
**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 **September 30, 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 (§32.405 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 385,907,681 shares of Common Stock outstanding as of November 11, 2024.

TERAWULF INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

	Page
Forward-Looking Statements	3
PART I — FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023	5
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2024 and 2023	7
Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and 2023	9
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023	11
Notes to Condensed Consolidated Financial Statements	13
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	34
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	50
ITEM 4. Controls and Procedures	50
PART II — OTHER INFORMATION	
ITEM 1. Legal Proceedings	51
ITEM 1A. Risk Factors	51
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.	51
ITEM 3. Defaults Upon Senior Securities.	52
ITEM 4. Mine Safety Disclosures.	52
ITEM 5. Other Information.	52
ITEM 6. Exhibits	53
SIGNATURES	56

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;
- the number and value of bitcoin rewards and transaction fees we earn from our bitcoin mining operations;
- future self-mining hash rate capacity;
- timing of receipt and deployment of miners;
- 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 (Unaudited)****TERAWULF INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023**

(In thousands, except number of shares and par value; unaudited)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 23,938	\$ 54,439
Digital currency	297	1,801
Prepaid expenses	3,091	4,540
Other receivables	4,383	1,001
Other current assets	706	806
Total current assets	32,415	62,587
Equity in net assets of investee	79,494	98,613
Property, plant and equipment, net	283,098	205,284
Right-of-use asset	10,188	10,943
Other assets	710	679
TOTAL ASSETS	\$ 405,905	\$ 378,106
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,770	\$ 15,169
Accrued construction liabilities	5,040	1,526
Other accrued liabilities	7,080	9,179
Share based liabilities due to related party	—	2,500
Other amounts due to related parties	472	972
Current portion of operating lease liability	53	48
Insurance premium financing payable	—	1,803
Current portion of long-term debt	—	123,465
Total current liabilities	32,415	154,662
Operating lease liability, net of current portion	859	899
Long-term debt	—	56
TOTAL LIABILITIES	33,274	155,617
Commitments and Contingencies (See Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 100,000,000 authorized at September 30, 2024 and December 31, 2023; 9,566 issued and outstanding at September 30, 2024 and December 31, 2023; aggregate liquidation preference of \$12,302 and \$11,423 at September 30, 2024 and December 31, 2023, respectively	9,273	9,273

Common stock, \$0.001 par value, 600,000,000 and 400,000,000 authorized at September 30, 2024 and December 31, 2023, respectively; 382,632,083 and 276,733,329 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	383	277
Additional paid-in capital	666,055	472,834
Accumulated deficit	(303,080)	(259,895)
Total stockholders' equity	<u>372,631</u>	<u>222,489</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 405,905</u>	<u>\$ 378,106</u>

See Notes to Condensed Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**
(In thousands, except number of shares and loss per common share; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 27,059	\$ 18,955	\$ 105,066	\$ 45,944
Costs and expenses:				
Cost of revenue (exclusive of depreciation shown below)	14,660	8,268	42,986	18,383
Operating expenses	729	442	2,311	1,218
Operating expenses – related party	856	779	2,619	2,015
Selling, general and administrative expenses	8,502	5,767	29,904	18,137
Selling, general and administrative expenses – related party	2,976	4,519	8,399	10,093
Depreciation	15,643	8,224	44,864	20,085
Gain on fair value of digital currency, net	(951)	—	(1,580)	—
Realized gain on sale of digital currency	—	(697)	—	(1,883)
Impairment of digital currency	—	922	—	2,231
Impairment of property, plant, and equipment	355	—	355	—
Loss on disposals of property, plant, and equipment	—	420	—	420
Total costs and expenses	42,770	28,644	129,858	70,699
Operating loss	(15,711)	(9,689)	(24,792)	(24,755)
Interest expense	(409)	(10,251)	(16,779)	(25,535)
Loss on extinguishment of debt	(4,273)	—	(6,300)	—
Other income	339	59	1,286	113
Loss before income tax and equity in net income (loss) of investee	(20,054)	(19,881)	(46,585)	(50,177)
Income tax benefit	—	—	—	—
Equity in net income (loss) of investee, net of tax	(2,679)	850	3,363	(12,613)
Loss from continuing operations	(22,733)	(19,031)	(43,222)	(62,790)
Loss from discontinued operations, net of tax	—	(68)	—	(106)
Net loss	(22,733)	(19,099)	(43,222)	(62,896)
Preferred stock dividends	(300)	(272)	(878)	(796)
Net loss attributable to common stockholders	\$ (23,033)	\$ (19,371)	\$ (44,100)	\$ (63,692)
Loss per common share:				
Continuing operations	\$ (0.06)	\$ (0.09)	\$ (0.13)	\$ (0.32)
Discontinued operations	—	—	—	—
Basic and diluted	\$ (0.06)	\$ (0.09)	\$ (0.13)	\$ (0.32)
Weighted average common shares outstanding:				
Basic and diluted	382,086,768	221,718,367	337,999,865	199,259,314

See Notes to Condensed Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**
(In thousands, except number of shares; unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Number	Amount	Number	Amount			
Balances as of June 30, 2024	9,566	\$ 9,273	374,456,722	\$ 374	\$ 656,941	\$ (280,347)	\$ 386,241
Warrant exercise	—	—	2,292,200	2	2,290	—	2,292
Common stock offering, net of issuance costs	—	—	3,546,036	4	15,516	—	15,520
Stock-based compensation expense and issuance of stock	—	—	4,772,478	3	2,405	—	2,408
Tax withholdings related to net share settlements of stock-based compensation awards	—	—	(2,435,353)	—	(11,097)	—	(11,097)
Net loss	—	—	—	—	—	(22,733)	(22,733)
Balances as of September 30, 2024	9,566	\$ 9,273	382,632,083	\$ 383	\$ 666,055	\$ (303,080)	\$ 372,631
	Preferred Stock		Common Stock		Additional Paid-in Capital	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
Warrant exercise	—	—	31,534,861	31	4,162	—	4,193
Common stock offering, net of issuance costs	—	—	67,368,125	68	189,146	—	189,214
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	—	—	9,912,624	6	14,175	—	14,181
Tax withholdings related to net share settlements of stock-based compensation awards	—	—	(4,000,045)	—	(16,761)	—	(16,761)
Net loss	—	—	—	—	—	(43,222)	(43,222)
Balances as of September 30, 2024	9,566	\$ 9,273	382,632,083	\$ 383	\$ 666,055	\$ (303,080)	\$ 372,631

TERAWULF INC. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (CONTINUED)**
(In thousands, except number of shares; unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Number	Amount	Number	Amount			
Balances as of June 30, 2023	9,566	\$ 9,273	216,055,887	\$ 216	\$ 355,600	\$ (230,271)	\$ 134,818
Warrant exercise	—	—	1,610,184	1	13	—	14
Common stock offering, net of issuance costs	—	—	10,850,699	11	21,775	—	21,786
Common stock issued for share based liabilities due to related party	—	—	2,460,513	2	14,998	—	15,000
Stock-based compensation expense and issuance of stock	—	—	1,245,049	2	1,413	—	1,415
Net loss	—	—	—	—	—	(19,099)	(19,099)
Balances as of September 30, 2023	9,566	\$ 9,273	232,222,332	\$ 232	\$ 393,799	\$ (249,370)	\$ 153,934

	Preferred Stock		Common Stock		Additional Paid-in Capital	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
Warrant exercise	—	—	27,258,005	27	3,500	—	3,527
Common stock offering, net of issuance costs	—	—	54,663,601	55	54,079	—	54,134
Convertible promissory notes converted to common stock	—	—	11,762,956	12	4,693	—	4,705
Common stock issued for share based liabilities due to related party	—	—	2,460,513	2	14,998	—	15,000
Stock-based compensation expense and issuance of stock	—	—	3,084,780	3	4,023	—	4,026
Tax withholdings related to net share settlements of stock-based compensation awards	—	—	(500,494)	—	(852)	—	(852)
Net loss	—	—	—	—	—	(62,896)	(62,896)
Balances as of September 30, 2023	9,566	\$ 9,273	232,222,332	\$ 232	\$ 393,799	\$ (249,370)	\$ 153,934

See Notes to Condensed Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In thousands; unaudited)**

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (43,222)	\$ (62,896)
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	10,931	14,316
Related party expense to be settled with respect to common stock	—	2,502
Common stock issued for interest expense	—	26
Stock-based compensation expense	14,181	4,023
Depreciation	44,864	20,085
Amortization of right-of-use asset	755	750
Revenue recognized from digital currency mined and hosting services	(104,461)	(41,936)
Gain on fair value of digital currency, net	(1,580)	—
Realized gain on sale of digital currency	—	(1,883)
Impairment of digital currency	—	2,231
Proceeds from sale of digital currency	97,559	52,570
Digital currency paid as consideration for services	278	—
Impairment of property, plant, and equipment	355	—
Loss on disposals of property, plant, and equipment	—	420
Loss on extinguishment of debt	6,300	—
Equity in net (income) loss of investee, net of tax	(3,363)	12,613
Loss from discontinued operations, net of tax	—	106
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	1,449	2,735
Increase in other receivables	(3,382)	(2,723)
Decrease (increase) in other current assets	336	(97)
(Increase) decrease in other assets	(148)	69
Increase (decrease) in accounts payable	499	(3,936)
Decrease in other accrued liabilities	(2,499)	(3,463)
Decrease in other amounts due to related parties	(515)	(2,396)
Decrease in operating lease liability	(35)	(31)
Net cash provided by (used in) operating activities from continuing operations	18,302	(6,915)
Net cash provided by operating activities from discontinued operations	—	283
Net cash provided by (used in) operating activities	18,302	(6,632)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in joint venture	—	(2,845)
Purchase of and deposits on plant and equipment	(114,307)	(41,392)
Proceeds from sale of digital currency	31,911	—
Net cash used in investing activities	(82,396)	(44,237)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt	(139,401)	—
Payments of prepayment fees associated with early extinguishment of long-term debt	(1,261)	—
Proceeds from insurance premium and property, plant and equipment financing	211	790
Principal payments on insurance premium and property, plant and equipment financing	(2,103)	(2,613)
Proceeds from issuance of common stock, net of issuance costs paid of \$663 and \$1,051	188,715	57,664
Proceeds from exercise of warrants	4,193	2,500
Payments of tax withholding related to net share settlements of stock-based compensation awards	(16,761)	(852)
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	—	(9,598)
Net cash provided by financing activities	<u>33,593</u>	<u>49,141</u>
Net change in cash and cash equivalents	(30,501)	(1,728)
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>\$ 23,938</u>	<u>\$ 6,595</u>
Cash paid during the period for:		
Interest	\$ 6,955	\$ 15,542
Income taxes	\$ —	\$ —

See Notes to Condensed Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED 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 data center operations. TeraWulf’s principal business consists of developing and operating purpose-built digital infrastructure currently supporting bitcoin mining loads in the United States that are fueled by predominantly 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. 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 targeting low cost, predominantly zero-carbon power. While the Company may choose to mine other digital currencies, it has no plans to do so currently.

As of September 30, 2024, TeraWulf owned and operated, 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 September 30, 2024, the Company has energized four buildings and infrastructure comprising approximately 195 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 October 2, 2024, the Company sold its entire 25% equity interest in the joint venture which owns the Nautilus Cryptomine Facility.

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. As of the date of the Merger, TeraWulf classified the IKONICS business as held for sale and discontinued operations in its condensed 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”).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed 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 condensed 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.

The results for the unaudited interim condensed 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 condensed consolidated financial statements do not include all the information and notes required by U.S. GAAP for complete presentation of annual financial statements. The accompanying unaudited interim condensed consolidated 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 CONDENSED 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.

Significant Accounting Policies

Except for the updates noted below, see the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a detailed discussion of the Company's significant accounting policies.

Revenue Recognition

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.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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. During the three and nine months ended September 30, 2024, revenue from mining was \$27.1 million and \$104.3 million, respectively, as compared to \$17.2 million and \$40.1 million during the three and nine months ended September 30, 2023, respectively.

Data Center Hosting

The Company had one data center hosting contract which was a service contract with a single performance obligation and for which the quoted price of bitcoin in the Company's principal market at the time of contract inception was approximately \$38,000. The service the Company provided primarily included hosting the customer's miners in a physically secure data center with electrical power, internet connectivity, ambient air cooling and available maintenance resources. The Company's data center hosting contract expired in February 2024. The Company recorded miner hosting revenue of \$0 and \$0.8 million during the three and nine months ended September 30, 2024, respectively, and \$1.8 million and \$5.8 million during the three and nine months ended September 30, 2023, respectively.

Power Curtailment Credits

Proceeds related to participation in demand response programs are recorded as a reduction in cost of revenue in the condensed 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 \$4.1 million and \$7.3 million during the three and nine months ended September 30, 2024, respectively, and \$1.7 million and \$2.5 million during the three and nine months ended September 30, 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 September 30, 2024 and December 31, 2023, the Company had cash and cash equivalents of \$23.9 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 September 30, 2024, the Company's bank balance that exceeded the FDIC insurance limit was \$10.7 million. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Supplemental Cash Flow Information

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

	Nine Months Ended September 30,	
	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
Purchases of and deposits on plant and equipment in accounts payable, accrued construction liabilities, other accrued liabilities and long-term debt	\$ 12,633	\$ 6,081
Purchases of and deposits on plant and equipment with digital currency	\$ 316	\$ 269
Investment in joint venture in other accrued liabilities, other amounts due to related parties and long-term debt	\$ —	\$ 452
Convertible promissory notes converted to common stock	\$ —	\$ 4,666
Common stock issued for share based liabilities due to related party	\$ 2,500	\$ 15,000
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	\$ —	\$ 6,867
Decrease to investment in joint venture due to bitcoin received as distributions from investee	\$ 22,482	\$ 11,682
Common stock reacquired in exchange for warrants	\$ —	\$ 12,479

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 condensed 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 Financial Accounting Standards Board ("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 Accounting Standards Codification ("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.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 condensed 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 condensed 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 cost 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 condensed consolidated statements of operations. The Company recorded gain on fair value of digital currency, net of \$1.0 million and \$1.6 million during the three and nine months ended September 30, 2024, respectively.

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 recorded impairment of digital currency of \$0.9 million and \$2.2 million during the three and nine months ended September 30, 2023, respectively.

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 in the condensed 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. Prior to the repayment of the Term Loans in July 2024 (see Note 9) proceeds from sales of digital currency were included within cash flows from operating activities in the condensed consolidated statements of cash flows as bitcoin was converted nearly immediately into cash during that period. Subsequently, proceeds from sales of digital currency are included within cash flows from investing activities in the condensed consolidated statements of cash flows as bitcoin has not been 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 did not exceed 10% for any one data center hosting customer for the three and nine months ended September 30, 2024. Revenue from one data center hosting customer represented 9.5% and 12.7% of consolidated revenue for the three and nine months ended September 30, 2023, respectively. During the three and nine months ended September 30, 2024 and 2023, the Company only operated bitcoin mining facilities; however, the Company has targeted an initial commitment for an allocation of a 2.5 MW power block at the Lake Mariner Facility intended to support a broader HPC initiative and is also constructing a 20 MW colocation project at the Lake Mariner Facility capable of supporting 16 MW of critical IT load with liquid cooling and redundancy requirements typical of a Tier 3 data center. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Other Income

Other income consists primarily of interest income on bank deposits. For the three and nine months ended September 30, 2023, other income also included \$0 and \$39,000 related to a disgorgement of short-swing profits arising from trades by a non-management insider under Section 16(b) of the Securities and Exchange Act of 1934.

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 September 30, 2024 and December 31, 2023 include convertible preferred stock, common stock warrants and restricted stock units ("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 September 30, 2024, the Company would issue approximately 1.2 million shares of Common Stock. As of September 30, 2024, Common Stock warrants outstanding were 17,585,781 with a weighted average strike price of \$1.39 and total RSUs outstanding were 4,240,313.

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. As of September 30, 2024, the Company has one operating segment, as defined, which is 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.

Recently Issued Accounting Pronouncements

The Company continually assesses new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of such change to its Condensed Consolidated Financial Statements and assures that there are proper controls in place to ascertain that the Company's Condensed Consolidated Financial Statements properly reflect the change.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 is intended to enhance reportable segment disclosures by requiring disclosures of significant segment expenses regularly provided to the chief operating decision maker ("CODM"), requiring disclosure of the title and position of the CODM and explanation of how the reported measures of segment profit and loss are used by the CODM in assessing segment performance and allocation of resources. ASU 2023-07 is effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact the updated guidance will have on its disclosures.

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

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories and additional reconciling items that meet quantitative thresholds and expands disclosures for income taxes paid by requiring disaggregation by certain jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact the updated guidance will have on its disclosures.

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 5% 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.

In August 2022, RM 101 sold certain property for net sales proceeds of \$13.2 million with certain indemnifications that expired in February and August 2023. During the nine months ended September 30, 2023, the Company made payments of the CVR liability related to proceeds from sales of net assets held for sale of \$9.6 million. Additionally, the Company made payments of the CVR liability of \$1.4 million in November 2023 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 condensed consolidated financial statements. The loss from discontinued operations, net of tax presented in the condensed consolidated statements of operations included immaterial selling, general and administrative, and was \$68,000 and \$106,000 for the three and nine months ended September 30, 2023, respectively. The Company reported no loss from discontinued operations, net of tax for the three and nine months ended September 30, 2024. Total cash flows provided by operating activities from discontinued operations was \$0 and \$0.3 million in the condensed consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

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 September 30, 2024 (in thousands):

	Carrying Value	Level 1	Level 2	Level 3
Digital currency	\$ 297	\$ 297	\$ —	\$ —
	\$ 297	\$ 297	\$ —	\$ —

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 September 30, 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 14), in connection with a Common Stock exchange agreement and on a standalone basis, (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 Term Loans (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.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 5 – BITCOIN

The following table presents information about the Company’s bitcoin holdings for the nine months ended September 30, 2024 and September 30, 2023, respectively (in thousands, except for quantity of bitcoin):

	Quantity	Amount
Balance as of December 31, 2023	43	\$ 1,801
Cumulative effect of change in accounting principle	—	37
Balance as of January 1, 2024	43	1,838
Revenue recognized from digital currency mined and hosting services	1,757	104,461
Bitcoin received as distributions from investee	390	22,482
Gains from remeasurement, net	—	1,580
Dispositions	(2,174)	(129,470)
Digital currency paid as consideration for services	(4)	(278)
Bitcoin issued for purchases of and deposits on plant and equipment	(7)	(316)
Balance as of September 30, 2024	5	\$ 297
Cost basis of bitcoin as of September 30, 2024 ⁽¹⁾		\$ 309

	Quantity	Amount
Balance as of January 1, 2023	11	\$ 183
Bitcoin received from mining pool and hosting services	1,559	41,936
Bitcoin received as distributions from investee	422	11,682
Impairment	—	(2,231)
Dispositions	(1,960)	(50,687)
Bitcoin issued for purchases of and deposits on plant and equipment	(9)	(269)
Balance as of September 30, 2023	23	\$ 614

(1) Prior to the adoption of ASU 2023-08 on January 1, 2024, the carrying value of bitcoin represents the post-impairment value of all bitcoin held. After the adoption of ASU 2023-08 the cost basis of bitcoin represents the valuation of bitcoin at the time the Company earns the bitcoin through mining activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Realized gains on sales of digital currency, net ⁽²⁾	\$ 989	\$ 697	\$ 1,548	\$ 1,883

(2) Bitcoin is sold on a first in, first out (FIFO) basis. During the three and nine months ended September 30, 2024, realized net gains are included in gain on fair value of digital currency, net in the condensed consolidated statements of operations.

The Company’s bitcoin holdings are not subject to contractual sale restrictions. As of September 30, 2024, the Company held no other digital currency.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2024	December 31, 2023
Miners	\$ 203,247	\$ 100,531
Construction in process	29,133	24,578
Leasehold improvements	91,218	62,850
Equipment	29,628	15,736
Vehicles	104	104
Deposits on miners	9,360	36,469
	362,690	240,268
Less: accumulated depreciation	(79,592)	(34,984)
	<u>\$ 283,098</u>	<u>\$ 205,284</u>

The Company capitalizes 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 \$2.2 million for the three and nine months ended September 30, 2023, respectively. The Company capitalized no interest costs during the three and nine months ended September 30, 2024.

Depreciation expense was \$15.6 million and \$44.9 million for the three and nine months ended September 30, 2024, respectively, and \$8.2 million and \$20.1 million for the three and nine months ended September 30, 2023, respectively. During the three and nine months ended September 30, 2024, the Company recorded accelerated depreciation expense of \$0 and \$5.1 million, respectively, related to certain miners of which the Company shortened their estimated useful lives based on replacement by April 30, 2024.

In September 2024, the Company entered into certain sales agreements to sell 1,200 miners for proceeds of \$0.2 million. The miners were transferred to the buyer in October 2024. As of September 30, 2024, the miners were classified as held for sale included in other current assets in the condensed consolidated balance sheet. The Company recorded an impairment loss of \$0.4 million during the three and nine months ended September 30, 2024 for the excess of the carrying amount of the miners over the fair value less cost to sell, which was included in impairment of property, plant, and equipment in the condensed consolidated statements of operations. The Company recorded no impairment during the three and nine months ended September 30, 2023.

NOTE 7 – LEASES

In May 2021, the Company entered into a ground lease (as amended from time to time, 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. The Ground Lease includes fixed payments and variable 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 second amendment in July 2022, utilizing 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.

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

For the three and nine months ended September 30, 2024, the Company recorded operating lease expense of \$0.3 million and \$1.0 million, respectively, including contingent expense of \$0.1 million and \$0.2 million, respectively, in operating expenses – related party in the condensed consolidated statements of operations and made cash lease payments of \$0.1 million and \$0.2 million during the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, the Company recorded operating lease expense of \$0.3 million and \$1.0 million, respectively, including contingent expense of \$37,000 and \$0.1 million, respectively, in operating expenses – related party in the condensed consolidated statements of operations and made cash lease payments of \$0.2 million and \$0.8 million, respectively. The remaining lease term based on the terms of the amended Ground Lease as of September 30, 2024 is 9.7 years.

The following is a maturity analysis of the annual undiscounted cash flows of the estimated operating lease liabilities as of September 30, 2024 (in thousands):

Year ending December 31:	
Remaining period in 2024	\$ 41
2025	163
2026	163
2027	163
2028	163
Thereafter	882
	<u>\$ 1,575</u>

A reconciliation of the undiscounted cash flows to the operating lease liabilities recognized in the condensed consolidated balance sheet as of September 30, 2024 follows (in thousands):

Undiscounted cash flows of the operating lease	\$ 1,575
Unamortized discount	663
Total operating lease liability	<u>912</u>
Current portion of operating lease liability	53
Operating lease liability, net of current portion	<u>\$ 859</u>

As of September 30, 2024 and December 31, 2023, the Company was not a counterparty to any finance leases.

On October 9, 2024, the Company terminated the Ground Lease and entered into a new ground lease with the same related party counterparty (the “New Ground Lease”) related to the Lake Mariner Facility which expanded the acreage of real property as compared to the Ground Lease for the purposes of cryptocurrency mining and HPC co-location data center hosting operations. The New Ground Lease includes fixed and variable 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 and has an initial term of 35 years, commencing on October 9, 2024, and will automatically renew for up to nine additional periods of five years each unless the Company provides written notice to terminate the New Ground Lease at least six months prior to the expiration of the initial term lease or the then-current renewal term. Upon expiration of the New Ground Lease, the buildings and improvements on the premises will revert to the landlord in good order. As consideration for the termination of the Ground Lease and entering into the New Ground Lease, the Company issued 20 million shares of the Company’s Common Stock and paid \$12 million in cash to the parent company of the counterparty in October 2024.

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 and nine months ended September 30, 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.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 September 30, 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 September 30, 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 September 30, 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 and nine months ended September 30, 2024 and 2023.

NOTE 9 – DEBT

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

	September 30, 2024	December 31, 2023
Term loan	\$ —	\$ 139,401
Debt issuance costs and debt discount	—	(15,970)
Property, plant and equipment finance agreement	—	90
	—	123,521
Less long-term debt due within one year	—	123,465
Total long-term debt, net of portion due within one year	<u>\$ —</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 was subsequently amended in 2022 and 2023 and consisted of total Term Loans of \$146.0 million (the "Term Loans") with an interest rate of 11.5% and a maturity date of December 1, 2024.

Subsequent to an amendment to the LGSA in March 2023 (the "Fifth Amendment"), the Company was required to pay amounts subject to an excess cash flow sweep, as defined, on a quarterly basis which automatically extended to the maturity of the Term Loans in the event the Company repaid at least \$40.0 million of the principal balance of the Term Loans by April 1, 2024, which the Company did in February 2024. Interest payments were due quarterly in arrears prior to the Fifth Amendment and were due monthly in arrears subsequent to the Fifth Amendment. The Company had 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 equal to an amount of 2% of the prepaid principal, applicable to 85% of the outstanding principal. Certain events, as described in the LGSA, required mandatory prepayment.

The Company made no repayments on the principal balance of the Term Loans during the three and nine months ended September 30, 2023. During the fourth quarter of 2023, the Company repaid \$6.6 million of the outstanding principal balance of the Term Loans which represented the excess cash flow sweep for the quarter ended September 30, 2023. 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. The outstanding principal amounts under the Term Loans held by related party entities were \$12.9 million as of December 31, 2023. During the three and nine months ended September 30, 2024, the Company repaid \$75.8 million and \$139.4 million of the principal balance of the Term Loans, respectively, including voluntary prepayments of \$56.0 million and \$74.5 million, respectively. In connection with the voluntary prepayments, the Company recorded a loss on extinguishment of debt of \$4.3 million and \$6.3 million, respectively, which is included in the condensed consolidated statement of operations for the three and nine months ended September 30, 2024, consisting of \$1.0 million and \$1.3 million of prepayment fees, respectively, and the immediate write-off of \$3.3 million and \$5.0 million, respectively, of unamortized debt discount associated with the principal repaid. The Company has fully repaid the principal balance of the Term Loans as of September 30, 2024.

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

In 2022, in connection with First and Third Amendments to the LGSA, the Company issued warrants to the lenders to purchase 8,455,410 shares of Common Stock at \$0.01 per share. During the three and nine months ended September 30, 2023, 1,610,184 and 2,740,587 warrants issued in connection with the LGSA, respectively, were exercised for issuance of the same number of shares of Common Stock for aggregate proceeds to the Company of \$16,000 and \$27,000, respectively. In March 2023, in connection with the Fifth Amendment to the LGSA 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 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.

During the three and nine months ended September 30, 2024, 2,292,200 and 31,534,861 warrants issued in connection with the LGSA, respectively, were exercised for issuance of the same number of shares of Common Stock, comprising 0 and 27,617,539 Penny Warrants, respectively, and 2,292,200 and 3,917,322 Dollar Warrants, respectively, for aggregate proceeds to the Company of \$2.3 million and \$4.2 million, respectively. All warrants granted by the Company as a component of debt transactions are classified as equity in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023.

In connection with the Term Loans under the LGSA, the Company issued to the holders of the Term Loans certain shares of Common Stock, warrants to purchase shares of Common Stock and incurred issuance costs and up front fees, which included \$29.8 million in December 2021 in connection with the original issuance, \$3.5 million in July 2022 in connection with the First Amendment, \$2.9 million in October 2022 in connection with the Third Amendment, and \$16.0 million in March 2023 in connection with the Fifth Amendment. These amounts represented debt issuance costs and debt discount which were being amortized as an adjustment of interest expense over the term of the LGSA.

During the three and nine months ended September 30, 2024, the Company amortized total debt issuance costs and debt discount of \$0.2 million and \$10.9 million, respectively, which was recorded as interest expense in the condensed consolidated statements of operations. During the three and nine months ended September 30, 2023, the Company amortized total debt issuance costs and debt discount of \$6.0 million and \$16.0 million, respectively, of which \$6.0 million and \$14.3 million, respectively, was recorded as interest expense in the condensed consolidated statements of operations, \$0 and \$1.2 million, respectively, was capitalized interest in property, plant and equipment, net in the condensed consolidated balance sheet, and \$0 and \$0.5 million, respectively, was capitalized interest in equity in net assets of investee in the condensed consolidated balance sheet. In connection with the voluntary prepayments of the LGSA, the Company wrote-off unamortized debt discount \$3.3 million and \$5.0 million during the three and nine months ended September 30, 2024, respectively, which is included in loss on extinguishment of debt in the condensed consolidated statement of operations for the three and nine months ended September 30, 2024.

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 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 (the "Securities Act"). 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 a private placement which was a Qualified Financing, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In January 2023, the Company entered into a convertible promissory note (the “January Convertible Note”) with 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 a shareholder meeting ultimately held in February 2023 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 date of the shareholder meeting held in February 2023 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 \$9.40 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”) which was subsequently amended in August 2022 (the “A&R Nautilus Agreement”) and March 2023 (the “Second A&R Nautilus Agreement”). 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”), currently with a related party of Talen and (iii) a Corporate Services Agreement (the “CSA”) with a related party of Talen. Pursuant to the Second A&R Nautilus Agreement, as of September 30, 2024, the Company held a 25% equity interest in Nautilus and Talen held a 75% equity interest in Nautilus, each subject to adjustment based on relative capital contributions.

The Nautilus Cryptomine Facility initially required 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. The expansion of energy requirements of the Nautilus Cryptomine Facility had not occurred as of September 30, 2024.

In March 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.

On October 2, 2024, the Company sold its entire 25% equity interest in Nautilus to the Talen Member for \$85.0 million in cash, subject to a customary working capital adjustment (the “Nautilus Sale”). In connection with the Nautilus Sale, Nautilus transferred to the Company all of Nautilus’ right, title and interest in and to all of its miners, including miners contributed by the Talen Member, as well as certain other related equipment owned by Nautilus. The Nautilus Sale included customary representations and warranties and customary covenants, including, among others, that the Talen Member will pay to the Company 25% of the net proceeds received in excess of \$300.0 million in the aggregate in any future sale of all or substantially all of the assets, or a majority of the equity interests of Nautilus.

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 and nine months ended September 30, 2023, respectively. The Company capitalized interest costs for the three and nine months ended September 30, 2024.

Distributions were 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 \$22.5 million and \$11.7 million during the nine months ended September 30, 2024 and 2023, respectively.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Nautilus was a variable interest entity 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 September 30, 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	Company's Maximum Exposure to Loss in Entity (1)
Nautilus	25.0 %	\$ 18,000	\$ 84,671	\$ 23,177	\$ 79,494	\$ —	\$ 79,494

(1) The maximum exposure at September 30, 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 Cryptomine 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 accounted for its interest in Nautilus as an equity method investment and the change in ownership percentage did not impact the Company's method of accounting or basis. Therefore, there was 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 and nine months ended September 30, 2024 and 2023 and the condensed financial position as of September 30, 2024 and December 31, 2023 of Nautilus are summarized below (in thousands):

	Three Months Ended September 30, (1)		Nine Months Ended September 30, (1)	
	2024	2023	2024	2023
Condensed statement of operations information:				
Revenue	\$ 19,321	\$ 29,106	\$ 90,530	\$ 70,929
Operating expense	25,711	27,619	78,461	67,646
Net income (loss)	\$ (6,390)	\$ 1,487	\$ 12,069	\$ 3,283

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

	September 30, 2024 (1)	December 31, 2023 (1)
Condensed balance sheet information:		
Current assets	\$ 11,124	\$ 12,406
Noncurrent assets	134,217	171,245
Total assets	<u>\$ 145,341</u>	<u>\$ 183,651</u>
Current liabilities	\$ 12,816	\$ 13,149
Noncurrent liabilities	29,434	29,493
Equity	103,091	141,009
Total liabilities and equity	<u>\$ 145,341</u>	<u>\$ 183,651</u>

- (1) The condensed statements of operations information for the three and nine months ended September 30, 2024 and 2023 and the condensed balance sheet information as of September 30, 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 continued to be recorded at historical value on the accompanying condensed consolidated balance sheets.

During the nine months ended September 30, 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 had 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 condensed consolidated balance sheet as of December 31, 2023 and recorded a loss of \$0 and \$13.6 million as a component of equity in net loss of investee, net of tax in the condensed consolidated statement of operations during the three and nine months ended September 30, 2023, respectively.

As contemplated in the A&R Nautilus Agreement, members were allowed to make contributions of miners up to the effective electrical capacity of their owned infrastructure percentage. During the nine months ended September 30, 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 September 30, 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 condensed 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.

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 which was fully paid during the nine months ended September 30, 2024. 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 \$6.0 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 nine months ended September 30, 2024.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In May 2024, the Company entered into a Supplemental Agreement with Bitmain Delaware to amend certain terms of the March 2024 Bitmain Purchase Agreement by modifying the type of miners to be purchased under the Bitmain Call Option from the S21 model to the upgraded S21 Pro model. The purchase price increased to \$112.3 million for approximately 30,000 units (a new total of 7,020 PH), an incremental \$16.3 million over the initial Bitmain Call Option price. In relation to the Supplemental Agreement, the Company paid Bitmain Delaware an additional \$1.6 million, calculated as 10% of the incremental purchase price, for a total payment of \$11.2 million (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.

In May 2024, the Company exercised an option pursuant to the Bitmain Call Option to purchase 5,000 S21 Pro units and paid Bitmain Delaware an additional \$6.8 million for these units. In October 2024, the Company exercised an option pursuant to the Bitmain Call Option to purchase 10,600 S21 Pro units and paid Bitmain Delaware an additional \$35.7 million for these units. In October 2024, the Company entered into an agreement to sell 3,200 S21 Pro units to a third party for a purchase price of \$12.0 million.

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 CONDENSED 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 nine months ended September 30, 2024 and 2023. Cumulative dividends of \$2.7 million were accumulated and accreted to liquidation preference as of September 30, 2024. As of September 30, 2024, the aggregate liquidation preference of the Convertible Preferred Stock was approximately \$12.3 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 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. Consequently, as of September 30, 2024, TeraWulf's Certificate of Incorporation provides for authorized shares of 700,000,000, divided into (a) 600,000,000 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 September 30, 2024.

In April 2022, the Company entered into a sales agreement with Cantor Fitzgerald & Co. ("Cantor"), B. Riley Securities, Inc. ("B. Riley Securities") 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 April 2022 sales agreement was amended in August 2023 to terminate the agreement with respect to D.A. Davidson and add Northland Securities, Inc. ("Northland") and Compass Point Research & Trading, LLC ("Compass Point") as agents (as so amended, the "Original ATM Sales Agreement"). The Company incurs a commission up to 3.0% of the gross sales price from each sale of shares.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In May 2024, the Company and B. Riley Securities mutually agreed to terminate the Original ATM Sales Agreement with respect to B. Riley Securities and the Company entered into Amendment No. 2 to the Original ATM Sales Agreement with Cantor, Northland, Compass Point ATB Capital Markets USA Inc. (“ATB Capital Markets”), Roth Capital Partners, LLC (“Roth Capital Partners”), Stifel Nicolaus Canada Inc. (“Stifel Canada”) and Virtu Americas LLC (each, individually, an “Agent” and, collectively, the “ATM Agents”) pursuant to which the Company may offer and sell, from time to time, through or to the ATM Agents, 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 “Amended ATM Sales Agreement,” together with the Original ATM Sales Agreement, the “ATM Program”). The Company incurs a commission up to 3.0% of the gross sales price from each sale of shares. The Company is not obligated to sell any shares under the ATM Program. The issuance and sale of the shares by the Company under the ATM Program are made pursuant to the Company’s effective registration statement on Form S-3 (Registration statement No. 333-262226), including final prospectus supplements dated April 26, 2022 and May 23, 2024.

During the three and nine months ended September 30, 2024, the Company sold 3,546,036 and 67,368,125 shares of Common Stock, respectively, pursuant to the ATM Program for net proceeds of \$15.5 million and \$189.4 million, respectively. During the three and nine months ended September 30, 2023, the Company sold 10,850,699 and 13,898,895 shares of Common Stock, respectively, pursuant to the ATM Program for net proceeds of \$21.8 million and \$27.0 million, respectively. As of September 30, 2024, the remaining capacity of the ATM Program to offer and sell shares of Common Stock is \$87.1 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. 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. Approximately \$3.5 million of the aggregate purchase price related to investments by entities controlled by members of Company management. 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. As of September 30, 2024, there were 7,481,747 of the October Warrants outstanding. All warrants granted by the Company to date are classified as equity.

No dividends were declared during the nine months ended September 30, 2024 and 2023.

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. As of September 30, 2024, the Company had not issued stock options. Additionally, during the three and nine months ended September 30, 2024 the Company issued 27,811 and 112,428 shares of Common Stock, respectively, to Board of Director members for payment of quarterly fees in lieu of cash payments. For the three and nine months ended September 30, 2024, stock-based compensation expense was \$2.4 million and \$14.2 million, respectively. For the three and nine months ended September 30, 2023, stock-based compensation expense was \$1.4 million and \$4.0 million, respectively.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table summarizes the activities for unvested Company RSUs granted to employees and Board of Directors members during the nine months ended September 30, 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	7,371,700	\$ 1.85
Vested	(8,810,418)	\$ 1.39
Forfeited/canceled	—	\$ -
Unvested as of September 30, 2024	2,514,031	\$ 2.48

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 September 30, 2024, there was \$3.5 million of unrecognized compensation cost related to unvested RSUs 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 nine months ended September 30, 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	350,000	\$ 2.49
Vested	(989,778)	\$ 0.92
Forfeited/canceled	(23,332)	\$ 0.67
Unvested as of September 30, 2024	1,726,282	\$ 1.09

The requisite service period for grants, including derived service periods for RSUs with market conditions, is generally between one and three years. As of September 30, 2024, there was \$1.3 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 1.0 year.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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, at which point the annual base fee will increase to \$10.0 million which occurred in July 2024. The Services Agreement also provides for reimbursement of cost and expenses incurred in connection with providing the services. For the nine months ended September 30, 2024 and 2023, the Company paid Beowulf E&D \$11.2 million and \$16.4 million, respectively, under the Services Agreement, including payments related to construction agreements with contractors at the Lake Mariner Facility which were passed through at cost. For the three and nine months ended September 30, 2024, selling, general and administrative expenses – related party in the condensed consolidated statements of operations includes \$3.0 million and \$8.4 million, respectively, and operating expenses – related party in the condensed consolidated statements of operations includes \$0.5 million and \$1.6 million, respectively, in each case related to the base fee and reimbursement of costs and expenses. For the three and nine months ended September 30, 2023, selling, general and administrative expenses – related party in the condensed consolidated statements of operations includes \$4.5 million and \$10.1 million, respectively, and operating expenses – related party in the condensed consolidated statements of operations includes \$0.5 million and \$1.0 million, respectively, in each case related to the base fee and reimbursement of costs and expenses. As of September 30, 2024, \$0.8 million is included in prepaid expenses, \$0.4 million is included in other amounts due to related parties and \$0.4 million is included in property, plant and equipment, net in the condensed 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 condensed consolidated balance sheet.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 and \$0.4 million included in selling, general and administrative expense – related party in the condensed consolidated statement of operations for each of the three and nine months ended September 30, 2023, respectively. In September 2023, the Company and Beowulf E&D agreed to settle the then outstanding \$15.0 million share based liabilities due to related party by issuing 2,460,513 shares of the Company's Common Stock with a fair value of \$3.4 million and the Company recorded the remaining reduction to the share based liabilities to related party of \$11.6 million to additional paid-in capital during each of the three and nine months ended September 30, 2023. In July 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 condensed consolidated balance sheet as of December 31, 2023. During the nine months ended September 30, 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. The Company recorded no performance milestone expense for the three and nine months ended September 30, 2024.

NOTE 17 – SUBSEQUENT EVENTS

On October 23, 2024, the Company's board of directors approved a share repurchase program authorizing the Company to repurchase up to \$00.0 million of the Company's outstanding shares of Common Stock through December 31, 2025. As of November 12, 2024, the Company has repurchased 17,968,750 shares of its Common Stock for approximately \$115.0 million.

On October 25, 2024, the Company completed a private offering of 2.75% Convertible Senior Notes due 2030 (the "2030 Convertible Notes"). The 2030 Convertible Notes were sold under a purchase agreement, dated as of October 23, 2024, entered into by and between the Company and Cantor as representative of the several initial purchasers named therein (the "Initial Purchasers"), for resale to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act. The aggregate principal amount of notes sold in the offering was \$500.0 million, which includes \$75.0 million aggregate principal amount of notes issued pursuant to an option to purchase additional notes granted to the Initial Purchasers under the purchase agreement, which the Initial Purchasers exercised in full on October 24, 2024 and which additional purchase was completed on October 25, 2024.

The notes were issued at a price equal to 100% of their principal amount. The net proceeds from the sale of the notes were approximately \$87.1 million after deducting the Initial Purchasers' discounts and commissions and estimated offering expenses payable by the Company. The Company used approximately \$60 million of the net proceeds from the sale of the notes to pay the cost of certain capped call transactions and intends to use the remainder for general corporate purposes, which may include working capital, strategic acquisitions, expansion of data center infrastructure to support high-performance computing activities and expansion of existing assets.

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 premier owner and operator of purpose-built digital infrastructure currently supporting bitcoin mining loads. With a strong commitment to utilizing predominantly zero-carbon energy, we are focused on sustainable, environmentally conscious data center operations in the United States. By leveraging clean, affordable, and reliable energy sources, we aim to drive long-term sustainability within the digital infrastructure sector.

We operate digital infrastructure through our Lake Mariner facility, located in upstate New York (the “Lake Mariner Facility”). Situated on an expansive site along the shores of Lake Ontario, adjacent to a now decommissioned coal-fired power plant, this facility has the capacity to scale up to 500 megawatts (“MW”), and potentially up to 750 MW with certain transmission upgrades. Uniquely optimized for both bitcoin mining and high-performance computing (“HPC”) workloads, the Lake Mariner Facility is well-positioned to meet the growing demand for compute-intensive applications. We believe this dual-purpose strategy enhances operational efficiency and diversifies our revenue streams.

Revenue Structure

We are primarily engaged in, and all of our revenues are derived from, bitcoin mining for our own account. Our digital asset mining involves solving complex cryptographic algorithms that validate transactions on the bitcoin blockchain—a process known as “mining.” Competing on a global scale, we aim to complete new blocks on the blockchain to secure bitcoin rewards. With a large fleet of high-performance miners, primarily sourced from Bitmain Technologies Limited, we strive to increase bitcoin production while continuously enhancing operational efficiencies to reduce costs. We generate revenue by providing hash computation services to a mining pool operator to mine bitcoin and validate transactions using application-specific integrated circuit computers (“ASIC” or “miners”) owned by us. Beyond block rewards, we also earn transaction fees for confirming blockchain transactions. These earnings are routinely converted into U.S. dollars. 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, allowing users to send and receive payments without the need for banks and other intermediaries. Bitcoin is not linked to any fiat currency or country’s monetary policy, therefore serves as a store of value outside of government control.

Bitcoin mining involves validating transactions through a proof-of-work consensus method, where miners solve complex mathematical problems to add transactions to the blockchain. The blockchain is maintained by a robust and public open-source architecture consisting of a network of computers, known as nodes, that work together to verify and validate new transactions. Because the blockchain is decentralized and transparent, all users can verify the legitimacy of a transaction without having to rely on a third party. This eliminates the need for intermediaries, which can be slow and expensive, and makes the network resistant to censorship and fraud. Bitcoin mining plays a key role in the maintenance and growth of the Bitcoin network by providing the computational power needed to verify transactions and add new blocks to the blockchain. Factors such as computing capacity, electricity costs, and location play pivotal roles in mining operations. Generally, the greater the share a single mining rig can capture of the blockchain's total network hashrate, or the aggregate hashrate deployed to solving a block on the Bitcoin blockchain, the greater the rig's chances of solving a block and therefore earning the reward.

Network difficulty, which is a measure of how hard it is for miners to solve a block on the Bitcoin blockchain (and, thus, earn a mining reward), is determined by the network's total hashrate (i.e., the total computational power devoted to solving a block), which is adjusted every 2,016 blocks (with a new block being added approximately every ten minutes). Therefore, as more miners join the network and the network's global hashrate increases, its difficulty will increase. Conversely, if miners leave the network and its hashrate decreases, its difficulty will decrease.

Bitcoin Reward Halving

The bitcoin subsidy issued by the Bitcoin network for solving a block is subject to periodic incremental halving. The network halving is a preprogrammed, fixed process of the Bitcoin network where the bitcoin subsidy for solving a block received by miners is reduced by half approximately every four years. The network halving is a process designed to implement a periodic decreasing schedule of the issuance of new bitcoin into the market, which results in a predictable and controlled inflationary rate. The network halving will continue to occur on this schedule until the amount of bitcoin in existence reaches the cap of 21.0 million. After each halving, the decrease in the subsidy provided to miners from the Bitcoin network leads to fewer rewards for miners and therefore a decrease in revenues should the price of bitcoin remain the same. Transaction fees, which together with the block subsidy comprise the block reward for successfully solving a block, is not directly impacted by the halving. On April 19, 2024, the bitcoin rewards issued for each block solved dropped from 6.25 to 3.125, effectively reducing the bitcoin earned from bitcoin mining by 50% (excluding transactions fee rewards).

Business Strategy

In December 2023, we launched our digital infrastructure and third-party colocation initiative, which aims to provide colocation, facility operations, security, and essential services for workloads in machine learning, artificial intelligence, and other compute-intensive fields. While capital investments have been made to develop our HPC data center infrastructure, this investment is still in its early stages and is not yet generating revenue. Nonetheless, this initiative reinforces our long-term growth and diversification strategy, positioning us to meet the increasing demand for high-density compute capacity powered by low-cost, predominantly zero-carbon energy.

Since our public debut in December 2021, we have primarily focused on sustainable bitcoin mining as our principal revenue-generating activity. As of September 30, 2024, we deployed a fleet of 74,200 miners, including miners deployed at our jointly owned Nautilus facility located in central Pennsylvania (the "Nautilus Cryptomine Facility"), achieving a hashrate capacity of approximately 10.0 exahashes per second ("EH/s") with a fleet-wide efficiency of 23.2 joules per terahash ("J/TH"). In October 2024, we sold our 25% equity interest in the Nautilus Cryptomine LLC ("Nautilus") joint venture, representing 50 MW of mining load capacity at the Nautilus Cryptomine Facility, as part of a strategic transaction to reinvest in future growth.

We determine the sources of electricity used in our operations and the proportion of energy attributable to zero-carbon energy sources based on energy production data published by New York Independent System Operator ("NYISO") for upstate New York, specifically covering NYISO Zones A-E, where the Lake Mariner Facility is located, consistent with recommended geographic resolution for projected emissions factors for upstate New York published by the New York State Energy Research and Development Authority.

Our business strategy centers on growing revenue and profitability by enhancing the capacity and efficiency of our self-mining fleet while expanding our data center infrastructure to support HPC activities. We plan to strategically develop the infrastructure necessary for growth and profitability while pursuing adjacent high-value computing opportunities that leverage our power and mining expertise.

For example, we recently completed a 2.5 MW HPC proof-of-concept project designed to support both current and next-generation GPU technology. Additionally, we are constructing a 20 MW colocation building (“CB-1”), a facility designed with advanced liquid cooling systems and Tier 3 redundancy. Key planned features include N+1 redundant cooling systems, variable speed fans, chilled water infrastructure, dual power supplies, and redundant fiber network paths.

CB-1 is scheduled to be operational by the first quarter of 2025. Following this, a second colocation building (“CB-2”) with a planned gross capacity of 50 MW, is expected to be completed by the end of the second quarter of 2025. Planned capital expenditures associated with CB-1 will be funded in part from proceeds from the sale of our equity stake in the Nautilus Cryptomine Facility, which was completed on October 2, 2024, and we expect that proceeds from the private offering of 2.75% Convertible Senior Notes due 2030 (the “2030 Convertible Notes”) will substantially fund the capital expenditures associated with CB-2. Once CB-1 and CB-2 are operational, we anticipate adding approximately 178 MW of additional HPC data center capacity throughout 2025, bringing the total deployed capacity at the site to around 500 MW, with the capacity approximately divided between bitcoin mining and HPC workloads.

These initiatives mark significant progress in our HPC build-out, tapping into the rapidly growing hyperscale data center market. We believe that HPC hosting aligns with our current business model, leading to stable, long-term, and high-margin revenue.

We are confident that our expertise in power infrastructure and digital asset mining can be favorably applied to the design, development, and operation of large-scale data centers. These data centers are optimized for high-value applications such as cloud computing, machine learning, and artificial intelligence. We will actively seek opportunities to expand into these areas using our knowledge, expertise, and existing infrastructure wherever favorable market opportunities arise.

Our Facilities

As of September 30, 2024, TeraWulf conducted its bitcoin mining operations at two established data centers: the Lake Mariner Facility in upstate New York and the jointly owned Nautilus Cryptomine Facility located in central Pennsylvania, which had a combined operating capacity of 10.0 EH/s with approximately 74,200 miners deployed, comprised of 58,400 deployed miners at the Lake Mariner Facility and 15,800 deployed at the Nautilus Cryptomine Facility. As of the date of this Quarterly Report, the Company has a total operational bitcoin mining capacity of approximately 195 MW at the Lake Mariner Facility and is currently constructing an additional 50 MW facility, which we expect to be operational in the first quarter of 2025.

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 195 MW of bitcoin mining capacity and the Company is currently constructing an additional 50 MW, which we expect to be operational in the first quarter of 2025. 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 capacity to scale up to 500 MW, and potentially up to 750 MW with certain transmission upgrades.

As of September 30, 2024, we own approximately 58,400 miners of which approximately 55,200 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	4,100
Bitmain S21	5,100
Bitmain S21 Pro	5,000
	<u>58,400</u>

As of September 30, 2024, our fleet of miners ranged in age from 0.2 to 2.5 years with an average age of approximately 1.0 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 September 30, 2024, our fleet of miners at the Lake Mariner Facility had a range of energy efficiency from 15 to 31 joules per terahash (“j/th”) and has an average energy efficiency of 22.3 j/th.

The Nautilus Cryptomine Facility

Located in Berwick, Pennsylvania, Nautilus was a joint venture between TeraWulf and a subsidiary of Talen Energy Corporation (“Talen”) (each a “Member” and collectively the “Members”). Nautilus owned and operated a 200 MW bitcoin mining facility located adjacent to the 2.5 gigawatt nuclear-powered Susquehanna Station. The Nautilus Cryptomine Facility represented the first bitcoin mining facility site that was powered by 100% “behind the meter” zero-carbon nuclear energy, which was 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 and prior to the sale of TeraWulf’s interests in Nautilus in October 2024, the Company held a 25% equity interest in Nautilus and Talen held 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 September 30, 2024, had an allotted 50 MW of operational bitcoin mining capacity at the Nautilus Cryptomine Facility.

As of September 30, 2024, approximately 48,000 miners were deployed at the Nautilus Cryptomine Facility of which 46,000 were operational. Approximately 15,800 of the deployed miners were attributed to TeraWulf’s contributions to Nautilus in order to utilize TeraWulf’s allotted 50 MW of bitcoin mining capacity. These miners were 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 September 30, 2024, these miners ranged in age from 1.5 to 1.6 years with an average age of approximately 1.5 years. Nautilus did not have scheduled downtime for our miners; however, while Nautilus periodically performed unscheduled maintenance on miners, such downtime had not been significant historically. When performing unscheduled maintenance, depending on the length of estimated repair time, Nautilus may have replaced a miner with a substitute miner to limit overall downtime. As of September 30, 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 held a 25% equity interest in Nautilus, the distributions of mined bitcoin were determined by each of TeraWulf’s and Talen’s respective hashrate contributions. Accordingly, the Company had contributed approximately 1.9 EH/s of a total 5.2 EH/s of miners which resulted in an approximate 35.7% of the hashrate share attributed to the Company. In connection with the sale of TeraWulf’s interest in Nautilus in October 2024, Nautilus distributed to TeraWulf all of Nautilus’ right, title and interest in and to all of its miners, as well as certain other related equipment owned by Nautilus.

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 September 30, 2024 and 2023:

Combined facilities¹	September 30, 2024	September 30, 2023
Global hashrate (EH/s) ²	602.1	391.8
Miner efficiency (j/th) ³	23.2	27.6
TeraWulf combined average operating hashrate (EH/s) ⁴	8.1	5.0
TeraWulf % of global hashrate	1.3 %	1.3 %

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 10.0 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 September 30, 2024 our operating hashrate was approximately 1.3% of the total global hashrate, and we received approximately the same percentage of the global blockchain rewards, which as of that date, equaled approximately 6 to 7 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 and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of mining - Lake Mariner Facility and net share of the Nautilus Cryptomine Facility				
Cost of energy per bitcoin mined	\$ 30,448	\$ 9,322	\$ 21,360	\$ 8,020
Other direct costs of mining - non energy utilities per bitcoin mined	\$ 51	\$ 30	\$ 36	\$ 30
Cost to mine one bitcoin ⁽¹⁾	\$ 30,499	\$ 9,352	\$ 21,396	\$ 8,051
Value of each bitcoin mined ⁽²⁾	\$ 61,075	\$ 28,104	\$ 59,257	\$ 26,972
Cost to mine one bitcoin as % of value of bitcoin mined	49.9 %	33.3 %	36.1 %	29.8 %

Statistics

Lake Mariner Facility and net share of the Nautilus Cryptomine Facility

Total bitcoin mined ⁽³⁾	555	981	2,305	2,384
Total value of bitcoin mined ⁽²⁾ (\$ in thousands)	\$ 33,898	\$ 27,563	\$ 136,562	\$ 64,308
Total kWhs utilized	444,817,741	293,573,428	1,267,748,635	614,524,560
Total energy expense, net of expected demand response proceeds ⁽⁴⁾ (\$ in thousands)	\$ 16,899	\$ 9,142	\$ 49,226	\$ 19,123
Cost per kWh	\$ 0.038	\$ 0.031	\$ 0.039	\$ 0.031
Energy expense, net as % of value of bitcoin mined	49.9 %	33.2 %	36.0 %	29.7 %
Other direct costs of mining (\$ in thousands)	\$ 28	\$ 29	\$ 84	\$ 72

(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 \$28,827 and \$20,477 per bitcoin mined for the three and nine months ended September 30, 2024, respectively, bringing the total "cost to mine one bitcoin" to \$59,326 and \$41,873 for the three and nine months ended September 30, 2024, respectively. If depreciation of our miner fleet were factored into the above cost of mining analysis, it would add \$10,002 and \$10,025 per bitcoin mined for the three and nine months ended September 30, 2023, respectively, bringing the total "cost to mine one bitcoin" to \$19,354 and \$18,076 for the three and nine months ended September 30, 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 0 and 14 bitcoin for the three months ended September 30, 2024 and 2023, respectively, and 6 and 51 bitcoin for the nine months ended September 30, 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 49.9% and 36.0% as expressed as a percentage of value of total bitcoin mined during the three and nine months ended September 30, 2024, respectively, and 33.2% and 29.7% during the three and nine months ended September 30, 2023, respectively. Power prices expressed as a percentage of value of total bitcoin mined during the three and nine months ended September 30, 2024 increased as compared to the same periods in 2023 primarily due to an approximate doubling in network difficulty and the bitcoin reward halving in April 2024, partially offset by increases in average operating hashrate and increases in average value of each bitcoin mined.

Energy prices can be highly volatile and global events can cause power prices to increase or decrease nationwide. 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 was \$0.038 and \$0.039 per kWh during the three and nine months ended September 30, 2024, respectively, and \$0.031 per kWh during the three and nine months ended September 30, 2023.

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 and nine months ended September 30, 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 \$4.1 million and \$7.3 million for the three and nine months ended September 30, 2024, respectively, and \$1.7 million and \$2.5 million for the three and nine months ended September 30, 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 venture, 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 condensed 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 and nine months ended September 30, 2024, the Company recorded accelerated depreciation expense of \$0 and \$5.1 million, respectively, related to certain miners of which the Company shortened their estimated useful lives based on replacement by April 2024. While we currently depreciate our miners over a 4-year period, given our historical low cost of power, 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 \$28,827 and \$20,477 per bitcoin mined in the three and nine months ended September 30, 2024, respectively, and \$10,002 and \$10,025 per bitcoin mined in the three and nine months ended September 30, 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 October 2, 2024, the Company sold its entire 25% equity interest to Talen Member for \$85.0 million in cash, subject to a customary working capital adjustment (the "Nautilus Sale"). In connection with the Nautilus Sale, Nautilus transferred to the Company all of Nautilus' right, title and interest in and to all of its miners, including miners contributed by the Talen Member, as well as certain other related equipment owned by Nautilus. The Nautilus Sale included customary representations and warranties and customary covenants, including, among others, that the Talen Member will pay the Company 25% of the net proceeds received in excess of \$300.0 million in the aggregate in any future sale of all or substantially all of the assets, or a majority of the equity interests of Nautilus.

On October 9, 2024, the Company terminated the Ground Lease and entered into a new lease with the same related party counterparty (the “New Ground Lease”) related to the Lake Mariner Facility which expanded the acreage of real property as compared to the Ground Lease for the purposes of cryptocurrency mining and HPC data center operations. The New Ground Lease includes fixed 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 and has an initial term of 35 years, commencing on October 9, 2024, and will automatically renew for up to nine additional periods of five years each unless the Company provides written notice to terminate the lease at least six months prior to the expiration of the initial term or the then-current renewal term. Upon expiration of the New Ground Lease, the buildings and improvements on the premises will revert to the landlord in good order. As consideration for the termination of the Ground Lease and entering into the New Ground Lease, the Company issued 20 million shares of the Company’s Common Stock and paid \$12.0 million in cash in October 2024.

On October 23, 2024, the Company’s board of directors approved a share repurchase program authorizing the Company to repurchase up to \$200.0 million of the Company’s outstanding shares of Common Stock through December 31, 2025. As of the date of this Quarterly Report, the Company has repurchased 17,968,750 shares of its Common Stock for approximately \$115.0 million.

On October 25, 2024, the Company completed a private offering of 2.75% Convertible Senior Notes due 2030 (the “2030 Convertible Notes”). The 2030 Convertible Notes were sold under a purchase agreement, dated as of October 23, 2024, entered into by and between the Company and Cantor Fitzgerald & Co. as representative of the several initial purchasers named therein (the “Initial Purchasers”), for resale to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The aggregate principal amount of notes sold in the offering was \$500.0 million, which includes \$75.0 million aggregate principal amount of notes issued pursuant to an option to purchase additional notes granted to the Initial Purchasers under the purchase agreement, which the Initial Purchasers exercised in full on October 24, 2024 and which additional purchase was completed on October 25, 2024.

The notes were issued at a price equal to 100% of their principal amount. The net proceeds from the sale of the notes were approximately \$487.1 million after deducting the Initial Purchasers’ discounts and commissions and estimated offering expenses payable by the Company. The Company used approximately \$60.0 million of the net proceeds from the sale of the notes to pay the cost of certain capped call transactions and plans to use the remainder for general corporate purposes, which may include working capital, strategic acquisitions, expansion of data center infrastructure to support high-performance computing activities and expansion of existing assets.

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. During the nine months ended September 30, 2023, the Company made payments of the CVR liability related to proceeds from sales of net assets held for sale of \$9.6 million. Additionally, the Company made payments of the CVR liability of \$1.4 million in November 2023 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 business strategy centers on growing revenue and profitability by enhancing the capacity and efficiency of our self-mining fleet while expanding our data center infrastructure to support HPC activities. We plan to strategically develop the infrastructure necessary for growth and profitability while pursuing adjacent high-value computing opportunities that leverage our power and mining expertise. We are confident that our expertise in power infrastructure and digital asset mining can be favorably applied to the design, development, and operation of large-scale data centers. These data centers are optimized for high-value applications such as cloud computing, machine learning, and artificial intelligence. We will actively seek opportunities to expand into these areas using our knowledge, expertise, and existing infrastructure wherever favorable market opportunities arise.

Revenue

The following table presents revenue (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 27,059	\$ 18,955	\$ 105,066	\$ 45,944

Revenue for the three months ended September 30, 2024 and 2023 was \$27.1 million and \$19.0 million, respectively, an increase of \$8.1 million. The increase in revenue was primarily attributed to an increase in the average price of bitcoin during the three months ended September 30, 2024 of \$61,023 as compared to \$28,129 during the same period in the prior year and an increase in mining capacity at the Lake Mariner Facility to approximately 195 MW as of September 30, 2024 as compared to 110 MW as of September 30, 2023. These increases were partially offset by decreases in the total bitcoin mined due to impacts of the halving in April 2024 and the increase in network hashrate, resulting in total bitcoin mined of 442 bitcoin during the three months ended September 30, 2024 as compared to 624 bitcoin during the same period in the prior year.

Revenue for the nine months ended September 30, 2024 and 2023 was \$105.1 million and \$45.9 million, respectively, an increase of \$59.2 million. The increase was primarily attributed to an increase in the average price of bitcoin during the nine months ended September 30, 2024 of \$60,022 as compared to \$26,313 during the same period in the prior year and an increase in mining capacity at the Lake Mariner Facility to approximately 195 MW as of September 30, 2024 as compared to 110 MW as of September 30, 2023, partially offset by decreases in the total bitcoin mined due to impacts of the halving in April 2024 and the increase in network hashrate, resulting in total bitcoin mined of 1,754 bitcoin during the nine months ended September 30, 2024 as compared to 1,560 bitcoin during the same period in the prior year.

During the three and nine months ended September 30, 2024, revenue from hosting was \$0 and \$0.8 million, respectively, as compared to \$1.8 million and \$5.8 million during the three and nine months ended September 30, 2023, respectively, a decrease due to the expiration of the Company's one data center hosting contract with a customer in February 2024.

Costs and Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue (exclusive of depreciation)	\$ 14,660	\$ 8,268	\$ 42,986	\$ 18,383

Cost of revenue (exclusive of depreciation) for the three months ended September 30, 2024 and 2023 was \$14.7 million and \$8.3 million, respectively, an increase of \$6.4 million. Cost of revenue (exclusive of depreciation) for the nine months ended September 30, 2024 and 2023, was \$43.0 million and \$18.4 million, respectively, an increase of approximately \$24.6 million. Cost of revenues is primarily comprised of power expense and the increases were primarily due to the increase in mining and hosting capacity due to infrastructure constructed and placed in service between September 30, 2023 and September 30, 2024 and, to a lesser extent, slight increase in realized power prices during the three and nine months ended September 30, 2024 as compared to the same periods in 2023. 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 \$4.1 million and \$7.3 million for the three and nine months ended September 30, 2024, respectively, and \$1.7 million and \$2.5 million for the three and nine months ended September 30, 2023, respectively. The Company is actively expanding its enrollment in such available programs in New York State.

The following table presents operating expenses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating expenses	\$ 729	\$ 442	\$ 2,311	\$ 1,218
Operating expenses – related party	856	779	2,619	2,015
	<u>\$ 1,585</u>	<u>\$ 1,221</u>	<u>\$ 4,930</u>	<u>\$ 3,233</u>

Operating expenses (including related party expenses) for the three months ended September 30, 2024 and 2023, were \$1.6 million and \$1.2 million, respectively, a net increase of \$0.4 million primarily due to higher property insurance. Operating expenses (including related party expenses) for the nine months ended September 30, 2024 and 2023, were \$4.9 million and \$3.2 million, respectively, a net increase of \$1.7 million primarily due to higher property insurance and miner repair costs as well as \$0.5 million in 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 September 30, 2023 and 2024.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Selling, general and administrative expenses	\$ 8,502	\$ 5,767	\$ 29,904	\$ 18,137
Selling, general and administrative expenses – related party	2,976	4,519	8,399	10,093
	<u>\$ 11,478</u>	<u>\$ 10,286</u>	<u>\$ 38,303</u>	<u>\$ 28,230</u>

Selling, general and administrative expenses (including related party expenses) for the three months ended September 30, 2024 and 2023 were \$11.5 million and \$10.3 million, respectively, a net increase of \$1.2 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 September 30, 2024 as compared to the same period in the prior year of stock-based compensation of \$1.0 million, employee compensation and benefits of \$0.4 million, and legal and other professional fees of \$1.5 million. These increases were partially offset by decreased expenses during the three months ended September 30, 2024 as compared to the same period in the prior year of insurance expense of \$0.3 million. Selling, general and administrative expenses – related party decreased \$1.7 million primarily due to performance milestone expense under the Administrative and Infrastructure Services Agreement (the “Services Agreement”) with Beowulf Electricity & Data Inc. (“Beowulf E&D”).

Selling, general and administrative expenses (including related party expenses) for the nine months ended September 30, 2024 and 2023 were \$38.3 million and \$28.2 million, respectively, a net increase of \$10.1 million. The increase was primarily due to increased expense during the nine months ended September 30, 2024 as compared to the same period in the prior year of stock-based compensation of \$10.2 million, employee compensation and benefits of \$1.0 million, travel expenses of \$0.6 million and legal and other professional fees of \$0.4 million. These increases were partially offset by decreased expenses during the nine months ended September 30, 2024 as compared to the same period in the prior year of insurance expense of \$0.7 million. Selling, general and administrative expenses – related party decreased primarily due to performance milestone expense of \$2.1 million under the Services Agreement with Beowulf E&D for the nine months ended September 30, 2023.

Depreciation for the three months ended September 30, 2024 and 2023 was \$15.6 million and \$8.2 million, respectively, an increase of \$7.4 million. Depreciation for the nine months ended September 30, 2024 and 2023 was \$44.9 million and \$20.1 million, respectively, an increase of \$24.8 million. The increases were primarily due to the increase in mining capacity due to infrastructure constructed and placed in service between September 30, 2023 and September 30, 2024. Additionally, during the three and nine months ended September 30, 2024, the Company recorded accelerated depreciation expense of \$0 and \$5.1 million, respectively, 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 during the three and nine months ended September 30, 2024 was \$1.0 million and \$1.6 million, respectively, 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 of \$0.9 million and \$2.2 million during the three and nine months ended September 30, 2023, 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 realized gain on sale of digital currency for the three and nine months ended September 30, 2023 of \$0.7 million and \$1.9 million, respectively, 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 condensed consolidated balance sheet as of January 1, 2024.

During the three and nine months ended September 30, 2024, the Company recorded an impairment loss of \$0.4 million related to the expected sale of 1,200 miners for proceeds of \$0.2 million which were classified as held for sale as of September 30, 2024 and included in other current assets in the condensed consolidated balance sheet.

During the three and nine months ended September 30, 2023, the Company recorded a loss on disposal of property, plant and equipment of \$0.4 million related to disposals of miners.

Interest expense was \$0.4 million and \$10.3 million for the three months ended September 30, 2024 and 2023, respectively, a decrease of \$9.9 million. Interest expense relates primarily to the borrowings under the Loan, Guaranty and Security Agreement (the “LGSA”) with Wilmington Trust (the “Term Loans”), which had an original maturity date of December 1, 2024 and was fully repaid in July 2024 ahead of maturity. Interest expense was \$16.8 million and \$25.5 million for the nine months ended September 30, 2024 and 2023, respectively, an decrease of \$8.7 million. The decrease in interest expense for the nine months ended September 30, 2024 as compared to the same period in the prior year is primarily due to repayments of the Term Loans principal balance subsequent to September 30, 2023 resulting in (i) a decrease of amortization of debt issuance costs and debt discount of \$3.4 million during the nine months ended September 30, 2024 as compared to the same period in 2023 and (ii) a decrease of \$5.5 million in interest expense related to the stated interest rate, which remained unchanged.

Loss on extinguishment of debt was \$4.3 million and \$6.3 million for the three and nine months ended September 30, 2024, respectively, related to voluntary prepayments of the Term Loans in February and July 2024. During the three and nine months ended September 30, 2024, the Company incurred prepayment fees of \$1.0 million and \$1.3 million, respectively, to voluntarily prepay \$56.0 million and \$74.5 million of the Company’s Term Loans, respectively, and the derecognition of unamortized debt discount of \$3.3 million and \$5.0 million associated with the principal repaid, respectively. The Company made no repayments on the principal balance of the Term Loans during the three and nine months ended September 30, 2023.

Income tax benefit was \$0 for the three and nine months ended September 30, 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 September 30, 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 and nine months ended September 30, 2024 was \$(2.7) million and \$3.4 million, respectively as compared to \$0.9 million and \$(12.6) million for the three and nine months ended September 30, 2023, respectively, which represents TeraWulf's proportional share of income or losses of Nautilus, which commenced principal operations in February 2023. For the three and nine months ended September 30, 2023, the amount also includes an impairment loss of \$0 and \$13.6 million, respectively, 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 ("U.S. GAAP"), we disclose Adjusted EBITDA as a non-GAAP measure. This measure is not a financial measure calculated in accordance with U.S. GAAP, and it should not be considered as a substitute for net income, operating income, or any other measure calculated in accordance with U.S. GAAP, and may not be comparable to similarly titled measures reported by other companies.

We define Adjusted EBITDA as net loss attributable to common stockholders 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 U.S. GAAP and should not be considered as an alternative to operating loss or any other measure of performance derived in accordance with U.S. 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 U.S. 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 condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss attributable to common stockholders	\$ (23,033)	\$ (19,371)	\$ (44,100)	\$ (63,692)
Adjustments to reconcile net loss attributable to common stockholders to non-GAAP Adjusted EBITDA:				
Preferred stock dividends	300	272	878	796
Loss from discontinued operations, net of tax	—	68	—	106
Equity in net (income) loss of investee, net of tax	2,679	(850)	(3,363)	12,613
Distributions from investee, related to Nautilus	3,395	6,739	22,482	11,682
Income tax benefit	—	—	—	—
Other income	(339)	(59)	(1,286)	(113)
Loss on extinguishment of debt	4,273	—	6,300	—
Interest expense	409	10,251	16,779	25,535
Depreciation	15,643	8,224	44,864	20,085
Amortization of right-of-use asset	252	249	755	750
Stock-based compensation expense	2,408	1,413	14,181	4,023
Related party expense to be settled with respect to common stock	—	2,085	—	2,502
Non-GAAP Adjusted EBITDA	\$ 5,987	\$ 9,021	\$ 57,490	\$ 14,287

Liquidity and Capital Resources

As of September 30, 2024, the Company had cash and cash equivalents of \$23.9 million, a working capital balance of \$0, total stockholders' equity of \$372.6 million and an accumulated deficit of \$303.1 million. The Company incurred a net loss attributable to common stockholders of \$44.1 million for the nine months ended September 30, 2024. The Company began mining bitcoin in March 2022 and had 10.0 EH/s of operating capacity across the Lake Mariner Facility and the Nautilus Cryptomine Facility as of September 30, 2024. To date, the Company has relied primarily on proceeds from sale of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility, and its issuances of debt and equity 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):

	Nine Months Ended September 30,	
	2024	2023
Cash provided by (used in):		
Operating activities:		
Continuing operations	\$ 18,302	\$ (6,915)
Discontinued operations	—	283
Total operating activities	18,302	(6,632)
Investing activities	(82,396)	(44,237)
Financing activities	33,593	49,141
Net change in cash and cash equivalents	\$ (30,501)	\$ (1,728)

Cash provided by (used in) operating activities was \$18.3 million and \$(6.6) million for the nine months ended September 30, 2024 and 2023, respectively. The \$24.9 million increase in cash provided by operating activities from continuing operations was primarily driven by the increase in mining capacity at the Lake Mariner Facility and increases in the average price of bitcoin, partially offset by increased network hashrate and the effects of the halving in April 2024.

Cash used in investing activities for continuing operations was \$82.4 million and \$44.2 million for the nine months ended September 30, 2024 and 2023, respectively. The Company invested \$114.3 million and \$41.4 million in the buildout of its mining facilities at the Lake Mariner Facility for the nine months ended September 30, 2024 and 2023, respectively. Additionally, during the nine months ended September 30, 2023, the Company invested \$2.8 million, on a net basis, in its joint venture. Furthermore, the Company received \$31.9 million of proceeds from sales of digital currency not converted nearly immediately into cash during the nine months ended September 30, 2024.

Cash provided by financing activities for continuing operations was \$33.6 million and \$49.1 million for the nine months ended September 30, 2024 and 2023, respectively primarily related to proceeds from issuances of Common Stock, net of issuance costs, of \$192.9 million and \$60.2 million for the nine months ended September 30, 2024 and 2023, respectively, which included proceeds from warrant issuances of \$4.2 million and \$2.5 million, respectively. In addition, for the nine months ended September 30, 2024, the Company made principal payments on long-term debt of \$140.7 million and payments of \$16.8 million related to tax withholdings related to net share settlements of stock-based compensation awards. For the nine months ended September 30, 2023, the Company received proceeds from issuance of a convertible promissory note of \$1.3 million, and made payments of contingent value rights liability related to proceeds from sale of net assets held for sale of \$9.6 million.

Contractual Obligations and Other Commitments

As of September 30, 2024, the Company has one Future Sales and Purchase Agreement (the "March 2024 Bitmain Purchase Agreement") with Bitmain Technologies Delaware Limited ("Bitmain Delaware") which, as supplemented, provides the Company has the right, but not the obligation, to purchase up to 7,020 PH (approximately 30,000 miners) of S21 Pro miners, pursuant to certain payment timing conditions, by December 31, 2024 for a purchase price of \$112.3 million ("Bitmain Call Option"). As of September 30, 2024, the Company had paid Bitmain Delaware \$11.2 million, calculated as 10% of the purchase price (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. In May 2024, the Company exercised an option pursuant to the Bitmain Call Option to purchase 5,000 S21 Pro units and paid Bitmain Delaware an additional \$16.8 million for these units. In October 2024, the Company exercised an option pursuant to the Bitmain Call Option to purchase 10,600 S21 Pro units and paid Bitmain Delaware an additional \$35.7 million for these units. In October 2024, the Company entered into an agreement to sell 3,200 S21 Pro units to a third party for a purchase price of \$12.0 million.

The Company was a 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, as of September 30, 2024 the Company had invested \$102.7 million on a net basis and has right-sized its equity ownership interest to 25% of the joint venture. On October 2, 2024, the Company sold its entire 25% equity interest to the Talen Member for \$85.0 million, subject to a customary working capital adjustment (the "Nautilus Sale").

Financial Condition

The Company incurred a net loss attributable to common stockholders of \$44.1 million and generated cash flows from continuing operations of \$18.3 million for the nine months ended September 30, 2024. As of September 30, 2024, the Company had balances of cash and cash equivalents of \$23.9 million, a working capital balance of \$0, total stockholders' equity of \$372.6 million and an accumulated deficit of \$303.1 million. The Company had 10.0 EH/s of operating capacity across the Lake Mariner Facility and the Nautilus Cryptomine Facility as of September 2024. To date, the Company has relied primarily on proceeds from sales of bitcoin, both self-mined and distributed from the joint venture which owns the Nautilus Cryptomine Facility, and its issuances of debt and equity to fund its principal operations. Subsequent to September 30, 2024, the Company completed (i) a private offering of the 2030 Convertible Notes for an aggregate principal amount of \$500.0 million and (ii) the sale of the Company's 25% equity interest in Nautilus for cash proceeds of \$85.0 million, the proceeds of which, together with continuing cash flows from operations, are expected to fund strategic development of future infrastructure necessary for growth and profitability in bitcoin mining and data center hosting of HPC workloads.

Critical Accounting Estimates

The above discussion and analysis of the Company's financial condition and results of operations are based upon its condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the Company's condensed consolidated financial statements requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

See Note 2 of the Notes to Condensed 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.

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. 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 condensed 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. The Company elected to early adopt ASU 2023-08 effective January 1, 2024. The Company measures digital currency at fair value as of each reporting period 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 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 condensed 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 cost 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 condensed consolidated statements of operations.

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. 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, 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 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.

Long-lived Assets

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Judgment is necessary in estimating the Company's various assets' useful lives. This includes evaluating the Company's own usage experience with its currently owned assets, the quality of materials used in construction-related projects and, for its miners, the rate of technological advancement and market-related factors such as the price of bitcoin and the bitcoin network hashrate, which impact the value of the miners. 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, are determined and recorded when estimates of the remaining useful lives or residual values of long-term assets change.

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. Significant judgment is used when estimating future cash flows, particularly the price of bitcoin and the network hashrate. Any impairment loss recorded is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. Should our estimates of useful lives, undiscounted cash flows, or asset fair values change, additional and potentially material impairments may be required, which could have a material impact on our reported financial results.

Stock-based compensation

The Company measures stock-based compensation cost related to share-based payment awards at the grant date of the award, based on the estimated fair value of the award. For restricted stock units ("RSUs") with time-based vesting, the fair value is determined by the Company's common stock price on the date of the 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. Stock-based compensation expense 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 uses significant judgment in determining the likelihood of meeting milestones and market conditions. Inputs into valuation models such as Monte Carlo simulations include both the Company's and guideline public company historical and expected annual volatility and, depending on the inputs selected, the Company could calculate significantly different estimated grant date fair values, materially impacting the valuation of our stock-based awards and the stock-based compensation expense we recognize in future periods.

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 condensed 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 September 30, 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 for the fiscal year ended December 31, 2023, 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 for the fiscal year ended December 31, 2023 and our Quarterly Reports on Form 10-Q, except for the risk factor noted below.

We are and may continue to be subject to short selling strategies.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, may short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects to create negative market momentum and generate profits for themselves after selling a stock short. These short attacks have, in the past, led to selling of shares in the market.

We are, and may in the future may be, the subject of unfavorable allegations made by short sellers. For example, in August and October of this year, short sellers published reports that contained certain allegations against us that we believe to be misleading. Any such allegations may be followed by periods of instability in the market price of our shares of common stock and negative publicity. We may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable federal or state law or issues of commercial confidentiality. In addition, any related inquiry or formal investigation from a governmental organization or other regulatory body, including any inquiry from the Securities and Exchange Commission (the "SEC") or the U.S. Department of Justice, could result in a material diversion of our management's time and could have a material adverse effect on our business and results of operations. Such a situation could be costly and time-consuming and could distract our management from operating our business. We recently received an inquiry from the SEC relating to the allegations in the recent short seller reports relating to the sources of electricity used in our operations and the proportion of energy attributable to zero-carbon energy sources and, while we believe those allegations to be misleading, we cannot predict the impact that the SEC's inquiry will have on our business and results of operations. SEC investigations are generally fact-finding inquiries and do not necessarily mean that the SEC has concluded that we have violated the federal securities laws or that the SEC has a negative view of the Company. We intend to cooperate fully. Even if such allegations are ultimately proven to be groundless, allegations against us could adversely impact our business, and cause downward pressure and increased volatility in the price of our shares of common stock.

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 with the SEC on November 13, 2023).
(1.2)	Amendment No. 2 to Sales Agreement, dated as of May 23, 2024, by and among TeraWulf Inc., Cantor Fitzgerald & Co., ATB Capital Markets USA Inc., Compass Point Research & Trading, LLC, Northland Securities, Inc., Roth Capital Partners, LLC, Stifel Nicolaus Canada, Inc. and Virtus Americas LLC (incorporated by reference to Exhibit 1.1 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on May 23, 2024).
(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 (incorporated by reference to Exhibit 3.4 of TeraWulf's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2024).

- (3.5) [Amended and Restated Bylaws of TeraWulf Inc., effective as of December 13, 2021 \(incorporated by reference to Exhibit 3.2 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on December 13, 2021\).](#)
- (4.1) [Indenture, dated as of October 25, 2024, between TeraWulf Inc. and Wilmington Trust, National Association, as trustee, related to the 2.75% convertible senior notes \(incorporated by reference to Exhibit 4.1 of TeraWulf's Current Report on Form 8-K filed with the SEC on October 25, 2024\).](#)
- (4.2) [Form of note representing the 2.75% Convertible Senior Notes due 2030 \(incorporated by reference to Exhibit A to Exhibit 4.1 of TeraWulf's Current Report on Form 8-K filed with the SEC on October 25, 2024\).](#)
- (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) [Future Sales and Purchase Agreement, dated as of March 20, 2024, by and between Bitmain Technologies Delaware Limited and TeraLease LLC \(incorporated by reference to Exhibit 10.2 of TeraWulf Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 13, 2024\).](#)
- (10.3) [Supplemental Agreement to Future Sales and Purchase Agreement, dated as of May 22, 2024, by and Between Bitmain Technologies Delaware Limited and TeraLease LLC \(incorporated by reference to Exhibit 10.3 of TeraWulf Inc.'s Quarterly Report on Form 10-Q filed on August 13, 2024\).](#)
- (10.4) [Non-Employee Director Compensation Policy \(incorporated by reference to Exhibit 10.2 of TeraWulf Inc.'s Quarterly Report on Form 10-Q filed on November 13, 2023\).](#)
- (10.5) [Form of Capped Call Confirmations \(incorporated by reference to Exhibit 4.3 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on October 25, 2024.\)](#)
- **10.6 [Form of TeraWulf Inc. Omnibus Incentive Plan Restricted Stock Award Agreement.](#)
- (10.7) [Purchase and Sale Agreement, by and among TeraWulf \(Thales\) LLC, Cumulus Coin LLC and Nautilus Cryptomine LLC, dated as of October 2, 2024 \(incorporated by reference to Exhibit 10.1 of TeraWulf Inc.'s Form 8-K filed with the SEC on October 3, 2024\).](#)
- **10.8 [Master Sales and Purchase Agreement between Luxor Technology Corporation and TeraLease LLC, dated as of October 3, 2024.](#)
- (10.9) [Lease Agreement between Somerset Operating Company, LLC and Lake Mariner Data LLC, dated as of October 9, 2024 \(incorporated by reference to Exhibit 10.1 to TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on October 10, 2024\).](#)
- (10.10) [Lease Termination Agreement between Somerset Operating Company, LLC and Lake Mariner Data LLC, dated as of October 9, 2024 \(incorporated by reference to Exhibit 10.2 to TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on October 10, 2024\).](#)
- (10.11) [Registration Rights Agreement between Somerset Operating Company, LLC and Lake Mariner Data LLC, dated as of October 9, 2024 \(incorporated by reference to Exhibit 10.3 to TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on October 10, 2024\).](#)
- **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 September 30, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL); (i) Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Operations for the Three and Nine Months ended September 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023, and (v) Notes to Condensed 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)

November 12, 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)

**TERAWULF
2021 OMNIBUS INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK GRANT**

Participant:

of Shares of Restricted Stock:

Date of Grant: October 31, 2024

Vesting Schedule: One hundred percent (100%) of the shares of Restricted Stock shall vest as of the Date of Grant in accordance with terms of the Award Agreement attached hereto as Annex I; provided that such shares shall not be transferable until the 12-month anniversary of the Date of Grant.

By signing your name below, you accept the shares of Restricted Stock and acknowledge and agree that the shares of Restricted Stock are granted under and governed by the terms and conditions of the TeraWulf 2021 Omnibus Incentive Plan, the Award Agreement set forth on Annex I and the restrictive covenants set forth on Exhibit A thereto, each of which are hereby made a part of this document.

PARTICIPANT

TERAWULF INC.

By: _____

Name: Paul Prager

Title: Chairman and CEO

TERAWULF
2021 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Grant Notice (“Grant Notice”) and this Award Agreement, TeraWulf Inc. (together with its Subsidiaries, whether existing or thereafter acquired or formed, and any and all successor entities, the “Company”) has granted the Participant shares of Restricted Stock (the “Restricted Stock”) under the TeraWulf 2021 Omnibus Incentive Plan (the “Plan”) with respect to the number of shares of Restricted Stock indicated in the Grant Notice (the “Award”). The shares of Restricted Stock are granted to the Participant effective as of the Date of Grant. Capitalized terms not explicitly defined in this Award Agreement or in the Grant Notice but defined in the Plan shall have the same definitions as in the Plan.

1. **Restrictions.**

(a) **Vesting.** The Award shall be one hundred percent (100%) vested as of the Date of Grant; provided, however, that the Shares shall not be assignable, saleable or transferable by the Participant until the twelve (12) month anniversary of the Date of Grant (such date, the “Restrictions Release Date”).

(b) **Restrictions.** Upon the Date of Grant, the Company shall promptly instruct its transfer agent to record the Restricted Stock as the property of the Participant and to record such vested shares of Restricted Stock as outstanding, subject to the restrictions set forth in Section 1(a). Subject to the provisions of this Award Agreement, promptly following the Restrictions Release Date, the Company shall instruct its transfer agent to eliminate any notion of the restrictions with respect to the number of shares of Restricted Stock, less any such share that were withheld by the Company pursuant to Section 3 below. Unless the Committee otherwise determines, the Participant shall not have the right to pledge, hypothecate or encumber the shares of Restricted Stock granted pursuant to this Agreement. Any attempt to dispose of the shares of Restricted Stock in contravention of such restrictions shall be null and void and without effect.

2. **Rights as a Stockholder.** The Participant shall be entitled to all rights as the record owner of the shares of Restricted Stock as of the Date of Grant, including the right to vote such shares and receive dividends on such shares.

3. **Tax Withholding.** The Participant shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes) and penalties, and any interest that accrues thereon, that the Participant incurs in connection with the receipt, vesting and delivery of the Restricted Stock granted hereunder. The Company shall be authorized to withhold from the Award the amount (in cash or Shares, or any combination thereof) of applicable withholding taxes due in respect of the Award, its settlement or any payment or transfer under the Award and to take such other action (including providing for elective payment of such amounts in cash or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes; provided, however, that no Shares shall be withheld with a value exceeding the maximum statutory rates in the applicable tax jurisdictions. The Participant shall be permitted to satisfy any applicable withholding taxes by means of a “net settlement” procedure effected by the Company withholding shares of Restricted Stock issued to the Participant

effected by the Company withholding shares of Restricted Stock issued to the Participant

hereunder with a Fair Market Value on the Date of Grant equal to such withholding tax liability, to the extent permissible under applicable law.

4. **Clawback; Forfeiture; Detrimental Conduct.** The Restricted Stock shall be subject to the clawback, forfeiture and detrimental conduct provisions set forth in Section 15(u) of the Plan.

5. **Restrictive Covenants.**

(a) Without limiting any other non-competition, non-solicitation, non-disparagement or non-disclosure or other similar agreement to which the Participant may be a party, the Participant shall be subject to the confidentiality and restrictive covenants set forth on Exhibit A attached hereto, which Exhibit A is incorporated herein and forms part of this Award Agreement.

(b) In the event that the Participant violates any of the restrictive covenants referred to in this Section 5, in addition to any other remedy that may be available at law or in equity, the Award shall be automatically forfeited effective as of the date on which such violation first occurs. The foregoing rights and remedies are in addition to any other rights and remedies that may be available to the Company and shall not prevent (and the Participant shall not assert that they shall prevent) the Company from bringing one or more actions in any applicable jurisdiction to recover damages as a result of the Participant's breach of such restrictive covenants.

6. **Miscellaneous.**

(a) **Compliance with Legal Requirements.** The granting of the Restricted Stock, and any other obligations of the Company under this Award Agreement, shall be subject to all applicable U.S. federal, state and local laws, rules and regulations, all applicable non-U.S. laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Award Agreement.

(b) **Legend on Certificates.** The Participant agrees that any certificate issued for shares of Restricted Stock prior to the Restrictions Release Date shall be inscribed with substantially the following legend:

TRANSFER OF THIS CERTIFICATE AND THE SHARES REPRESENTED
HEREBY ARE RESTRICTED PURSUANT TO THE TERMS OF THE
TERAWULF 2021 OMNIBUS INCENTIVE PLAN AND A RESTRICTED
STOCK AWARD AGREEMENT, DATED AS OF OCTOBER 31, 2024,
BETWEEN TERAULF INC. AND _____. A COPY OF SUCH PLAN
AND AWARD AGREEMENT IS ON FILE AT THE PRINCIPAL EXECUTIVE
OFFICE OF TERAULF INC.

(c) **Transferability.** The shares of Restricted Stock shall be subject to the restrictions set forth in Section 1(a) above and Section 15(b) of the Plan.



(d) Waiver. No amendment or modification of any provision of this Award Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant, except that the Company may amend or modify this Award Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Award Agreement. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature. Any amendment or modification of or to any provision of this Award Agreement, or any waiver of any provision of this Award Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(e) Notices. All notices, requests and other communications under this Award Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested to the contact details below. The parties may use e-mail delivery, so long as the message is clearly marked, sent to the e-mail address(es) set forth below.

if to the Company, to:

TeraWulf Inc.
9 Federal Street
Easton, MD 21601
Telephone: (410) 770-9500
Facsimile: (410) 770-9705
Email: legal@terawulf.com
Attention: General Counsel's Office

if to the Participant, to the address, facsimile number or e-mail address that the Participant most recently provided to the Company, or to such other address, facsimile number or e-mail address as such party may hereafter specify for the purpose by notice to the other parties hereto.

(f) Severability. The invalidity or unenforceability of any provision of this Award Agreement shall not affect the validity or enforceability of any other provision of this Award Agreement, and each other provision of this Award Agreement shall be severable and enforceable to the extent permitted by law.

(g) Successors. The terms of this Award Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(h) Entire Agreement. The Participant acknowledges receipt of a copy of the Plan and represents that the Participant is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Restricted Stock terms), and hereby accepts the grant of Restricted Stock and agrees to be bound by its contractual terms as set forth herein (including Exhibit A) and in the Plan. The Participant acknowledges and agrees that the grant of the Restricted Stock constitutes additional consideration to the Participant for the Participant's continued and future compliance with any restrictive covenants in favor of the Company by which the Participant is otherwise bound. The Participant hereby agrees to accept as binding, conclusive

and final all decisions and interpretations of the Committee regarding any questions relating to the Restricted Stock. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Award Agreement, the Plan terms and provisions shall prevail. This Award Agreement, including the Plan, constitutes the entire agreement between the Participant and the Company on the subject matter hereof and supersedes all proposals, written or oral, and all other communications between the parties relating to such subject matter.

(i) Governing Law. Except as otherwise set forth in an Employment Agreement, this Award Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(j) Dispute Resolution; Consent to Jurisdiction. Except as otherwise set forth in an Employment Agreement, the Participant and the Company agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with this Award Agreement (whether brought by any party or any of its Affiliates or against any party or any of its Affiliates) shall be brought in the United States federal and state courts in Wilmington, Delaware, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court.

(k) Electronic Signature and Delivery. This Award Agreement may be accepted by return signature or by electronic confirmation. By accepting this Award Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports and other information shall be delivered in hard copy to the Participant).

(l) Electronic Participation in Plan. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Remainder of page intentionally blank]



EXHIBIT A

RESTRICTIVE COVENANTS

The Participant acknowledges and agrees that during the Participant's employment or service with the Company, the Participant will be providing services to the Company and that the Participant will be intimately involved in the planning for or direction of the business of the Company, and that the Participant has or will obtain selective or specialized skills, knowledge, abilities, or customer contacts or information by reason of working for the Company and providing services to the Company.

1. **Noncompetition.** During the Participant's employment or service with the Company and for a period of twelve (12) months thereafter, the Participant shall not, either directly or indirectly, on the Participant's behalf or on behalf of or in conjunction with any other person, company, partnership, corporation, business, group, or other entity (each, a "Person"), engage, within the Territory (as described below), as an officer, director, owner, partner, member, joint venturer, employee, team member, independent contractor, agent or consultant in the same, similar or related capacity as the Participant was employed by or providing services to the Company, in any business engaged in the Business of the Company (as described below); provided, however, that the Participant shall not be prohibited from passively owning less than five percent (5%) of the outstanding shares of any class of equity securities registered under the Securities Exchange Act of 1934, as amended (the "34 Act"); provided, further that the Participant's continued engagement with the business(es) set forth on Schedule I shall not be a violation of this Agreement. Notwithstanding the preceding, if the Participant's employment or service is terminated for Cause, the restrictions in this Section 1 shall apply during the twelve (12) month period immediately following the date the Participant's employment or service with the Company terminates.

2. **Nonsolicitation.** In addition, during the Participant's employment or service with the Company and for a period of eighteen (18) months thereafter, the Participant shall not, either directly or indirectly, on the Participant's behalf or on behalf of or in conjunction with any other Person:

(a) solicit or attempt to solicit any employee of the Company or any of its Affiliates (or any employee who was employed by the Company or any of its Affiliates within the six (6) months prior to the Participant's termination of employment or service), with whom the Participant had business relations or material contact, to end his or her relationship with the Company or any of its Affiliates or hire or attempt to hire any of the foregoing; or

(b) seek to induce or otherwise cause any customer, client, supplier, vendor, licensee, licensor or any other Person with whom the Company or any of its Affiliates then has, or during the six (6) months prior to such time had, a business relationship, whether by contract or otherwise, with whom the Participant had business relations or material contact or about whom the Participant has Confidential Information (as defined below) or Trade Secrets (as defined below), to discontinue or alter such business relationship in a manner that is adverse to the Company or any of its Affiliates.



i. The “Territory” shall be defined as the United States of America and any other territory where the Participant is working at the time of termination of employment or service with the Company or the Company is doing business; which the Participant acknowledges and agrees is the territory in which the Participant is providing services to the Company.

ii. The “Business of the Company” means (A) any business or activity engaged in by the Company and in which the Participant was involved or obtained Confidential Information or Trade Secrets during his or her employment or service with the Company, and (B) any other business opportunity that is under active consideration by the Company during the Participant’s employment or service with the Company and in which the Participant was involved or obtained Confidential Information or Trade Secrets during his or her employment or service with the Company.

3. **Blue Pencil.** The restrictive covenants set forth herein are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. If any provision of the restrictive covenants set forth herein relating to the time period, scope, or geographic area of the restrictive covenants shall be declared by a court of competent jurisdiction or arbitrator to exceed the maximum time period, scope or geographic area, as applicable, that such court or arbitrator deems reasonable and enforceable, then the restrictive covenants set forth herein shall automatically be considered to have been amended and revised to reflect such determination.

4. **Severability.** All of the covenants set forth herein shall be construed as an agreement independent of any other provisions in this Exhibit A, and the existence of any claim or cause of action the Participant may have against the Company, whether predicated on this Exhibit A or otherwise, shall not constitute a defense to the enforcement by the Company or any of its Affiliates of such covenants.

5. **Participant Acknowledgments.** The Participant has carefully read and considered the provisions of the restrictive covenants set forth herein and, having done so, agrees that the restrictive covenants set forth herein impose a fair and reasonable restraint on the Participant and are reasonably required to protect the interests of the Company and its Affiliates and their respective officers, directors, employees and equityholders.

6. **Trade Secrets and Confidential Information.**

(a) “Confidential Information” means all non-public or proprietary data or information (other than Trade Secrets) concerning the business and operations of the Company or any of its Affiliates, including, but not limited to, any non-public information (regardless of whether in writing or retained as personal knowledge) pertaining to research and development; product costs, designs and processes; equityholder information; pricing, cost, or profit factors; quality programs; annual budget and long-range business plans; marketing plans and methods; contracts and bids; business ideas; and methods, inventions, innovations, developments, graphic designs, website designs, patterns, specifications, procedures, databases and personnel. “Trade Secret” means trade secret as defined by applicable state law. In the absence of such a definition, Trade Secret means information including, but not limited to, any technical or nontechnical data, formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan, list of actual or potential customers or suppliers or other information similar to any



of the foregoing, which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) The Participant acknowledges that in the course of the Participant's employment or service with the Company, the Participant has received or will receive and has had or will have access to Confidential Information and Trade Secrets of the Company or any of its Affiliates, and that unauthorized or improper use or disclosure by the Participant of such Confidential Information or Trade Secrets will cause serious and irreparable harm to the Company or any of its Affiliates. Accordingly, the Participant is willing to enter into the covenants contained herein in order to provide the Company and its Affiliates with what the Participant considers to be reasonable protection for its interests.

(c) The Participant hereby agrees to (i) hold in confidence all Confidential Information of the Company or any of its Affiliates that come into the Participant's knowledge during the Participant's employment or service by the Company and (ii) not disclose, publish or make use of such Confidential Information, other than in the good-faith performance of the Participant's duties, without the prior written consent of the Company for as long as the information remains Confidential Information.

(d) The Participant hereby agrees to hold in confidence all Trade Secrets of the Company or any of its Affiliates that come into the Participant's knowledge during the Participant's employment or service by the Company and not to disclose, publish, or make use of at any time after the date hereof such Trade Secrets without the prior written consent of the Company for as long as the information remains a Trade Secret.

(e) Notwithstanding the foregoing, the provisions of this Section 6 will not apply to (i) Confidential Information or Trade Secrets that otherwise becomes generally known in the industry or to the public through no act of the Participant or any person or entity acting by or on the Participant's behalf or information which the Participant can demonstrate to have had rightfully in the Participant's possession prior to the commencement of the Participant's employment or service with the Company or (ii) information required to be disclosed by judicial or governmental proceedings; provided that, in the event the Participant is ordered by a court or other government agency to disclose any Confidential Information, the Participant shall (1) promptly notify the Company of such order, (2) diligently contest such order at the sole expense of the Company as expenses occur and (3) seek to obtain at the sole expense of the Company such confidential treatment as may be available under applicable laws for any information disclosed under such order.

(f) Notwithstanding anything to the contrary herein, none of the covenants set forth herein will prohibit the Participant from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Exchange Act or Section 806 of the Sarbanes-Oxley Act of



2002, or of any other whistleblower protection provisions of federal law or regulation, or require modification or prior approval by the Company of any such reporting.

(g) Notwithstanding anything to the contrary contained herein, pursuant to the Defend Trade Secrets Act of 2016, the Participant shall not be held criminally or civilly liable under any federal or state Trade Secret law for the disclosure of a Trade Secret that: (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Participant also understands that if the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Trade Secret to the Participant's attorney and use the Trade Secret information in the court proceeding, if the Participant (i) files any document containing the Trade Secret under seal, and (ii) does not disclose the Trade Secret, except pursuant to court order.

7. Work Product and Inventions.

(a) The Participant acknowledges that the Participant's work on and contributions to documents, programs, methodologies, protocols, and other expressions in any tangible medium (including, without limitation, all business ideas and methods, inventions, innovations, developments, graphic designs, web site designs, patterns, specifications, procedures or processes, market research, databases, works of authorship, products and other works of creative authorship) which have been or will be prepared by the Participant, or to which the Participant has contributed or will contribute, in connection with the Participant's services to the Company (collectively, "Works"), are and will be within the scope of the Participant's employment or service and part of the Participant's duties and responsibilities. The Participant's work on and contributions to the Works will be rendered and made by the Participant for, at the instigation of, and under the overall direction of the Company, and are and at all times shall be regarded, together with the Works, as "work made for hire" as that term is used in the United States Copyright Laws. However, to the extent that any court or agency should conclude that the Works (or any of them) do not constitute or qualify as a "work made for hire", the Participant hereby assigns, grants, and delivers exclusively and throughout the world to the Company all rights, titles and interests in and to any such Works, and all copies and versions, including all copyrights and renewals. The Participant agrees to cooperate with the Company and to execute and deliver to the Company and its successors and assigns, any assignments and documents the Company requests for the purpose of establishing, evidencing, and enforcing or defending its complete, exclusive, perpetual and worldwide ownership of all rights, titles and interests of every kind and nature, including all copyrights, in and to the Works, and the Participant constitutes and appoints the Company as its agent to execute and deliver any assignments or documents the Participant fails or refuses to execute and deliver, this power and agency being coupled with an interest and being irrevocable. Without limiting the preceding provisions of this Section 7(a), the Participant agrees that the Company may edit and otherwise modify, and use, publish and otherwise exploit, the Works in all media and in such manner as the Company, in its sole discretion, may determine.

(b) The Participant shall disclose promptly to the Company (which shall receive it in confidence), and only to the Company, any invention or idea of the Participant in any way connected with the Participant's services or related to the Business of the Company, the research



or development of the Company or any of its Affiliates, or demonstrably anticipated research or development (developed alone or with others), conceived or made during the Participant's employment or services with the Company or within three (3) months thereafter and hereby assigns to the Company any such invention or idea. The Participant agrees, subject to reimbursement of actual out of pocket expenses related thereto and at the Company's sole liability and expense, to cooperate with the Company and sign all papers reasonably deemed necessary by the Company to enable it to obtain, maintain, protect and defend patents covering such inventions and ideas and to confirm the Company's exclusive ownership of all rights in such inventions, ideas and patents, and irrevocably appoints the Company as its agent to execute and deliver any assignments or documents the Participant fails or refuses to execute and deliver promptly, this power and agency being coupled with an interest and being irrevocable. This constitutes the Company's written notification that this assignment does not apply to an invention for which no equipment, supplies, facility or Trade Secret information of the Company or any of its Affiliates was used and which was conceived and developed entirely on the Participant's own time, unless (i) the invention relates (A) directly to the Business of the Company, or (B) to actual or demonstrably anticipated research or development of the Company or any of its Affiliates, or (ii) the invention results from any work performed by the Participant for the Company or any of its Affiliates.

8. **Equitable Remedy.** Because of the difficulty of measuring economic losses to the Company or any of its Affiliates as a result of a breach of the covenants set forth herein, and because of the immediate and irreparable damage that would be caused to the Company and its Affiliates for which monetary damages would not be a sufficient remedy, it is hereby agreed that in addition to all other remedies that may be available to the Company or any of its Affiliates, at law or in equity, the Company shall be entitled to specific performance and any injunctive or other equitable relief as a remedy for any breach or threatened breach by the Participant of any provision set forth herein. The Company and each of its Affiliates may seek temporary and/or permanent injunctive relief for an alleged violation of the covenants set forth herein without the necessity of posting a bond.



Schedule I

[To be updated for individual participant, as applicable.]



MASTER SALES AND PURCHASE AGREEMENT

BETWEEN

LUXOR TECHNOLOGY CORPORATION

("Purchaser")

AND

TERALEASE LLC

("Supplier")

This Master Sales and Purchase Agreement (this “**Agreement**”) is entered into on October 3, 2024 (the “**Effective Date**”) by and between: TeraLease LLC, a Delaware limited liability company (“**Supplier**”), with its principal place of business at 9 Federal Street, Easton, MD 21601. and Luxor Technology Corporation, a Delaware corporation (“**Purchaser**”; together with Supplier, the “**Parties**” and each individually, a “**Party**”), with its principal place of business registered at 1100 Bellevue Way NE, Suite 8A #514, Bellevue, WA 98004.

WHEREAS, Purchaser is willing to purchase, and Supplier is willing to supply, certain Bitcoin mining equipment in accordance with the terms and conditions of this Agreement and the applicable Order Form; and

WHEREAS, Purchaser fully understands the market risks, the price-setting principles and the market fluctuations relating to the Products sold under this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Definitions and Interpretations**

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

- 1.1. “**Affiliate**” means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person.
- 1.2. “**Applicable Law**” means all laws, statutes, rules, regulations, codes, ordinances, constitutions, orders or treaties of the United States, any state of the United States, and any political subdivision thereof applicable to this Agreement and the transactions contemplated thereunder.
- 1.3. “**Control**” means 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 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 members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms “**Controlled**” and “**Controlling**” have meanings correlative to the foregoing.
- 1.4. “**Force Majeure**” means in respect of either Party, any event or occurrence whatsoever beyond the reasonable control of that Party, which delays, prevents or hinders that Party from performing any obligation imposed upon that Party under this Agreement (other than an obligation to make payment), including to the extent such event or occurrence shall delay, prevent or hinder such Party from performing such obligation, 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, delays caused by any third party, including but not limited to Manufacturers or Freight Forwarders, and



regulatory and administrative or similar action or delays to take actions of any governmental authority.

- 1.5. **“Freight Forwarder”** means any Person engaged by Supplier or Purchaser to transport and deliver the Products pursuant to this Agreement and any applicable Order Form.
- 1.6. **“Futures”** means Products to be manufactured and made available for Purchaser’s pickup at a certain timeframe in the future, sold at a predetermined price with potential adjustments of specifications.
- 1.7. **“Insolvency Event”** means any of the following events for either Party:
 - 1.7.1. a receiver, receiver and manager, judicial manager, official manager, trustee, administrator or similar official is appointed, or steps are taken for such appointment, over all or any part of the assets, equipment or undertaking of such Party;
 - 1.7.2. if such Party stops or suspends payments to its creditors generally, is unable to or admits its inability to pay its debts as they fall due, or is declared or becomes bankrupt or insolvent or enters into liquidation; or
 - 1.7.3. a petition is presented, a proceeding is commenced, an order is made or an effective resolution is passed for the liquidation, winding up, insolvency, judicial management, administration, reorganization, reconstruction, dissolution or bankruptcy of such Party, otherwise than for the purpose of a bona fide scheme of solvent amalgamation or reconstruction.
- 1.8. **“Manufacturer”** is the Person who produces the Products and provides warranty on the Products, if applicable.
- 1.9. **“Order Form”** means the contractual document in which Purchaser’s agrees to purchase from Supplier, and Supplier agrees to sell to Purchaser, Products in accordance with the applicable Order Form under the governance of this Agreement, and references to this Agreement shall include the applicable Order Form.
- 1.10. **“Person”** means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.
- 1.11. **“Products”** means the Bitcoin mining equipment specified in the applicable Order Form that Supplier will provide to Purchaser in accordance with this Agreement.
- 1.12. **“Total Purchase Price”** means the aggregate amount payable by Purchaser as set out in the applicable Order Form.

2. **Sale and Purchase of Products**

- 2.1. Supplier will provide the Products set forth in the applicable Order Form to Purchaser in accordance with the provisions of Section 2, Section 3, Section 4, Section 5 and Section 6 of this Agreement and the applicable Order Form, and Purchaser shall make payment in accordance with the terms specified in this Agreement and the applicable Order Form.
- 2.2. For Futures, both Parties further acknowledge and agree that in the event that the hardware available from Supplier does not match exactly the Products listed hereunder on the applicable Order Form, all obligations of this Agreement on the part of Purchaser will remain fully intact, and no refunded amounts will need to be paid by Supplier to Purchaser.



- 2.3. Purchaser acknowledges and confirms that any purchase made pursuant to this Agreement and any applicable Order Form is irrevocable and cannot be canceled by Purchaser after the applicable Order Form is signed.

2. Prices and Terms of Payment

- 2.1. The Parties understand and agree that the applicable prices of the Products are exclusive of applicable bank transaction fees, duties, taxes, freight, or other fees. Purchaser acknowledges that Purchaser shall pay directly, or reimburse Supplier for, any U.S. State and local sales taxes or any other taxes levied on or assessed against the amounts payable hereunder, including but not limited to value-added, turnover, withholding, or similar taxes. If any payment is subject to withholding, Purchaser shall pay such additional amounts as necessary, to ensure that Supplier receives the full amount it would have received had the payment not been subject to such withholding.
- 2.2. The Total Purchase Price shall be payable by Purchaser to Supplier as set forth in the applicable Order Form.
- 2.3. Supplier and Purchaser further agree to the profit split upon Purchaser's resale of the Products as set forth in the applicable Order Form.

3. Delivery of Products

- 3.1. Subject to the limitations stated in the applicable Order Form, the terms of delivery of the Products shall be EXW (Ex Works) according to Incoterms 2010. Purchaser shall pick up the Products at a Supplier-designated place. Supplier shall provide commercially reasonable efforts to facilitate Purchaser's pickup.
- 3.2. Unless otherwise stated in the applicable Order Form, once the Products are under Purchaser's or its representative's (e.g. a Purchaser-contracted Freight Forwarder) control, Supplier shall have fulfilled its obligation to facilitate the purchase of the Products, and the title, ownership, and risks of loss shall pass to Purchaser. Supplier shall not be responsible, and Purchaser shall be fully and exclusively responsible, for any loss of Products, personal injury, property damage, other damage or liability caused by the Products either to Purchaser or any third party, or theft of or damage to the Products.
- 3.3. Supplier shall not be responsible for any damages, failure, error, or delay in delivery caused by Purchaser or any third parties, including but not limited to Manufacturers and Freight Forwarders.

4. Warranty of Products

Both Parties acknowledge that:

- 4.1. The availability of the warranty of the Products is determined and provided by the Manufacturer, as facilitated by Supplier. The warranty may or may not be available in accordance with the Manufacturer's after-sales service policy, which may be varied and changed from time to time, and may or may not be assignable to, and/or used in any way by Purchaser. Supplier shall use commercially reasonable efforts to obtain the Manufacturer's consent, if and to the extent required, to the assignment of any applicable Manufacturer warranty regarding the Products to Purchaser.



- 4.2. Purchaser expressly acknowledges and agrees that Supplier does not provide any warranty regarding the Products sold to Purchaser, whether written, oral, express, implied, or statutory, and none of the warranties of merchantability, fitness for a particular purpose, title, interference with Purchaser's quiet enjoyment, and non-infringement of third party or arising from a course of dealing or usage in trade shall apply. The Products are provided "As Is" with all faults, and the entire risk as to the satisfactory quality, accuracy, and effort lies with Purchaser. Purchaser acknowledges and agrees that it has not relied on any oral or written information or advice, whether given by Supplier or its representatives, agents, or employees.
- 4.3. Purchaser expressly acknowledges and agrees that the Products provided by Supplier do not guarantee any cryptocurrency mining time or hashrate, and Supplier shall not be liable for any cryptocurrency mining time or hashrate loss or cryptocurrency mining revenue loss that are caused by downtime of any Products or any part or component thereof. Supplier does not warrant that the Products will be uninterrupted or error-free.
- 4.4. Purchaser expressly acknowledges and agrees that 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. Supplier specifically disclaims any express or implied warranty of fitness for any of the above-described applications and any such use shall be at Purchaser's sole risk.

5. Representations and Warranties

Each Party hereby represents and warrants as follows, as of the Effective Date and as of the date of any payment made under an applicable Order Form:

- 5.1. Such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and such Party is duly qualified or licensed to do business in each jurisdiction in which the ownership or operation of its assets makes such qualification necessary, except where the failure to be so duly qualified or licensed would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on such Party's ability to perform its obligations under this Agreement;
- 5.2. Such Party has the full power and authority to enter into this Agreement and perform its obligations hereunder;
- 5.3. The obligations of such Party hereunder are legal, valid, binding and enforceable against such Party in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, rehabilitation, liquidation, preferential transfer, moratorium and similar laws now or hereafter affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity);
- 5.4. Such Party 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 hereunder;



- 5.5. The entry into and performance by such Party of, and the transactions contemplated by, this Agreement do not violate (i) its organizational documents, (ii) any agreement or instrument binding upon it or any of its assets or (iii) any Applicable Law, except as would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on such Party's ability to perform its obligations under this Agreement; and
- 5.6. Such Party 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, Her Majesty's Treasury or Singapore ("Sanctions"), including by being (i) 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, or (ii) 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, assuming the accuracy of the representations and warranties of either Party set forth in this Section 5, the sale and purchase of the Products will not violate any Sanctions or import and export control related laws and regulations.

6. Limitation of Liability

- 6.1. Neither Party shall, under any circumstances, be liable to the other Party for any consequential loss, or loss of goodwill, business, anticipated profits, revenue, contract, or business opportunity arising out of or in connection with this Agreement and/or the Products even if such Party had been advised of the possibility of such damages. Each Party hereby waives any claim it may at any time have against the other Party 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.
- 6.2. Each Party's and its respective 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 Supplier from Purchaser for the Products.
- 6.3. The above limitations and exclusions shall apply notwithstanding the failure of essential purpose of any exclusive or limited remedy, and whether or not either Party has been advised of the possibility of such damages. This Section allocates the risks under this Agreement and the pricing reflects this allocation of risk and the above limitations.

7. Term and Termination of this Agreement

- 7.1. This Agreement will be effective upon the Effective Date first listed above and remain in force until terminated in accordance with the provisions of this Section 7.
- 7.2. Either Party shall be entitled to terminate this Agreement with immediate effect upon written notice to the other Party if:
 - 7.2.1. The other Party fails to comply in any material respect with any provision of this Agreement, and where that failure is capable of being remedied, fails to remedy it within thirty (30) days of being required by such Party to do so;

- 7.2.2. It is or becomes unlawful for either Party to perform or comply with any of its material obligations under this Agreement or all or a material part of the obligations of such Party under this Agreement are not or cease to be valid, binding and enforceable;
 - 7.2.3. An Insolvency Event occurs in respect of either Party; or
 - 7.2.4. An event of Force Majeure occurs in respect of the other Party and continues for more than 180 consecutive calendar days.
- 7.3. If Purchaser fails to comply in any material respect with this Agreement, Supplier will also have the right to request and Purchaser will be obliged to pay to Supplier liquidated damages for such breach in the amount of a maximum of 100% of the payment already made by Purchaser. No additional financial penalties shall apply, including penalties such as those relating to opportunity cost.
- 7.4. The provisions of Sections 4, 6, and 10 through 17 of this Agreement shall survive the termination of this Agreement.

8. Force Majeure

- 8.1. To the extent that a Party is fully or partially delayed, prevented or hindered by an event of Force Majeure from performing any obligation under this Agreement (other than an obligation to make payment), subject to the exercise of reasonable diligence by the affected Party, the failure to perform shall be excused by the occurrence of such event of Force Majeure. A Party claiming that its performance is excused by an event of Force Majeure shall, promptly after the occurrence of such event of Force Majeure, notify the other Party of the nature, date of inception and expected duration of such event of Force Majeure and the extent to which the Party expects that the event will delay, prevent or hinder the Party from performing its obligations under this Agreement.
- 8.2. The Party affected by Force Majeure shall use reasonable diligence to remove the event of Force Majeure, and shall keep the other Party informed of all significant developments.

9. [Intentionally Omitted.]

10. Entire Agreement and Amendment

This Agreement, including any Order Form, constitutes the entire agreement of the Parties hereto and can only be amended in writing by both Parties.

11. Severability

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 court, 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.

12. Conflict with the Terms and Conditions

In the event of any ambiguity or discrepancy between the provisions of this Agreement and the terms and conditions from time to time of any other agreement between Supplier and Purchaser, it



is intended that the provisions of this Agreement shall prevail and the Parties shall comply with and give effect to this Agreement unless expressly agreed otherwise.

13. Governing Law and Jurisdiction

13.1. This Agreement and the rights and obligations of the parties thereunder shall be governed by and construed in accordance with the laws of the state of Delaware, without reference to the conflict of laws provision thereof which would give rise to the application of the domestic substantive law of any other jurisdiction.

13.2. Each Party hereby irrevocably and unconditionally consents to the exclusive jurisdiction of the federal and state courts sitting in Wilmington, Delaware, for any claim, dispute, action, suit or proceeding (“**Claim**”) arising out of or related hereto. Each Party hereto further hereby irrevocably and unconditionally waives any objection to the laying of venue of any Claim arising out of or relating to this Agreement in such courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Claim brought in any such court has been brought in any inconvenient forum. Each Party hereby knowingly, voluntarily and intentionally waives any right (to the fullest extent permitted by applicable law) to a trial by jury of any Claim arising out of, under or relating to, this Agreement and agrees that any such Claim shall be tried before a judge sitting without a jury.

14. No Waiver

Failure by either Party to enforce at any time any provision of this Agreement, or to exercise any 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 thereof, or the right of the waiving Party to thereafter enforce each and every such provision or option.

15. Independent Contractors

The Parties are independent contractors. There is no relationship of partnership, joint venture, employment, franchise, or agency created hereby between the Parties. Neither Party will have the power to bind the other or incur obligations on the other Party’s behalf without the other Party’s prior written consent.

16. Counterparts and Electronic Signatures

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.

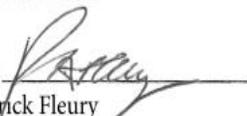
17. Third Party Rights

17.1. A Person who is not a Party to this Agreement has no right to enforce or to enjoy the benefit of any term of this Agreement.



Signed for and on behalf of Supplier:

TERALEASE LLC

Signature: 

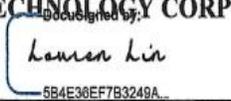
Name: Patrick Fleury

Title: Chief Financial Officer

Date: 10-3-24

Signed for and on behalf of Purchaser:

LUXOR TECHNOLOGY CORPORATION

Signature: 
Document signed by: 5B4E36EF7B3249A...

Name: Lauren Lin

Title: Head of Hardware

Date: 10/3/2024

[Signature Page to Master Sales and Purchase Agreement]

**Master Sales and Purchase Agreement
Order Form**

This Order Form (this “**Order Form**”) is entered into by and between Luxor Technology Corporation, a Delaware corporation, with its principal place of business registered at 1100 Bellevue Way NE, Suite 8A #514, Bellevue, WA 98004 (“**Purchaser**”) and TeraLease LLC, a Delaware limited liability company, with its principal place of business at 9 Federal Street, Easton, MD 21601 (“**Supplier**”).

This Order Form is subject to and hereby incorporated into that certain Master Sales and Purchase Agreement by and between Purchaser and Supplier, effective as of October __, 2024 (the “**Master Agreement**”). This Order Form is effective as of the Effective Date (as defined in the Master Agreement). All capitalized terms used herein but not otherwise defined have the meanings ascribed to them in the Master Agreement.

1. Product(s) Specification

The specification, quantity, and Total Purchase Price of the Products are as follows:

Description of Product(s)	Average Hashrate (TH)	Quantity (Units)	Condition (New/Used)	Price (USD/TH)	Total (in USD)
S21 Pro	234	3,200	New	16	11,980,800
Sales Tax Exempted	Yes		Sales Tax (%)	0	
Total Purchase Price (in USD)				11,980,800	
Payment Due Date			100% of Total Purchase Price due Friday , October 4, 2024.		

2. Warranty

OEM Warranty, to the extent applicable and assignable from Supplier to Purchaser.

3. Shipping/Delivery Term.

3.1. EXW Asia

3.2. The Products are estimated to be shipped in October 2024.



4. Profit Split

Upon Purchaser's resale of the Products, Purchaser shall remit to Supplier by wire transfer in immediately available funds 50% of Purchaser's net proceeds from such resale. The net proceeds are defined as the total resale revenue received by Purchaser from its resale of the Products, minus the Total Purchase Price paid by Purchaser to Supplier for the Products as well as any reasonably documented and actually incurred costs by Purchaser in connection with the resale of the Products.

5. Payment Methods

5.1.1. Supplier's USD bank wire instructions:

Beneficiary Account Name & Address:

TeraWulf Inc.
OPERATING ACCOUNT
9 FEDERAL ST
EASTON MD, 21601

Beneficiary Account #: 4011434679

For Domestic Wires:

Routing Number (ABA)
052100932

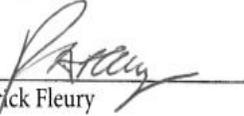
Beneficiary Bank:

Shore United Bank
212 Marlboro Ave
Easton MD 21601
Phone:410-819-3015

[Signatures Follow on the Next Page]

Signed for and on behalf of Supplier:

TERALEASE LLC

Signature: 

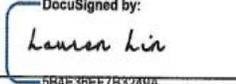
Name: Patrick Fleury

Title: Chief Financial Officer

Date: 10-3-24

Signed for and on behalf of Purchaser:

LUXOR TECHNOLOGY CORPORATION

Signature: 

Name: Lauren Lin

Title: Head of Hardware

Date: 10/3/2024

[Signature Page to Order Form]

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.

November 12, 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.

November 12, 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 September 30, 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.

November 12, 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 September 30, 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.

November 12, 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).