be forfeited to BITMAIN.

1.2.3 Upon exercise of the Call Option in accordance with either subparagraph 1.2.1 or 1.2.2, the Purchaser shall be obligated to pay the corresponding proportionate amount of the Call Purchase Price associated with the exercise of the Call Option less the corresponding proportionate amount of the Call Purchase Fee already paid to BITMAIN, according to the schedule of payment as follows:

Payment	Payment Percentage	Payment Date
Down Payment / Call Purchase Fee	10%	10% of the Call Purchase Price of Forward Deliverables shall be paid by the Purchaser within two (2) days after the execution of this Agreement
Interim Payment	10%	10% of the purchase price of each batch of Forward Deliverables shall be paid by the Purchaser within seven (7) days after the issuance of the applicable Notice of Exercise (as defined below)
Interim Payment	30%	30% of the purchase price of each batch of Forward Deliverables shall be paid at least two (2) months prior to the first day of the Shipping Period of Call Purchase (as defined below) of such batch of Forward Deliverables
		50% of the purchase price of each batch of Forward

Balance Payment	50%	50% of the purchase price of each batch of Deliverables shall be paid at least one (1) month prior to
-----------------	-----	---

BITMAIN

		the first day of the Shipping Period of Call Purchase of such batch of Forward Deliverables
--	--	---

1.3 A request to cancel such Call Option or refund any part of Call Purchase Fee would not be entertained by BITMAIN.

1.4 Procedure.

- i. In the event the Purchaser desires to exercise the Call Option to purchase any Forward Deliverables, whether in one or more transactions, or in whole or part, the Purchaser shall deliver to BITMAIN during the Call Option Period one or more written, unconditional, and irrevocable notice of exercise (“**Notice of Exercise**”) which shall specify: (a) the estimated time period when BITMAIN shall deliver or ship the applicable batch of Forward Deliverables on condition that the Purchaser has fulfilled its payment of corresponding proportionate amount of the Call Purchase Price associated with the exercise of the Call Option hereunder (“**Shipping Period of Call Purchase**”); (b) the quantity and total rated hashrate of the applicable batch of Forward Deliverables; and (c) a shipping address or its intention to self-pick up the Forward Deliverables in a manner as agreed by the Parties. The Parties agree that the Forward Deliverables contemplated in any Notice of Exercise shall only be delivered or shipped between July 2024 and December 2024, and in any event the Shipping Period of Call Purchase shall not commence earlier than 60 days from the date of the receipt by BITMAIN of the applicable Notice of Exercise.
- ii. The Parties agree that the shipping of the Forward Deliverables shall be completed in accordance with the procedure as set forth in Clause 4 of this Agreement, and the Forward Deliverables shall be subject to all other applicable terms and conditions of this Agreement regarding Products, including but not limited to Clause 5 Customs, Clause 6 Warranty and Appendix A, unless otherwise specified in this Appendix C.

1.5 Cooperation. The Purchaser and BITMAIN shall take all actions as may be reasonably necessary to consummate the purchase of any Forward Deliverables pursuant to this Appendix C.

1.6 Construction. Notwithstanding the foregoing, in the event that this Agreement is in default by the Purchaser, including but not limited to the payment obligation, then without prejudice to any other rights and remedies that BITMAIN may have under this Agreement or otherwise, the Parties agree that the Call Option shall not be exercised and shall immediately become of no effect without any penalty to BITMAIN, unless such default is waived by BITMAIN.



TERAWULF INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Paul B. Prager, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TeraWulf Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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
 - c. 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.

May 13, 2024

/s/ Paul B. Prager

Paul B. Prager
Chief Executive Officer
TeraWulf Inc.

TERAWULF INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Patrick A. Fleury, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TeraWulf Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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
 - c. 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.

May 13, 2024

/s/ Patrick A. Fleury

Patrick A. Fleury
Chief Financial Officer
TeraWulf Inc.

TERAWULF INC.

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 TeraWulf Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul B. Prager, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 13, 2024

/s/ Paul B. Prager

Paul B. Prager
Chief Executive Officer
TeraWulf Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

TERAWULF INC.

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 TeraWulf Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick A. Fleury, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 13, 2024

/s/ Patrick A. Fleury

Patrick A. Fleury
Chief Financial Officer
TeraWulf Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).