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

FORM 10-Q

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

For the quarterly period ended March 31, 2022

☐ **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**
(Address of principal executive offices)

MD
(State)

87-1909475
(I.R.S. Employer
Identification No.)

21601
(Zip Code)

(410) 770-9500

(Registrant's telephone number, including area code)

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 Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

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

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

There were 104,639,286 shares of Common Stock outstanding as of May 16, 2022.

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TERAWULF INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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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 “Use of Proceeds.” 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, which could cause a decline in the demand for TeraWulf’s services;
- competition among the various providers of data mining services;
- economic or political conditions in the countries in which TeraWulf plans to do business, including civil uprisings, riots, terrorism, kidnappings, the taking of property without fair compensation and legislative changes;
- currency exchange rate fluctuations;
- employment workforce factors, including the loss of key employees;
- the ability to implement certain business objectives and the ability to timely and cost-effectively execute integrated projects;
- changes in governmental safety, health, environmental and other regulations, which could require significant expenditures;
- liability related to the use of TeraWulf’s services;
- the ability to successfully complete merger, acquisition or divestiture plans, regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture; 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 registration statement on Form S-4, which is incorporated by reference into this Quarterly Report.

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.

TERAWULF INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2022 AND DECEMBER 31, 2021
(In thousands, except number of shares, per share amounts and par value)

	March 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,585	\$ 43,448
Restricted cash	1	3,007
Digital currency, net	212	—
Prepaid expenses	5,943	1,494
Amounts due from related parties	—	647
Other current assets	442	108
Current assets held for sale	15,775	19,348
Total current assets	25,958	68,052
Equity in net assets of investee	123,046	104,280
Property, plant and equipment, net	121,873	91,446
Right-of-use asset	1,004	1,024
Other assets	957	109
TOTAL ASSETS	\$ 272,838	\$ 264,911
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,699	\$ 11,791
Accrued construction liabilities	4,527	3,892
Other accrued liabilities	8,636	3,771
Share based liabilities due to related party	12,500	12,500
Other amounts due to related parties	1,306	60
Contingent value rights	10,594	12,000
Current portion of operating lease liability	90	88
Insurance premium financing payable	3,147	—
Current liabilities held for sale	2,444	1,755
Total current liabilities	52,943	45,857
Operating lease liability, net of current portion	969	992
Deferred tax liabilities, net	256	256
Long-term debt	97,662	94,627
TOTAL LIABILITIES	151,830	141,732
Commitments and Contingencies (See Note 11)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 25,000,000 authorized at March 31, 2022 and December 31, 2021; 9,566 and 0 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	9,273	—
Common stock, \$0.001 par value, 200,000,000 authorized at March 31, 2022 and December 31, 2021; 100,790,239 and 99,976,253 issued and outstanding at March 31, 2022 and December 31, 2021, respectively	101	100
Additional paid-in capital	225,545	218,762
Accumulated deficit	(113,911)	(95,683)
Total stockholders' equity	121,008	123,179
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 272,838	\$ 264,911

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND THE PERIOD FEBRUARY 8, 2021 (DATE OF INCEPTION) TO MARCH 31, 2021
(In thousands, except number of shares and loss per common share)

	Three Months Ended March 31, 2022	Period February 8, 2021 (date of inception) to March 31, 2021
Revenue	\$ 217	\$ —
Cost of revenue	32	—
Gross profit	185	—
Cost of operations:		
Operating expenses	480	—
Operating expenses - related party	62	853
Selling, general and administrative expenses	5,985	246
Selling, general and administrative expenses - related party	2,816	577
Depreciation	4	—
Impairment of digital currency	5	—
Total cost of operations	9,352	1,676
Operating loss	(9,167)	(1,676)
Interest expense	(5,322)	—
Loss before income tax and equity in net loss of investee	(14,489)	(1,676)
Income tax benefit	—	—
Equity in net loss of investee, net of tax	(788)	—
Loss from continuing operations	(15,277)	(1,676)
Loss from discontinued operations, net of tax	(2,906)	—
Net loss	(18,183)	(1,676)
Preferred stock dividends	(45)	—
Net loss attributable to common stockholders	\$ (18,228)	\$ (1,676)
Loss per common share:		
Continuing operations	\$ (0.15)	\$ (0.03)
Discontinued operations	(0.03)	-
Basic and diluted	\$ (0.18)	\$ (0.03)
Weighted average common shares outstanding:		
Basic and diluted	100,121,370	58,819,431

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND THE PERIOD FEBRUARY 8, 2021 (DATE OF INCEPTION) TO MARCH 31, 2021
(In thousands, except number of shares)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Total</u>
Balances as of December 31, 2021	—	\$ —	99,976,253	\$ 100	\$ 218,762	\$ (95,683)	\$ 123,179
Issuance of Series A Convertible Preferred Stock, net of issuance costs	9,566	9,273	—	—	—	—	9,273
Issuance of common stock, net of issuance costs	—	—	813,986	1	6,783	—	6,784
Preferred stock dividends	—	—	—	—	—	(45)	(45)
Net loss	—	—	—	—	—	(18,183)	(18,183)
Balances as of March 31, 2022	<u>9,566</u>	<u>\$ 9,273</u>	<u>100,790,239</u>	<u>\$ 101</u>	<u>\$ 225,545</u>	<u>\$ (113,911)</u>	<u>\$ 121,008</u>

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Total</u>
Balances as of February 8, 2021	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Issuance of common stock, net of issuance costs	—	—	50,000,000	50	29,892	—	29,942
Net loss	—	—	—	—	—	(1,676)	(1,676)
Balances as of March 31, 2021	<u>—</u>	<u>\$ —</u>	<u>50,000,000</u>	<u>\$ 50</u>	<u>\$ 29,892</u>	<u>\$ (1,676)</u>	<u>\$ 28,266</u>

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND THE PERIOD FEBRUARY 8, 2021 (DATE OF INCEPTION) TO MARCH 31, 2021
(In thousands)

	Three Months Ended March 31, 2022	Period February 8, 2021 (date of inception) to March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (18,183)	\$ (1,676)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt issuance costs and accretion of debt discount	2,458	—
Depreciation	4	—
Increase in digital currency from mining	(217)	—
Impairment of digital currency	5	—
Equity in net loss of investee, net of tax	788	—
Loss from operations of discontinued operations, net of tax	2,906	—
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(4,449)	—
Decrease in amounts due from related parties	647	—
Increase in other current assets	(34)	(5)
Decrease in right-of-use asset	20	—
Increase in other assets	(848)	—
(Decrease) increase in accounts payable	(6,066)	38
Decrease in accrued construction liabilities	(3,870)	—
Increase in other accrued liabilities	4,155	203
Increase in other amounts due to related parties	1,246	1,440
Decrease in operating lease liability	(21)	—
Net cash used in operating activities from continuing operations	(21,459)	—
Net cash used in operating activities from discontinued operations	(50)	—
Net cash used in operating activities	(21,509)	—
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in joint venture, including direct payments made on behalf of joint venture	(19,072)	—
Reimbursable payments for deposits on plant and equipment made on behalf of a joint venture partner	(11,402)	—
Reimbursement of payments for deposits on plant and equipment made on behalf of a joint venture partner	11,402	—
Purchase of and deposits on plant and equipment	(21,488)	(23,700)
Net cash used in investing activities	(40,560)	(23,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from insurance premium financing	4,706	—
Principal payments on insurance premium financing	(1,559)	—
Proceeds from issuance of common stock, net of issuance costs paid of \$142 and \$0	6,787	30,000
Proceeds from issuance of preferred stock, net of issuance costs paid of \$0 and \$0	9,266	—
Net cash provided by financing activities	19,200	30,000
Net change in cash and cash equivalents and restricted cash	(42,869)	6,300
Cash and cash equivalents and restricted cash at beginning of period	46,455	—
Cash and cash equivalents and restricted cash at end of period	<u>\$ 3,586</u>	<u>\$ 6,300</u>
Cash paid during the period for:		
Interest	\$ 1,427	\$ —
Income taxes	\$ —	\$ —

See Notes to Consolidated Financial Statements.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Organization

On December 13, 2021 (the “Closing Date”), TeraWulf Inc. (formerly known as Telluride Holdco, Inc.), a Delaware corporation, completed the previously announced strategic business combination pursuant to the agreement and plan of merger, dated as of June 24, 2021 (as amended, supplemented or otherwise modified prior to the Closing Date, the “Merger Agreement”), by and among TeraWulf Inc., IKONICS Corporation, a Minnesota corporation (“IKONICS”), TeraCub Inc. (formerly known as TeraWulf Inc.), a Delaware corporation that was formed on February 8, 2021 (“TeraCub”) and certain holding companies and subsidiaries created to effect the merger. In connection with the consummation of the Mergers, Telluride Holdco, Inc. was renamed TeraWulf Inc., and TeraWulf Inc. was renamed TeraCub Inc. TeraWulf Inc. and its subsidiaries are referred to in these consolidated financial statements as “TeraWulf” or the “Company.”

TeraWulf’s planned principal operations consist of developing, constructing and operating bitcoin mining facilities in the United States that are fueled by clean, low cost and reliable power sources. TeraWulf has commenced mining at one bitcoin mining facility and expects to operate a portfolio of bitcoin mining facilities, either wholly-owned or through joint ventures, that each deploy a series of powerful computers that solve complex cryptographic algorithms to mine bitcoin and validate transactions on the bitcoin network. Substantially all of TeraWulf’s revenue will be derived from two primary sources: earning bitcoin rewards and transaction fees for validating transactions. The Company will also leverage its available digital infrastructure to provide miner hosting services to third parties whereby the Company holds an option to purchase the hosted miners in the future at a discounted purchase price. The hosting agreements, including existing executed agreements, may include Company options to purchase the hosted mining equipment. While the Company may choose to mine other cryptocurrencies in the future, it has no plans to do so currently.

TeraWulf’s two bitcoin mining facilities are in New York and Pennsylvania and remain under construction as of March 31, 2022. Mining operations commenced at the New York facility during the three months ended March 31, 2022. The Pennsylvania bitcoin mining facility is being developed and constructed through a joint venture (see Note 10). The Company’s New York bitcoin mining facility is wholly-owned.

In May 2021, TeraWulf created three wholly-owned subsidiaries to facilitate ownership of bitcoin mining facilities or joint venture interests related thereto. Lake Mariner Data LLC and Kyalami Data LLC are subsidiaries involved in developing wholly-owned bitcoin mining facilities in New York. As of the date these consolidated financial statements were available to be issued, Kyalami Data LLC was inactive. TeraWulf (Thales) LLC (“Thales”) is a subsidiary holding interests in a joint venture involved in developing bitcoin mining facilities in Pennsylvania (see Note 10).

IKONICS’ traditional business has been the development and manufacturing of high-quality photochemical imaging systems for sale primarily to a wide range of printers and decorators of surfaces. Customers’ applications are primarily screen printing and abrasive etching. More recently, IKONICS has augmented its customer offerings with inkjet receptive films, ancillary chemicals and related equipment to provide a full line of products and services to its customers. TeraWulf has classified the IKONICS business as held for sale and discontinued operations in these consolidated financial statements (see Note 4).

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Risks and Uncertainties

Liquidity and Financial Condition

The Company incurred a net loss attributable to common stockholders of \$18.2 million, including a net impairment charge (net of a contingent consideration remeasurement gain) of \$2.5 million included in loss from discontinued operations, net of tax related to the acquired IKONICS business (see Notes 3 and 4), and negative cash flows from operations of \$21.5 million for the three months ended March 31, 2022. As of March 31, 2022, the Company had balances of cash and cash equivalents of \$3.6 million, a working capital deficiency of \$27.0 million, total stockholders' equity of \$121.0 million and an accumulated deficit of \$113.9 million. The Company has commenced mining activities, however not yet to scale, and therefore has not generated material revenues from its mining business. The Company has relied on proceeds from its issuances of debt and equity to fund its principal operations.

In accordance with development of its bitcoin mining facilities, during the three months ended March 31, 2022, the Company invested approximately \$21.5 million for purchases and deposits on plant and equipment, including deposits on miners under miner purchase agreements for which the Company has significant future obligations as detailed in Note 11. Also, during the three months ended March 31, 2022, the Company invested \$19.1 million, net in its joint venture and has commitments under its joint venture agreement as detailed in Note 10. The Company will need additional capital in order to meet these obligations in accordance with the existing contractual terms and to fund the planned development of its bitcoin mining facilities. Until TeraWulf is able to generate positive cash flows from operations, TeraWulf expects to fund its business operations and infrastructure buildout through the issuance of debt or equity securities or through the provision miner hosting services. During the three months ended March 31, 2022, the Company entered into an At Market Issuance Sales Agreement for sale of shares of Common Stock having an aggregate offering price of up to \$200.0 million (the "ATM Offering"). The issuance of Common Stock under this agreement will be made pursuant to the Company's effective registration statement on Form S-3 (Registration statement No. 333-262226). During the three months ended March 31, 2022, the Company issued Common Stock, including under the ATM Offering, for net proceeds of \$6.8 million and preferred stock for net proceeds of \$9.3 million. See Note 13. Subsequent to March 31, 2022, the Company issued Common Stock, including under the ATM Offering, for gross proceeds of \$27.1 million. See Note 16. There can be no assurance that the ATM Offering will provide sufficient capital or that any other financing will be successfully consummated on acceptable terms and volume, if at all, which may impact the timing or scale of TeraWulf's planned development. In the event TeraWulf is unable to raise additional capital, TeraWulf may seek alternative arrangements or potential partnerships in order to fund its planned development. In the opinion of management, while it expects to be successful in its fundraising efforts, these factors, which include elements of capital acquisition outside the control of the Company, raise substantial doubt about TeraWulf's ability to continue as a going concern through at least the next twelve months. The consolidated financial statements do not include any adjustments that might result from TeraWulf's possible inability to continue as a going concern.

COVID-19

The Company's results of operations could be adversely affected by general conditions in the economy and in the global financial markets, including conditions that are outside of the Company's control, such as the outbreak and global spread of the novel coronavirus disease ("COVID-19"). The COVID-19 pandemic that was declared on March 11, 2020 has caused significant economic dislocation in the United States and globally as governments across the world, including the United States, introduced measures aimed at preventing the spread of COVID-19. The spread of COVID-19 and the imposition of related public health measures have resulted in, and are expected to continue to result in, increased volatility and uncertainty in the cryptocurrency space. Any severe or prolonged economic downturn, as result of the COVID-19 pandemic or otherwise, could result in a variety of risks to the business and management cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact its business.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company may experience disruptions to its business operations resulting from supply interruptions (including miner delivery interruptions), quarantines, self-isolations, or other movement and restrictions on the ability of its employees or its counterparties to perform their jobs and provide services. The Company may also experience delays in construction and obtaining necessary equipment in a timely fashion. If the Company is unable to effectively set up and service its miners, its ability to mine bitcoin will be adversely affected. The future impact of the COVID-19 pandemic is still highly uncertain and there is no assurance that the COVID-19 pandemic or any other pandemic, or other unfavorable global economic, business or political conditions, will not materially and adversely affect the Company's business, prospects, financial condition, and operating results.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

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

The results for the unaudited interim consolidated statements of operations are not necessarily indicative of results to be expected for the year ending December 31, 2022 or for any future interim period. The unaudited interim consolidated financial statements do not include all the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited interim financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

The unaudited interim consolidated financial statements include the accounts of the Company as described in Note 1. All significant intercompany accounts and transactions have been eliminated.

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 assets acquired and liabilities assumed in business combinations, the fair value of contingent consideration issued in a business combination, the establishment of useful lives for property, plant and equipment and intangible assets, the impairment of goodwill and held for sale assets, the fair value of equity securities issued as a component of a debt offering, 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, recoverability of deferred tax assets 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.

Supplemental Cash Flow Information

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

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended March 31, 2022	Period February 8, 2021 (date of inception) to March 31, 2021
Supplemental disclosure of non-cash activities:		
Common stock issuance costs in accounts payable or other accrued liabilities	\$ 3	\$ 58
Preferred stock issuance costs in accounts payable	\$ 293	\$ —
Purchases of and deposits on plant and equipment in accounts payable, accrued construction liabilities, other accrued liabilities and long-term debt	\$ 8,943	\$ —
Investment in joint venture in other accrued liabilities and long-term debt	\$ 482	\$ —
Preferred stock dividends in other accrued liabilities	\$ 45	\$ —
Preferred stock proceeds receivable in other current assets	\$ 300	\$ —

Cash and Cash Equivalents

Highly liquid instruments with an original maturity of three months or less are classified as cash equivalents. The Company maintains cash and cash equivalent balances primarily at one financial institution that is insured by the Federal Deposit Insurance Corporation (“FDIC”). The Company’s accounts at this institution are insured, up to \$250,000, by the FDIC. As of March 31, 2022, the Company’s bank balances exceeded the FDIC insurance limit in an amount of \$2.9 million. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits. As of March 31, 2022 and December 31, 2021, the Company had cash and cash equivalents of \$3.6 million and \$43.4 million, respectively.

Restricted Cash

The Company considers cash and marketable securities to be restricted when withdrawal or general use is legally restricted. The Company reports restricted cash in the consolidated balance sheets and determines current or non-current classification based on the expected duration of the restriction. The restricted cash included in the consolidated balance sheet as of March 31, 2022 and December 31, 2021 is restricted as to use due to being held as a construction escrow by a third-party escrow agent.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that total to the amounts shown in the consolidated statements of cash flows (in thousands):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 3,585	\$ 43,448
Restricted cash	1	3,007
Cash and cash equivalents and restricted cash	\$ 3,586	\$ 46,455

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. The Company currently operates in the Digital Currency Mining segment and through its ownership of IKONICS operates in the Imaging Technology 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. TeraWulf has classified the IKONICS segment as held for sale and discontinued operations in these consolidated financial statements (see Note 4).

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally 5 years for computer equipment and 25 years for electrical equipment). Leasehold improvements are depreciated over the shorter of their estimated useful lives or the lease term. Property, plant and equipment includes deposits, amounting to approximately \$82.7 million and \$70.6 as of March 31, 2022 and December 31, 2021, respectively, on purchases of such assets, including miners, which would be included in property, plant and equipment upon receipt.

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

Leases

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

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

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

As of March 31, 2022 and December 31, 2021, the Company is not a counterparty to any finance leases.

Stock Issuance Costs

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

Held for Sale and Discontinued Operations Classification

The Company classifies a business as held for sale in the period in which management commits to a plan to sell the business, the business is available for immediate sale in its present condition, an active program to complete the plan to sell the business is initiated, the sale of the business within one year is probable and the business is being marketed at a reasonable price in relation to its fair value.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Newly acquired businesses that meet the held-for-sale classification criteria upon acquisition are reported as discontinued operations. Upon a business' classification as held for sale, net assets are measured for impairment. An impairment loss is recorded for goodwill when a reporting unit's goodwill carrying value exceeds its implied fair value. An impairment loss is recorded for long-lived assets held for sale when the carrying amount of the asset exceeds its fair value less cost to sell. Other assets and liabilities are generally measured for impairment by comparing their carrying values to their respective fair values. A long-lived asset shall not be depreciated or amortized while it is classified as held for sale.

Revenue Recognition

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

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

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

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

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

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

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

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

Mining pools

The Company has entered into an arrangement with a cryptocurrency mining pool to provide computing power to the mining pool. The arrangement is terminable at any time by either party and our enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. The mining pool applies the Full Pay Per Share (“FPPS”) model. Under the FPPS model, in exchange for providing computing power to the pool, the Company is entitled to compensation, calculated on a daily basis, at an amount that approximates the total bitcoin that could have been mined using the Company’s computing power, based upon the then current blockchain difficulty. Under this model, the Company is entitled to compensation regardless of whether the pool operator successfully records a block to the bitcoin blockchain. Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of contract inception, which is deemed to be daily.

There is no significant financing component in these transactions. There may be, however, consideration payable to the customer in the form of a pool operator fee; this fee will be deducted from the proceeds the Company receives and will be recorded as contra-revenue, as it does not represent a payment for a distinct good or service.

Providing computing power in cryptocurrency transaction verification services is an output of the Company’s ordinary activities. The provision of providing such computing power is a performance obligation. The transaction consideration the Company receives is non-cash consideration and is all variable. Fair value of the cryptocurrency award received for cryptocurrency transaction verification services is determined using the quoted price of the related cryptocurrency at the time of receipt. There is no significant financing component in these transactions.

Cryptocurrencies

Cryptocurrencies, including bitcoin, are included in current assets in the consolidated balance sheets. Cryptocurrencies purchased will be recorded at cost and cryptocurrencies awarded to the Company through mining activities will be accounted for in connection with the Company’s revenue recognition policy disclosed above.

Cryptocurrencies will be accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment on a daily basis. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, the Company is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Purchases of cryptocurrencies, if any, made by the Company will be included within investing activities in the consolidated statements of cash flows, while cryptocurrencies awarded to the Company through its mining activities will be included within operating activities in the consolidated statements of cash flows. The sales of cryptocurrencies will be included within investing activities in the consolidated statements of cash flows and any realized gains or losses from such sales will be included in other income (expense) in the consolidated statements of operations. The Company will account for its gains or losses in accordance with the first in first out (“FIFO”) method of accounting. The following table presents digital currency activity (in thousands):

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Three Months Ended March 31, 2022	Period February 8, 2021 (date of inception) to March 31, 2021
Beginning balance	\$ —	\$ —
Revenue recognized from bitcoin mined	217	—
Impairment of bitcoin	(5)	—
Ending balance	<u>\$ 212</u>	<u>\$ —</u>

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 attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. 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 had no dilutive instruments or participating securities as of March 31, 2022 and December 31, 2021.

Concentrations

The Company or its joint venture have contracted with two suppliers for the provision of bitcoin miners. One supplier, Minerva Semiconductor Corp., for the joint venture is well behind on its miner delivery schedule due to COVID-19 lockdowns, power shortages and other operational issues at its factory. Although the supplier has committed to fulfilling its performance obligations with increased future production levels at multiple production facilities, shipments of miners have continued to be delayed.

The Company has currently contracted with one mining pool operator and one cryptocurrency custodian. The Company does not believe that these counterparties represent a significant performance risk.

The Company operates bitcoin mining facilities. While the Company may choose to mine other cryptocurrencies in the future, 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.

NOTE 3 – BUSINESS COMBINATION

On June 25, 2021, TeraCub entered into the Merger Agreement with IKONICS, a public company registered on the National Association of Securities Dealers Automated Quotations ("Nasdaq"), pursuant to which, among other things, TeraCub would effectively acquire IKONICS and become a publicly traded company on the Nasdaq, which was the primary purpose of the business combination. The closing date of the acquisition was December 13, 2021.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Under the terms of the Merger Agreement, each share of IKONICS common stock issued and outstanding immediately prior to the transaction close, as defined (the “Closing”), was automatically converted into and exchanged for (i) one validly issued, fully paid and nonassessable share of Common Stock of the surviving public company, TeraWulf, (ii) one contractual contingent value right (“CVR”) to a Contingent Value Rights Agreement (“CVR Agreement” as discussed below) and (iii) the right to receive \$5.00 in cash, without interest. Pursuant to the CVR Agreement, each shareholder of IKONICS as of immediately prior to the Closing, received one non-transferable CVR for each outstanding share of common stock of IKONICS then held. The holders of the CVRs are 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, subject to a reserve of up to 10% of the Gross Proceeds (as defined in the CVR Agreement) from such transaction. The CVRs do not confer to the holders thereof any voting or equity or ownership interest in TeraWulf. The CVRs are not transferable, except in limited circumstances, and will not be listed on any quotation system or traded on any securities exchange. The CVR Agreement will terminate after all payment obligations to the holders thereof have been satisfied. Holders of CVRs will not be eligible to receive payment for dispositions, if any, of any part of the pre-merger business of IKONICS after the eighteen-month anniversary of the Closing. As of March 31, 2022, no sale, transfer, disposition, spin-off or license of any part of the pre-merger IKONICS business has occurred. On April 15, 2022, a Definitive Agreement was signed whereby IKONICS agreed to sell a certain property, including a warehouse, to a third party for \$7.0 million. The closing of the sale is subject to certain due diligence activities to be conducted over a 90-day period, receipt of regulatory opinion and certain other usual and customary conditions. The Definitive Agreement includes certain indemnifications which are subject to a \$850,000 limitation.

Consideration Transferred

The following table summarizes the fair value of the aggregate consideration paid for IKONICS (in thousands):

Cash consideration	\$ 13,712
Equity instruments: 1,999,525 shares of TeraWulf Inc.	40,590
Contingent consideration: Contingent Value Rights	12,000
	<u>\$ 66,302</u>

As of March 31, 2022, the amount recognized for the CVR contingent consideration was remeasured to a fair value of \$10.6 million. The \$1.4 million gain on remeasurement is included in loss from discontinued operations, net of tax in the consolidated statement of operations for the three months ended March 31, 2022.

The Company’s consolidated financial statements include the operating results of IKONICS beginning on December 13, 2021, the date of the acquisition. The operating loss of \$4.3 million related to the IKONICS’ business has been reflected in loss from discontinued operations, net of tax in the Company’s consolidated statement of operations for the three months ended March 31, 2022.

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 4 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Upon acquisition, the IKONICS business met the assets held-for-sale and discontinued operations criteria and is reflected as discontinued operations held for sale in these consolidated financial statements. The Company determined that the IKONICS business qualified as assets held for sale as management committed to a plan to sell the business, the business was in readily sellable form and it was deemed probable that the business would be sold in a twelve-month period. The structure of the business combination, through the CVR Agreement, contemplated the sale of the IKONICS legacy business whereby the Company would become solely a bitcoin mining focused entity. The Merger Agreement requires IKONICS, after the Closing, to use its reasonable best efforts to consummate a sale of its legacy business as soon as reasonably practicable. The CVR Agreement provides that 95% of the net proceeds of the disposition, as defined, of the IKONICS business accrue to the historical stockholders of IKONCS if the disposition is consummated within eighteen months from the Closing.

The assets and liabilities of IKONICS are presented separately in current assets held for sale and current liabilities held for sale, respectively, in the consolidated balance sheets and includes the following (in thousands):

	March 31, 2022	December 31, 2021
Trade receivables	\$ 1,691	\$ 1,327
Inventories	3,718	3,737
Prepaid expenses and other current assets	948	944
Property, plant and equipment	7,867	10,036
Intangible assets	1,551	3,304
Current assets held for sale	<u>\$ 15,775</u>	<u>\$ 19,348</u>
Accounts payable	\$ 1,697	\$ 1,207
Accrued compensation	612	439
Other accrued liabilities	135	109
Current liabilities held for sale	<u>\$ 2,444</u>	<u>\$ 1,755</u>

During the three months ended March 31, 2022, the Company determined that change in circumstance indicated that the then carrying amount of the IKONICS' long-lived assets may not be recoverable and has recognized an impairment loss in loss on discontinued operations, net of tax of \$3.9 million to write down the related carrying amounts to their fair values less estimated cost to sell. The loss from discontinued operations, net of tax presented in the consolidated statements of operations consists of the following (in thousands):

	Three Months Ended March 31, 2022
Net sales	\$ 4,230
Cost of goods sold	3,223
Gross profit	1,007
Selling, general and administrative expenses	1,264
Research and development expenses	137
Impairment on remeasurement or classification as held for sale	3,922
Loss from discontinued operations before other income	(4,316)
Other income	3
Loss from discontinued operations before income tax	(4,313)
Income tax (expense) benefit	1
Loss from discontinued operations, net of tax	<u>\$ (4,312)</u>

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Total cash flows used in operating activities from discontinued operations was \$50,000 and \$0 in the consolidated statements of cash flows for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively.

Subsequent to March 31, 2022, the Company became aware of certain potential environmental remediation that may be required on a property of IKONICS. As of the date these consolidated financial statements were available to be issued, because the extent of any potential remediation procedures is not known, the Company cannot reasonably estimate a range of potential remediation costs, if any.

NOTE 5 – FAIR VALUE MEASUREMENTS

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

The following table illustrates the financial instruments measured at fair value on a non-recurring basis segregated by hierarchy fair value levels as of March 31, 2022 (in thousands):

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Remeasurement	
					Gain	Impairment
Contingent consideration liability - Contingent Value Rights (1)	\$ 10,594	\$ —	\$ 10,594	\$ —	\$ 1,406	\$ —
Long-lived assets held for sale - intangible assets (1)	1,551	—	1,551	—	—	1,753
	<u>\$ 12,145</u>	<u>\$ —</u>	<u>\$ 12,145</u>	<u>\$ —</u>	<u>\$ 1,406</u>	<u>\$ 1,753</u>

- (1) During the three months ended March 31, 2022, the Company changed the valuation approach from the use of other unobservable inputs to other observable inputs based on information obtained through the active marketing of the underlying assets.

The following table illustrates the financial instruments measured at fair value on a non-recurring basis segregated by hierarchy fair value levels as of December 31, 2021 (in thousands):

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Impairment
Contingent consideration liability - Contingent Value Rights (1)	\$ 12,000	\$ —	\$ —	\$ 12,000	\$ —
Goodwill	—	—	—	—	48,338
Long-lived assets held for sale - intangible assets (2)	3,304	—	—	3,304	136
	<u>\$ 3,304</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,304</u>	<u>\$ 48,474</u>

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- (1) At December 31, 2021, the significant unobservable inputs used to estimate fair value include (1) a business enterprise value of \$15.9 million, (2) an implied probability of sale of 90% and (3) estimated transaction and other deductible costs of \$1.6 million. The significant unobservable inputs used in applying the income approach include a discount rate of 11.5% and a long-term growth rate of 2.5%.
- (2) At December 31, 2021, the significant unobservable inputs used to estimate fair value include an attrition rate of 4% to 10% (with a weighted average of 8%) and a discount rate of 27% for customer relationships, twelve months' time to recreate for developed technology and a royalty rate of 0.5% and a discount rate of 27% for trade names.

The Company has determined the long-term debt fair value at March 31, 2022 is approximately \$113.0 million. See Note 9. The carrying values of cash and cash equivalents, restricted cash, prepaid expenses, amounts due from related parties, other current assets, accounts payable, accrued construction liabilities, other accrued liabilities and other amounts due to related parties are considered to be representative of their respective fair values principally due to their short-term maturities. There were no additional material non-recurring fair value measurements as of March 31, 2022 and December 31, 2021, except for the calculation of the allocation of the IKONICS purchase price to the fair values of the assets acquired and liabilities assumed and the impairment loss upon IKONICS' classification as held for sale.

NOTE 6 — PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2022	December 31, 2021
Construction in process	\$ 38,240	\$ 20,867
Leasehold improvements	450	—
Equipment	499	19
Deposits on miners	82,688	70,560
	<u>121,877</u>	<u>91,446</u>
Less: accumulated depreciation	(4)	—
	<u>\$ 121,873</u>	<u>\$ 91,446</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 will be depreciated over the asset's useful life. Capitalized interest costs were \$760,000 and \$0 for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively.

Depreciation expense was \$4,000 and \$0 for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively.

NOTE 7 — LEASES

Effective in May 2021, the Company entered into a ground lease related to its planned bitcoin mining facility in New York with a counterparty which is a related party due to control by a member of Company management. The lease includes fixed payments and contingent payments, including an annual escalation based on the change in the Consumer Price Index as well as the Company's proportionate share of the landlord's cost to own, operate and maintain the premises. The lease has an initial term of five years commencing in May 2021 and a renewal term of five years at the option of the Company, subject to the Company not then being in default, as defined. Payments under the lease commenced in 2021. The lease is classified as an operating lease based on an analysis that utilized a discount rate of 6%, which is 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 commencement date. For the three months ended March 31, 2022, the Company recorded operating lease expense of \$49,000 in operating expense in the consolidated statement of operations and made lease payments of \$50,000. The remaining lease term is 9.1 years.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following is a maturity analysis of the annual undiscounted cash flows of the estimated operating lease liabilities as of March 31, 2022 (in thousands):

Year ending December 31:	
2022	\$ 113
2023	150
2024	150
2025	150
2026	150
Thereafter	662
	<u>\$ 1,375</u>

A reconciliation of the undiscounted cash flows to the operating lease liabilities recognized in the consolidated balance sheet as of March 31, 2022 follows (in thousands):

Undiscounted cash flows of the operating lease	\$ 1,375
Unamortized discount	316
Total operating lease liability	<u>1,059</u>
Current portion of operating lease liability	90
Operating lease liability, net of current portion	<u>\$ 969</u>

During the three months ended March 31, 2022, the Company entered into a short term lease arrangement for digital currency mining equipment. The term of the operating lease is two months and concludes in May 2022. There are no variable charges under this arrangement. For the three months ended March 31, 2022, lease expense related to this arrangement of \$451,000 was recorded in operating expense in the consolidated statement of operations.

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 0.0% for the three months ending March 31, 2022, and the period February 8, 2021 (date of inception) to March 31, 2021. The Company's effective rate differs from its statutory rate of 21% primarily due to the recording of a valuation allowance against its deferred tax assets.

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more likely than not that some or a portion or all the deferred tax assets will not be realized. At March 31, 2022 and December 31, 2021, 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 at March 31, 2022 and December 31, 2021 for the amount of deferred tax assets that will not be realized.

The Company has no unrecognized tax benefits as of March 31, 2022 and December 31, 2021. The Company's policy is to recognize interest accrued and penalties related to unrecognized tax benefits in tax expense. No accrued interest or penalties were recorded during the three months end March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9 – DEBT****Promissory Notes**

Between October 4, 2021 and November 19, 2021, the Company obtained loans (each, a “Loan”) from its three largest stockholders in an aggregate principal amount of \$25.0 million, each evidenced by a promissory note, certain of which were amended and restated subsequent to issuance. Interest on the unpaid principal balance of each Loan accrued at a rate of 8% per annum and was paid in kind and added to the principal balance of such Loan on a monthly basis. The outstanding principal amount of each Loan, together with all accrued and unpaid interest thereon, was due and payable in full on the earliest to occur of: (i) the issuance of equity securities by the Company or any of its subsidiaries under any offering in an amount greater than \$50.0 million; and (ii) the first anniversary of the issuance date of such Loan. The Company could have prepaid the outstanding principal balance of the Loans, in whole or in part, without penalty or premium at any time prior to the applicable maturity date. In December 2021, the Loans were repaid in full.

Long-Term Debt

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

	March 31, 2022	December 31, 2021
Term loan	\$ 123,500	\$ 123,500
Debt issuance costs and debt discount	(25,838)	(28,873)
	97,662	94,627
Less long-term debt due within one year	—	—
Total long-term debt, net of portion due within one year	<u>\$ 97,662</u>	<u>\$ 94,627</u>

On December 1, 2021, TeraCub entered into a Loan, Guaranty and Security Agreement with Wilmington Trust, National Association as administrative agent (the “LGSA”). The LGSA consists of a \$123.5 million term loan facility (the “Term Loan”). On December 14, 2021, TeraWulf executed a joinder agreement whereby it effectively became the successor borrower to TeraCub and assumed all obligations under the LGSA. The Company is required to pay the outstanding principal balance of the Term Loan in quarterly installments, commencing in April 2023, equal to 12.5% of the original principal amount of the Term Loan. The maturity date of the Term Loan is December 1, 2024. The Term Loan bears an interest rate of 11.5% and an upfront fee of 1%, an amount of approximately \$1.2 million. Upon the occurrence and during the continuance of an event of default, as defined, the applicable interest rate will be 13.5%. Interest payments are due quarterly in arrears. The Company has the option to prepay all or any portion of the Term Loan in increments of at least \$5.0 million subject to certain prepayment fees, including: (1) if paid prior to the first anniversary of the LGSA, a make whole amount based on the present value of the unpaid interest that would have been paid on the prepaid principal amount over the first year of the Term Loan, (2) if paid subsequent to the first anniversary of the LGSA but prior to the second anniversary of the LGSA, an amount of 3% of the prepaid principal and (3) if paid subsequent to the second anniversary of the LGSA but prior to the maturity date of the LGSA, an amount of 2% of the prepaid principal. Certain events, as described in the LGSA, require mandatory prepayment. The Term Loan is guaranteed by TeraWulf Inc. and TeraCub and its subsidiaries, as defined, and is collateralized by substantially all of the properties, rights and assets of TeraWulf Inc. and TeraCub and its subsidiaries (except IKONICS), as defined. One Term Loan investor, NovaWulf Digital Master Fund, L.P., with a principal balance of \$15.0 million, is a related party due to cumulative voting control by members of Company management and a member of the Company’s board of directors.

The LGSA requires the Company to maintain or meet certain affirmative, negative, financial and reporting covenants. The affirmative covenants include, among other things, a requirement for the Company to maintain insurance coverage, maintain mining equipment and comply in all material respects with the Company’s Nautilus joint venture agreement (see Note 10), each as defined. The negative covenants restrict or limit the Company’s ability to, among other things, incur debt, create liens, divest or acquire assets, make restricted payments and permit the Company’s interest in the Nautilus joint venture to be reduced below 50%, each as defined. The LGSA also contains usual and customary events of default. If an event of default occurs and is continuing, the then outstanding obligations under the LGSA may become immediately due and payable.

TERAWULF INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In connection with the LGSA, the Company issued to the holders of the Term Loans 839,398 shares of Common Stock (the “Term Loan Equity”), which is a quantity of Common Stock which represented 1.5% of the outstanding shares of the publicly registered shares of TeraWulf subsequent to the Closing. In connection with the issuance of the Term Loans, the Company incurred aggregate issuance costs of approximately \$4.0 million, in addition to the \$1.2 million upfront fee. The aggregate issuance costs and the upfront fee were allocated to the Term Loan Equity and the Term Loan based on the relative fair value method in the amounts of \$1.1 million and \$4.1 million, respectively. For the Term Loan, this \$4.1 million was included in debt discount along with the fair value of the Term Loan Equity, an amount of \$25.7 million. The total of these items, an amount of \$29.8 million, represents debt issuance costs and debt discount and is deducted from the Term Loan proceeds and is being accreted into the long-term debt balance over the three-year term of the debt at an effective interest rate of 12.9%, which is in addition to the stated interest rate. For the three months ended March 31, 2022, the Company amortized \$3.0 million of the capitalized debt issuance costs and debt discount to (1) interest expense of \$2.4 million in the consolidated statement of operations, (2) capitalized interest in property, plant and equipment, net of \$0.4 million in the consolidated balance sheet and (3) capitalized interest in equity in net assets of investee of \$0.2 million in the consolidated balance sheet. Capitalized debt issuance costs and debt discount of \$25.8 million and \$28.9 million are recorded as a reduction of long-term debt at March 31, 2022 and December 31, 2021, respectively, in the consolidated balance sheets.

Principal maturities of outstanding long-term debt as of March 31, 2022 are as follows (in thousands):

Year ending December 31:	
2022	\$ —
2023	46,313
2024	77,187
Total principal maturities	<u>\$ 123,500</u>

NOTE 10 – JOINT VENTURE

On May 13, 2021, the Company and Talen Energy Corporation (“Talen”) (each a “Member” and collectively the “Members”) entered into a joint venture, Nautilus Cryptomine LLC (“Nautilus”), to develop, construct and operate up to 300 MW of zero-carbon bitcoin mining in Pennsylvania (the “Joint Venture”). In connection with the Joint Venture, Nautilus simultaneously entered into (i) a ground lease (the “Ground Lease”), which includes an electricity supply component, with a related party of Talen, (ii) a Facility Operations Agreement with a related party of the Company and (3) a Corporate Services Agreement with a related party of Talen. Each Member holds a 50% interest in the Joint Venture. Pursuant to the terms of the Joint Venture agreement, TeraWulf would contribute \$156.0 million both in cash and in-kind and Talen would contribute \$156.0 million both in cash and in-kind to Nautilus by March 2022, unless otherwise determined in accordance with the Joint Venture agreement. The aforementioned contributions are now expected to be contributed by the third quarter of 2022, as agreed to by the Members. The Company capitalizes 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 \$482,000 and \$0 for the three months ended March 31, 2022 and period February 8, 2021 (date of inception) to March 31, 2021, respectively.

On March 19, 2021, TeraCub executed an agreement for the purchase of bitcoin miners from Minerva Semiconductor Corp. (“Minerva”) for a total of 30,000 MV7 miners, with originally scheduled monthly deliveries of miners each between November 2021 and January 2022, for an aggregate price of \$118.5 million (the “Minerva Purchase Agreement”). Pursuant to the Minerva Purchase Agreement, the Company paid an initial deposit of \$23.7 million. Concurrently with the execution of the Joint Venture agreement, TeraWulf assigned the Minerva Purchase Agreement to Nautilus. During the nine months ended December 31, 2021, the Company paid Minerva \$16.8 million and was reimbursed by Talen for 50% of that amount and also reimbursed by Talen an additional amount of \$11.9 million related to 50% of the initial deposit paid prior to March 31, 2021. The balance of payments under the Minerva Purchase Agreement were originally scheduled to be paid as follows: (i) 30% of the total price six months before the shipping date of each batch of bitcoin miners; (ii) 30% of the total price three months before the shipping date of each batch of bitcoin miners; and (iii) the remaining 20% of the total price one month before the shipping date of each batch of bitcoin miners. Production delays at Minerva’s factory have impacted the initial pricing and delivery schedule. Accordingly, Nautilus and Minerva have deemed all payments made to date to apply to the initial 10,000 miners to be shipped, which payments comprise 90% of the total amount due for these miners. As of the date at which these financial statements were available to be issued, Nautilus had not amended the Minerva Purchase Agreement.

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On June 15, 2021, Nautilus entered into two Non-fixed Price Sales and Purchase Agreements for the purchase of bitcoin miners from Bitmain Technologies Limited (“Bitmain”) for a total of 30,000 S19j Pro miners, with originally scheduled monthly deliveries of 5,000 miners each between January 2022 and June 2022 (the “Bitmain Purchase Agreements”). During the three months ended March 31, 2022, the Company paid Bitmain \$22.8 million and was reimbursed by Talen for 50% of that amount. In 2021, the Company paid Bitmain approximately \$124.6 million under the Bitmain Purchase Agreements. On a net basis, the Company funded approximately \$76.9 million as Talen reimbursed the Company in 2021 approximately \$47.7 million in accordance with the Joint Venture agreement.

The Company’s direct payments to Minerva and Bitmain, among others, on behalf of Nautilus for the three months ended March 31, 2022, are included in investments in joint venture related to direct payments made on behalf of joint venture in the consolidated statement of cash flows. A reconciliation of amounts included within this footnote to captions in the consolidated statement of cash flows for the three months ended March 31, 2022 follows (in thousands):

Payment of TeraWulf 50% share of Bitmain deposits	\$ (11,402)
Investments in joint venture related to direct payments made on behalf of joint venture	(11,402)
Direct investments in joint venture	(7,670)
Investments in joint venture, including direct payments made on behalf of joint venture	<u>\$ (19,072)</u>
Payment of Talen 50% share of Bitmain deposits	\$ (11,402)
Reimbursable payments for deposits on plant and equipment made on behalf of a joint venture partner	<u>\$ (11,402)</u>
Talen reimbursement of 50% share of Bitmain deposits	\$ 11,402
Reimbursement of payments for deposits on plant and equipment made on behalf of a joint venture partner	<u>\$ 11,402</u>

Nautilus is a VIE accounted for using the equity method of accounting. The table below summarizes the Company’s interest in Nautilus and the Company’s maximum exposure to loss as a result of its involvement with the VIE as of March 31, 2022 (in thousands, except for percentages):

Entity	% Ownership	Initial Investment	Additional Investment	Net loss Inception to Date	Company’s Variable Interest in Entity	Commitment to Future Additional Contributions (1)	Company’s Maximum Exposure to Loss in Entity (2)
Nautilus	50 %	\$ 18,000	\$ 107,372	\$ 2,326	\$ 123,046	\$ 31,168	\$ 154,214

- (1) The Members may seek alternate financing for the Pennsylvania bitcoin mining facility, which could reduce the amount of investments each Member would be required to provide. The Members may mutually agree on changes to the Pennsylvania bitcoin mining facility, which could increase or decrease the amount of contributions each Member is required to provide.
- (2) The maximum exposure at March 31, 2022 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 are required for the initial phase of the Pennsylvania bitcoin mining facility buildout.

The condensed results of operations for the three months ended March 31, 2022 and the condensed financial position as of March 31, 2022 and December 31, 2021, of Nautilus are summarized below (in thousands):

	Three Months Ended March 31, 2022
Condensed statement of operations information:	
Revenue	\$ —
Operating expense	1,576
Net loss	<u>\$ (1,576)</u>

TERAWULF INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	March 31, 2022	December 31, 2021
Condensed balance sheet information:		
Current assets	\$ 3,281	\$ 4,960
Noncurrent assets	260,730	214,803
Total assets	<u>\$ 264,011</u>	<u>\$ 219,763</u>
Current liabilities	\$ 18,999	\$ 11,317
Equity	245,012	208,446
Total liabilities and equity	<u>\$ 264,011</u>	<u>\$ 219,763</u>

In March 2022, the Company entered into an exchange agreement with Nautilus and the Nautilus co-venturer whereby the Company purchased 2,500 of Nautilus' Bitmain S19j Pro miners (the "Nautilus Miners") to be received under the Bitmain Purchase Agreements in exchange for an option to either (1) deliver miners that are not less favorable in all material respects to those of the Nautilus Miners (the "Exchange Miners") by July 1, 2022 or (2) incur a pro forma adjustment to Nautilus' distributions such that the Nautilus co-venturer is made whole as though the miners had not been transferred to the Company. If the Exchange Miners are not delivered by September 30, 2022, the Nautilus co-venturer is entitled to elect to distribute in-kind a number of miners then in possession of Nautilus comparable to the then-undelivered Exchange Miners.

NOTE 11 – 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

On December 7, 2021, the Company entered into a Non-fixed Price Sales and Purchase Agreement with Bitmain for the purchase of 3,000 S19XP miners, with originally scheduled monthly deliveries of 500 miners each between July 2022 and December 2022 (the "Second Bitmain Purchase Agreement") for a total purchase price of \$32.6 million. The Second Bitmain Purchase Agreement includes liquidated damage provisions that may be applied if payments are not made within sixty days of a payment due date, if not otherwise mutually extended. No liquidated damages have been applied as of the date these consolidated financial statements were available to be issued. For a batch of miners comprising a monthly shipment, if timely payments were made on installments then due, the Company holds an option to partially or wholly cancel that batch of miners and the remaining balance on that batch shall be refunded no later than two years after such cancellation. The Company is responsible for all logistics costs related to transportation for the delivery of miners. Pursuant to the Second Bitmain Purchase Agreement, the Company paid \$2.0 million during the three months ended March 31, 2022 and paid an initial deposit of approximately \$11.4 in 2021. The balance of payments due under the Second Bitmain Purchase Agreement are scheduled to be paid in unequal monthly installments through November 2022.

On December 15, 2021, the Company entered into a Non-fixed Price Sales and Purchase Agreement with Bitmain for the purchase of 15,000 S19XP miners, with originally scheduled monthly deliveries of 2,500 miners each between July 2022 and December 2022 (the "Third Bitmain Purchase Agreement") for a total purchase price of \$169.1 million. The Third Bitmain Purchase Agreement includes liquidated damage provisions that may be applied if payments are not made within sixty days of a payment due date, if not otherwise mutually extended. No liquidated damages have been applied as of the date these consolidated financial statements were available to be issued. For a batch of miners comprising a monthly shipment, if timely payments were made on installments then due, the Company holds an option to partially or wholly cancel that batch of miners and the remaining balance on that batch shall be refunded no later than two years after such cancellation. The Company is responsible for all logistics costs related to transportation for the delivery of miners. Pursuant to the Third Bitmain Purchase Agreement, the Company paid \$10.2 million during the three months ended March 31, 2022 and paid an initial deposit of approximately \$59.2 million in 2021. The balance of payments due under the Third Bitmain Purchase Agreement are scheduled to be paid in unequal monthly installments through November 2022.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Commitments

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

NOTE 12 – 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 Company’s shelf registration statement on Form S-3 (Registration Statement No. 333-262226), which was declared effective on February 4, 2022 (“the 2022 Registration Statement”). As of March 31, 2022, \$300,000 of Convertible Preferred Stock proceeds had not been received and the amount is included in other current assets in the consolidated balance sheet as of March 31, 2022. The \$300,000 proceeds were received by April 11, 2022.

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. Unpaid dividends will be accreted to, and increase, the liquidation preference of the Convertible Preferred Stock. 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.

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 and \$45,000 cumulative dividends were accumulated during the three months ended March 31, 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – COMMON STOCK

TeraWulf's Certificate of Incorporation provides for authorized shares of 225,000,000, divided into (a) 200,000,000 shares of Common Stock, with par value of \$0.001 per share and (b) 25,000,000 shares of Preferred Stock, with par value of \$0.001 per share. Each holder of a share of Common Stock shall be entitled to one vote of each common share held. Each holder of a share of Preferred Stock shall not be entitled to any voting powers, except as provided in an applicable Certificate of Designations. The board of directors may authorize one or more series of Preferred Stock and may fix the number of shares in such series and the designation, powers, preferences, rights, qualifications, limitations and restrictions in respect of the shares of such series. One series of preferred stock, the Convertible Preferred Stock, was authorized as of March 31, 2022.

In February 2022, the Company entered into the At Market Issuance Sales Agreement (the "ATM Sales Agreement") with B. Riley Securities, Inc. and D.A. Davidson & Co. (collectively, the "Agents"), pursuant to which the Company may offer and sell, from time to time, through or to the Agents, acting as agent or principal, 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 "Shares"). Under the Sales Agreement, the Agents are entitled to 3% of gross proceeds from sales of Common Stock under the ATM Sales Agreement. The Company is not obligated to sell any Shares under the ATM Sales Agreement. Subject to the terms and conditions of the ATM Sales Agreement, the Agents will use commercially reasonable efforts, consistent with their normal trading and sales practices, to sell Shares from time to time based upon the Company's instructions, including any price, time or size limits or other customary parameters or conditions specified by the Company. During the three months ended March 31, 2022, the Company sold 559,622 shares of Common Stock for net proceeds of \$4.7 million. The issuance and sale of the Shares by the Company under the ATM Sales Agreement are made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement, including a final prospectus supplement dated February 11, 2022.

In March 2022, the Company concluded a private placement of 271,447 of unregistered Common Stock for proceeds of \$2.1 million to an entity controlled by a member of Company management (the "Subscriber"). The Subscriber shall be entitled to customary registration rights as may be reasonably agreed between the Subscriber and the Company. No dividends were declared for the three months ended March 31, 2022 or the period February 8, 2021 (date of inception) to March 31, 2021.

NOTE 14 – STOCK BASED COMPENSATION

On May 13, 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 restricted stock units. No grants have been made under the Plan as of the date the consolidated financial statements were available to be issued.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – RELATED PARTY TRANSACTIONS

On April 27, 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 build out and operate certain bitcoin mining facilities 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 has 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. The Services Agreement also provides for reimbursement of cost and expenses incurred in connection with providing the services. For the three months ended March 31, 2022, the Company paid Beowulf E&D \$1.5 million under the Services Agreement. Selling, general and administrative – related party in the consolidated statement of operations includes \$1.1 million for the three months ended March 31, 2022 related to the base fee and reimbursement of costs and expenses. As of March 31, 2022, \$583,000 is included in both prepaid expenses and in accounts payable, \$1.2 million is included in amounts due to related parties in the consolidated balance sheet. During the three months ended March 31, 2022, \$1.1 million was capitalized to property, plant and equipment, net in the consolidated balance sheet. As of December 31, 2021, \$583,000 is included in prepaid expenses, \$647,000 is included in amounts due from related parties and \$1.9 million is included in property, plant and equipment, net in the consolidated balance sheet.

The Services Agreement 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. However, no awards have been issued as of the date these consolidated financial statements were available for issuance. As of March 31, 2022, \$12.5 million is included in share based liabilities due to related party in the consolidated balance sheets. Once the mining facilities have utilized 100MW of cryptocurrency mining load in the aggregate, and for every incremental 100 MW of cryptocurrency mining load deployed by the mining facilities in the aggregate 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.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 16, 2022, which is also the date these consolidated financial statements were available to be issued, and has determined that the following subsequent events require disclosure.

In April 2022, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Cantor Fitzgerald & Co., as underwriter (the “Underwriter”), pursuant to which the Company issued and sold to the Underwriter an aggregate of 2,985,966 shares of the Company’s Common Stock, par value \$0.001 per share (the “April Shares”), for gross proceeds of approximately \$20.6 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. In addition, the Company granted to the Underwriter an option to purchase up to an additional 447,894 shares of its Common Stock (the “Option Shares”). The issuance and sale of the April Shares by the Company under the Underwriting Agreement are made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement, including a final prospectus supplement dated April 11, 2022.

In April 2022, the Company concluded a private placement of 634,517 of unregistered Common Stock for proceeds of \$5.0 million to an entity controlled by a member of Company management and to certain other significant stockholders. In April 2022, the Company also sold, pursuant to the ATM Sales Agreement, 181,481 shares of Common Stock for net proceeds of \$1.5 million.

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In April 2022, the Company entered into a replacement sales agreement (the “April ATM Sales Agreement”) with Cantor Fitzgerald & Co., B. Riley Securities, Inc. and D.A. Davidson & Co. (together the “April ATM Agents”), pursuant to which the Company may offer and sell, from time to time, through or to the April 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 April ATM Sales Agreement replaced the ATM Sales Agreement. The Company is not obligated to sell any shares under the April ATM Sales Agreement. The Company will pay the April ATM Agents a commission equal to 3.0% of the gross sales price from each sale of shares. The issuance and sale of the April Shares by the Company under the April ATM Sales Agreement are made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement, including a final prospectus supplement dated April 26, 2022.

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, 2021. All figures presented below represent results from continuing operations, unless otherwise specified. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Consolidated Financial Statements. 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.”

General

TeraWulf is a digital asset technology company with a core business of sustainable bitcoin mining. The Company is actively developing and constructing, consistent with its sustainable energy mandate, two bitcoin mining facility sites, the Lake Mariner Facility and the Nautilus Cryptomine Facility, in the States of New York and Pennsylvania, respectively. TeraWulf will own and operate its bitcoin mining facility sites and expects to consume over 90% zero-carbon energy, with a target of achieving 100%.

Lake Mariner Facility — Located at a site adjacent to the decommissioned coal-fired Somerset Generating Station in Barker, New York, the Lake Mariner Facility has secured an initial 90 MW of energy to support its bitcoin mining capacity through an agreement with NYPA with the potential to expand into an additional 410 MW of energy supply. TeraWulf began mining bitcoin at the Lake Mariner Facility in March 2022.

Nautilus Cryptomine Facility — The Nautilus Cryptomine Facility is a joint venture between TeraWulf and Talen. The Nautilus Cryptomine Facility, located in Salem Township, Luzerne County, Pennsylvania, is adjacent to the 2.5 GW nuclear-powered Susquehanna Station, 2.3 GW of which are owned and operated by Talen. The Nautilus Cryptomine Facility has secured as its power supply zero-carbon nuclear energy received directly from a substation connected to the Susquehanna Station’s electrical generators over a five-year term with two successive three-year renewal options. The Nautilus Cryptomine Facility is located “behind the meter” and not connected to the electrical distribution grid, therefore avoiding transmission and distribution charges typically paid by other large power consumers. At the time of this Quarterly Report, the Nautilus Cryptomine Facility has access to up to 300 MW of bitcoin mining capacity from the Susquehanna Station and is expected to be the first bitcoin mining facility site that is powered by 100% “behind the meter” zero-carbon nuclear energy. TeraWulf plans to begin installation of ASICs at the Nautilus Cryptomine Facility in the third quarter of 2022.

TeraWulf expects to generate revenues primarily by sustainably mining bitcoin at its bitcoin mining facility sites. Incremental revenues may be generated through the hedging and sale of mined bitcoin and the commercial optimization of TeraWulf’s power supply. The Company will also leverage its available digital infrastructure to provide miner hosting services to third parties whereby the Company holds an option to purchase the hosted miners in the future at a discounted purchase price.

The Business Combination

TeraWulf completed its business combination with IKONICS on the Closing Date pursuant to which, among other things, TeraCub would effectively acquire IKONICS and become a publicly traded company on the Nasdaq, which was the primary purpose of the business combination. For financial accounting purposes, the business combination was treated as a reverse merger whereby the accounting acquirer was TeraCub due to TeraCub’s historic shareholders having the majority voting control in the Company, the

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

board of directors members being associated with TeraCub and the senior management of TeraCub becoming the senior management of TeraWulf. Pursuant to business combination accounting, the Company applied the acquisition method, which requires the assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. The Company's consolidated financial statements include the operating results of IKONICS beginning on the Closing Date.

Under the terms of the Merger Agreement, each share of IKONICS common stock issued and outstanding immediately prior to the Closing Date was automatically converted into and exchanged for (i) one validly issued, fully paid and nonassessable share of Common Stock of TeraWulf, (ii) one CVR and (iii) the right to receive \$5.00 in cash, without interest. TeraCub common stock issued and outstanding immediately prior to the Closing Date was automatically converted into the right to receive a number of validly issued, fully paid and nonassessable shares of TeraWulf such that the TeraCub common stockholders prior to conversion would effectively control 98% of the total outstanding shares of TeraWulf immediately subsequent to the Closing Date.

Pursuant to the CVR Agreement, each shareholder of IKONICS as of immediately prior to the Closing Date, received one CVR for each outstanding share of common stock of IKONICS then held. The holders of the CVRs are 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 completed within 18 months following the date of the merger, subject to a reserve of up to 10% of the Gross Proceeds (as defined in the CVR Agreement) from such transaction and such other amount to be retained to satisfy Retained Liabilities, as defined.. The CVRs do not confer to their holders any voting or equity or ownership interest in IKONICS or TeraWulf and are not transferable, except in limited circumstances, and are not listed on any quotation system or traded on any securities exchange. The CVR Agreement will terminate after all payment obligations to the holders thereof have been satisfied. Holders of CVRs will not be eligible to receive payment for dispositions, if any, of any part of the pre-merger business of IKONICS after the eighteen-month anniversary of the Closing Date. The fair value of the aggregate consideration paid for IKONICS was \$66.3 million, which includes (i) cash consideration of \$13.7 million (\$10.3 million net of cash acquired), (ii) equity consideration of \$40.6 million and contingent consideration (related to the CVRs) of \$12.0 million.

Upon the consummation of the business combination, IKONICS common stock ceased trading on the Nasdaq and TeraWulf Common Stock began trading on the Nasdaq on December 14, 2021 under the ticker symbol "WULF."

COVID-19

The Company's results of operations could be adversely affected by general conditions in the economy and in the global financial markets, including conditions that are outside of the Company's control, such as the outbreak and global spread of the novel coronavirus disease ("COVID-19"). The COVID-19 pandemic that was declared on March 11, 2020 has caused significant economic dislocation in the United States and globally as governments across the world, including the United States, introduced measures aimed at preventing the spread of COVID-19. The spread of COVID-19 and the imposition of related public health measures have resulted in, and are expected to continue to result in, increased volatility and uncertainty in the cryptocurrency space. Any severe or prolonged economic downturn, as a result of the COVID-19 pandemic or otherwise, could result in a variety of risks to the business and management cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact its business.

The Company may experience disruptions to its business operations resulting from supply interruptions (including miner delivery interruptions), quarantines, self-isolations, or other movement and restrictions on the ability of its employees or its counterparties to perform their jobs and provide services. The Company may also experience delays in construction and obtaining necessary equipment in a timely fashion. To date, the Company has experienced certain, but minimal, delays due to COVID-19 complications among its employees, suppliers and contractors. If the Company is unable to effectively set up and service its miners, its ability to mine bitcoin will be adversely affected. The future impact of the COVID-19 pandemic is still highly uncertain and there is no assurance that the COVID-19 pandemic or any other pandemic, or other unfavorable global economic, business or political conditions, will not materially and adversely affect the Company's business, prospects, financial condition, and operating results.

TERAWULF INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Change in Fiscal Year

Upon the closing of its business combination with IKONICS, the Company assumed the fiscal year end of December 31. Previously, the Company's fiscal year ended on March 31.

Results of Operations

Since the Company's inception on February 8, 2021, the Company's primary activities have been focused on capital acquisition, merger negotiation and consummation, joint venture negotiation and participation, miner procurement, electricity procurement, construction commencement and management, commencement of mining operations, public company readiness and general corporate activities. The Company's plan of operation for the next twelve months is to continue to develop its initial bitcoin mining facilities, both wholly owned and owned through the Nautilus Joint Venture.

Continuing Operations

All items included in loss from continuing operations in the consolidated statements of operations for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 relate to its wholly-owned operations of its sole business segment, digital currency mining, due to the Company presenting the newly acquired IKONICS business as held for sale and discontinued operations as of and for the three months ended March 31, 2022.

Revenues

Revenue increased to \$217,000 during the three months ended March 31, 2022 as compared to \$0 during the period February 8, 2021 (date of inception) to March 31, 2021 due to the commencement of mining activities at the Lake Mariner Facility in March 2022.

Costs and Expenses

Operating expenses (including related party expenses) during the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 totaled \$542,000 (including \$62,000 related party expenses) and \$853,000 (all related party expenses), respectively. The decrease of \$311,000 is a result of the period February 8, 2021 (date of inception) to March 31, 2021 including certain development expenses, including services and third-party costs for transmission consulting, engineering consulting, transmission impact study, electricity procurement and site development.

Selling, general and administrative expenses during the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 totaled \$8.8 million (including \$2.8 million related party expenses) and \$0.8 million (including \$0.6 million related party expenses), respectively. The increase of \$8.0 million is primarily a result of the scope of Company operations whereby the Company was a public company significantly engaged in an infrastructure buildout and commencement of mining activities during the three months ended March 31, 2022 as opposed to a newly formed private company with limited operations for the period February 8, 2021 (date of inception) to March 31, 2021. Selling, general and administrative expenses are comprised primarily of professional fees, legal fees, employee compensation and benefits, insurance and general corporate expenses. Professional fees include fixed and passthrough expenses under the administrative and infrastructure services agreement amounting to \$2.8 million for the three months ended March 31, 2022.

TERAWULF INC. AND SUBSIDIARIES

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Interest expense for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 totaled \$5.3 million and \$0, respectively. Interest expense relates primarily to the Company's term loan financing in the principal amount of \$123.5 million, which was closed on December 1, 2021 (the "Term Loan"). The Term Loan bears an interest rate of 11.5%, which interest payments are due quarterly in arrears. Of the \$5.3 million of interest expense reported in the statement of operations for the three months ended March 31, 2022, approximately \$2.5 million of the interest expense relates to amortization of debt issuance costs and debt discount related to debt issuance costs, an upfront fee, and the fair value of equity issued to the Term Loan investors in conjunction with the Term Loan. During the three months ended March 31, 2022, the Company capitalized \$760,000 and \$482,000 of interest costs to property, plant and equipment, net and equity in net assets of investee, respectively, in the consolidated balance sheet as of March 31, 2022.

Equity in net loss of investee, net of tax

Equity in net loss of investee, net of tax for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 totaled \$788,000 and \$0, respectively. The \$788,000 for the three months ended March 31, 2022 reflects TeraWulf's 50% share of losses of Nautilus, which had not commenced principal operations during the three months ended March 31, 2022.

Loss from discontinued operations, net of tax

Loss from discontinued operations, net of tax for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021 totaled \$2.9 million and \$0, respectively. In conjunction with the IKONICS' business classification as held for sale upon acquisition, the Company has reported the IKONICS business as discontinued operations in the consolidated financial statements. The total loss from discontinued operations reported is comprised primarily of an impairment loss on discontinued operations of \$3.9 million to write down the related carrying amounts of IKONICS to their fair values less estimated cost to sell, offset by a remeasurement gain of \$1.4 million on the CVRs, which represents the contingent consideration purchase price component of the IKONICS acquisition.

Liquidity and Capital Resources

As of March 31, 2022, the Company had cash and cash equivalents of \$3.6 million, working capital deficiency, including current assets and current liabilities held for sale, of \$27.0 million, total stockholders' equity of \$121.0 million and an accumulated deficit of \$114.0 million. The Company incurred a net loss of \$18.2 million for the three months ended March 31, 2022, including a net impairment charge (net of the CVR remeasurement gain) of \$2.5 million included in loss from discontinued operations, net of tax related to the acquired IKONICS business. The Company has commenced mining activities, however not yet to scale, and therefore has not generated material revenues from its mining business. The Company has relied on proceeds from its issuances of debt and equity to fund its principal operations. The principal uses of cash are for deposits on miners, the buildout of mining facilities, general

TERAWULF INC. AND SUBSIDIARIES
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corporate activities and investments in Nautilus joint venture related to the miner deposits, mining facility buildout and general corporate activities. Cash flow information is as follows (in thousands):

	Three Months Ended March 31, 2022	Period February 8, 2021 (date of inception) to March 31, 2021
Cash provided by (used in):		
Operating activities:		
Continuing operations	\$ (21,459)	\$ —
Discontinued operations	(50)	—
Total operating activities	(21,509)	—
Investing activities	(40,560)	(23,700)
Financing activities	19,200	30,000
Net change in cash and cash equivalents and restricted cash	<u>\$ (42,869)</u>	<u>\$ 6,300</u>

Cash used in operating activities for continuing operations was \$21.5 million and \$0 for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively. For the three months ended March 31, 2022, cash used in operations results from a net loss of \$18.2 million less non-cash expenses, net of \$6.2 million and adjusted for changes in certain asset and liability balances. The non-cash expenses were primarily comprised of (i) \$2.9 million of loss from discontinued operations, net of tax related to IKONICS business, which is classified as held for sale at March 31, 2022, (ii) \$0.8 million related to the Company's equity in net loss, net of tax of Nautilus and (iii) \$2.5 million related to amortization of debt issuance cost and accretion of debt discount. The changes in certain assets and liabilities were primarily comprised of a net decrease in current liabilities (which includes accounts payable, accrued construction liabilities, other accrued liabilities and other amounts due to related parties) of \$4.5 million and a net increase in current assets (which includes digital currency, prepaid expenses, amounts due from related parties and other current assets) of \$4.1 million.

Cash used in investing activities for continuing operations was \$40.6 million and \$23.7 for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively. Deposits on miners comprised \$12.1 million and \$23.7 million (subsequently contributed to Nautilus) for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively. For the three months ended March 31, 2022, the Company additionally invested (i) \$9.4 million in the buildout of mining facilities and (ii) \$19.1 million (investments in joint venture of \$30.5 million net of reimbursement from joint venture partner of \$11.4 million) in Nautilus related primarily to the joint venture's miner deposits and mining facility buildout. The Company has significant future obligations related to miner deposits and also has commitments under the Talen Joint Venture Agreement. See "—Contractual Obligations and Other Commitments."

Cash provided by financing activities for continuing operations was \$19.2 million and \$30.0 for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively. Proceeds from the issuance of Common Stock, net of issuance costs, were \$6.8 million and \$30.0 million for the three months ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, respectively. In addition, for the three months ended March 31, 2022, the Company issued shares of Series A Preferred stock for proceeds, net of issuance costs, of \$9.3 million and received proceeds, net of principal payments, of notes payable for insurance premium financing of \$3.1 million.

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Contractual Obligations and Other Commitments

The Company has purchase obligations under miner purchase agreements and commitments under the Talen Joint Venture Agreement as of March 31, 2022, as follows (in thousands):

Counterparty	Agreement Description	Agreement Date	Contractual Amount	Paid	Remaining Contractual Amount
Bitmain Technologies Limited	Miner Purchase Agreement (1)	December 7, 2021	\$ 32,550	\$ 13,352	\$ 19,198
Bitmain Technologies Limited	Miner Purchase Agreement (1)	December 15, 2021	\$ 169,050	\$ 69,335	\$ 99,715
Nautilus Cryptomine LLC	Joint Venture Agreement (2)	May 13, 2021	\$ 156,000	\$ 125,372	\$ 30,628

- (1) Pursuant to the December Bitmain Agreements, the Company has the option to purchase or decline to purchase any batch of miners comprising a monthly shipment upon Bitmain's notification of the actual price under the agreements one month prior to shipment, so long as it has been determined that the Company is in compliance with the terms of the agreements. In the event the Company declines to purchase any monthly scheduled batch, the remaining balance prepaid for such batch is to be refunded to the Company pursuant to the terms of the agreements. As of March 31, 2022, the potential refund amount would be up to \$82.7 million based on payments then made and the portion of the remaining contractual amounts the Company would not be obligated to pay in the event the Company declines to purchase any monthly scheduled batch is up to \$60.5 million, in each case so long as it has been determined that the Company is in compliance with the terms of the agreements.
- (2) The contractual commitment amount represents the contractually required capital contributions of the Company which are required for the initial phase of the Nautilus Cryptomine Facility buildout. The joint venture members may seek alternate financing for the Nautilus Cryptomine Facility, which could reduce the amount of investments each member would be required to provide. The members may mutually agree on changes to the Nautilus Cryptomine Facility, which could increase or decrease the amount of contributions each joint venture member is required to provide.

On December 7, 2021, the Company entered into the Second Bitmain Agreement. The Second Bitmain Purchase Agreement includes liquidated damage provisions that may be applied if payments are not made within sixty days of a payment due date, if not otherwise mutually extended. No liquidated damages have been applied as of the date the consolidated financial statements for the quarter ended March 31, 2022 were available to be issued. The Company is responsible for all logistics costs related to transportation for the delivery of miners. Pursuant to the Second Bitmain Purchase Agreement, the Company paid an initial deposit of approximately \$11.4 million in 2021 and \$2.0 million during the three months ended March 31, 2022. The balance of payments due under the Second Bitmain Purchase Agreement, an amount of \$19.2 million, are scheduled to be paid in unequal monthly installments through November 2022.

On December 15, 2021, the Company entered into the Third Bitmain Agreement. The Third Bitmain Purchase Agreement includes liquidated damage provisions that may be applied if payments are not made within sixty days of a payment due date, if not otherwise mutually extended. No liquidated damages have been applied as of the date the consolidated financial statements for the quarter ended March 31, 2022 were available to be issued. The Company is responsible for all logistics costs related to transportation for the delivery of miners. Pursuant to the Third Bitmain Purchase Agreement, the Company paid an initial deposit of approximately \$59.2 million in 2021 and \$10.1 million during the three months ended March 31, 2022. The balance of payments due under the Third Bitmain Purchase Agreement, an amount of \$99.7 million, are scheduled to be paid in unequal monthly installments through November 2022.

Pursuant to the terms of the Talen Joint Venture Agreement, TeraWulf would contribute \$156.0 million both in cash and in-kind and Talen would contribute \$156.0 million both in cash and in-kind to Nautilus by March 2022, unless otherwise determined in accordance with the Talen Joint Venture Agreement. The aforementioned contributions were based on an initial development budget formed on assumptions and inputs available at the time the joint venture was formed and are subject to change. These contributions are now expected to be contributed by the fourth quarter of 2022, as agreed to by the members.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Condition; Need for Additional Capital

There is limited historical financial information about the Company upon which to base an evaluation of its performance. The Company has commenced mining activities, however not yet to scale, and therefore has not generated material revenues from its mining business. The Company has relied on proceeds from its issuances of debt and equity to fund its principal operations. In accordance with its plan to develop its bitcoin mining facilities, during the three months ended March 31, 2022, the Company paid approximately \$12.1 million as deposits on miners, and has significant future obligations related to these miner purchase agreements. Also, during the three months ended March 31, 2022, the Company invested \$19.1 million, net in its joint venture and has additional commitments under its joint venture agreement. The Company will need additional capital in order to meet these obligations in accordance with the existing contractual terms and to fund the planned development of its bitcoin mining facilities. Until TeraWulf is able to generate positive cash flows from operations, TeraWulf expects to fund its business operations and infrastructure buildout through the issuance of debt or equity securities or through the provision miner hosting services. During the three months ended March 31, 2022 and as discussed below, the Company entered into an At Market Issuance Sales Agreement for sale of shares of Common Stock having an aggregate offering price of up to \$200.0 million (the “ATM Offering”). However, there can be no assurance that the ATM Offering or any other financing will be successfully consummated on acceptable terms and volume, if at all, which may impact the timing or scale of TeraWulf’s planned development. In the event TeraWulf is unable to raise additional capital, TeraWulf may seek alternative arrangements or potential partnerships in order to fund its planned development. In the opinion of management, while it expects to be successful in its fundraising efforts, these factors, which include elements of capital acquisition outside the control of the Company, raise substantial doubt about TeraWulf’s ability to continue as a going concern through at least the next twelve months. The financial statements do not include any adjustments that might result from TeraWulf’s possible inability to continue as a going concern.

ATM Offering. On February 11, 2022, in order to facilitate additional capital acquisition, the Company entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with B. Riley Securities, Inc. and D.A. Davidson & Co. (each, individually, an “Agent” and, collectively, the “Agents”), pursuant to which the Company may offer and sell, from time to time, through or to the agents, acting as agent or principal, 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 “Shares”). The Company is not obligated to sell any Shares under the Sales Agreement. As of May 13, 2022, the Company sold 741,103 shares of Common Stock for net proceeds of approximately \$6.1 million under the ATM Offering. In April 2022, the Company entered into a replacement sales agreement (the “April ATM Sales Agreement”) with Cantor Fitzgerald & Co., B. Riley Securities, Inc. and D.A. Davidson & Co. (together the “April ATM Agents”), pursuant to which the Company may offer and sell, from time to time, through or to the April 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 April ATM Sales Agreement replaced the Sales Agreement. The Company is not obligated to sell any shares under the April ATM Sales Agreement. Subject to the terms and conditions of the April ATM Sales Agreement, the Agents will use commercially reasonable efforts, consistent with its normal trading and sales practices, to sell Shares from time to time based upon the Company’s instructions, including any price, time or size limits or other customary parameters or conditions specified by the Company. The Company will pay the Agents a commission equal to 3.0% of the gross sales price from each sale of Shares and provide the Agents with customary indemnification and contribution rights. The April ATM Sales Agreement may be terminated by the Agents or the Company at any time upon five (5) days’ notice to the other party. The issuance and sale of the April Shares by the Company under the April ATM Sales Agreement are made pursuant to the prospectus and prospectus supplement forming a part of the 2022 Registration Statement, including a final prospectus supplement dated April 26, 2022. The 2022 Registration Statement provides that the Company may offer and sell from time to time shares of its Common Stock, shares of its preferred stock, debt securities, depositary shares, warrants, rights, purchase contracts or units, or any combination thereof, in one or more offerings in amounts, at prices and on terms that it determines at the time of the offering, with an aggregate initial offering price of up to \$500.0 million (or its equivalent in foreign currencies, currency units or composite currencies).

Critical Accounting Policies and Estimates

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

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Variable Interest Entities

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

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

The Company evaluated its investment in Nautilus under the VIE guidance, which requires management to exercise significant judgment. Due to the initial nature of the joint venture and the continued commitment for additional financing, the Company determined Nautilus is a VIE. While the Company has the ability to exercise significant influence over Nautilus, the Company has determined that it does not have the power to direct the activities that most significantly impact the economic performance of Nautilus. The power to direct the activities of Nautilus that most significantly impact Nautilus’ economic performance are shared equally by both parties within the joint venture due to the requirement for both equity holders to approve many of the key operating decisions and when not equally shared, are predominantly under the control of the co-venturer, including through the co-venturer’s majority representation on the board of managers. As such, the Company has determined that it is not the primary beneficiary of Nautilus and, therefore, has accounted for this entity under the equity method of accounting. Risks associated with the Company’s involvement with Nautilus include a commitment to fund additional equity investments.

Issuance of Debt with Common Stock

On December 1, 2021, TeraCub entered into a Loan, Guaranty and Security Agreement with Wilmington Trust, National Association as administrative agent (the “LGSA”). The LGSA consists of a \$123.5 million term loan facility. In connection with the LGSA, the Company issued to the holders of the Term Loan 839,398 shares of Common Stock, which is a quantity of Common Stock representing 1.5% of the outstanding shares of the publicly registered shares of TeraWulf subsequent to the Closing. The allocation of proceeds between the debt instrument and any other components included in the debt issuance, including Common Stock, is generally based on the relative fair value allocation method. In applying the relative fair value allocation method, the determination of the fair value of the Common Stock issued and the fair value of the Term Loan independent of the Common Stock issued requires significant judgment. As a measure of sensitivity, a 10% change in the estimated fair value of the Term Loan component would result in a \$1.9 million change in the fair value allocated to each of the Term Loan and equity components.

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Income Taxes

The Company accounts for income taxes pursuant to the provision of Accounting Standards Codification (“ASC”) 740-10, “*Accounting for Income Taxes*” 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 the ASC 740-10 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 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the Company’s balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The most critical estimate for income taxes is the determination of whether to record a valuation allowance for any net deferred tax asset, including net loss carryforwards, whereby management must estimate whether it is more likely than not that the deferred tax asset would be realized.

Business Combinations

The Company includes the results of operations of the businesses that it acquires as of the acquisition date. The Company allocates the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Contingent consideration is included within the purchase price and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved, and subsequent changes in fair value are recognized in earnings. Contingent consideration is recorded in current liabilities in the Company’s consolidated balance sheets. During the three months ended March 31, 2022, the Company recorded a \$1.4 million remeasurement gain on the CVR contingent consideration, which is recorded in loss from discontinued operations, net in the consolidated statement of operations.

While the Company uses its best estimates and assumptions to accurately apply preliminary values to assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of operations. Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies, and contingent consideration, where applicable. Although the Company believes the assumptions and estimates it has made have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets acquired include; future expected cash flows, estimated market royalty rates, customer attrition rates, cost of developed technology and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates, or actual results. As a measure of sensitivity, at March 31, 2022 a change in estimated net fair value of acquired assets and assumed liabilities of IKONICS of 10% would result in a change of \$1.4 million to the impairment on held-for-sale classification included in loss from discontinued operations, net in the consolidated statement of operations for the three months ended March 31, 2022. During the three months ended March 31, 2022, the Company recorded a \$3.9 million impairment loss on the long-lived assets of IKONICS held for sale, which is recorded in loss from discontinued operations, net in the consolidated statement of operations.

Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

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Held for Sale and Discontinued Operations Classification

The Company classifies a business as held for sale in the period in which management commits to a plan to sell the business, the business is available for immediate sale in its present condition, an active program to complete the plan to sell the business is initiated, the sale of the business within one year is probable and the business is being marketed at a reasonable price in relation to its fair value. As a measure of sensitivity, the classification of the IKONICS business as held-for-sale resulted in a \$48.9 million impairment charge included in loss from discontinued operations, net in the consolidated statement of operations in 2021. If held-for-sale classification accounting had not been applied, the acquired goodwill would have been evaluated for impairment with an alternate potential impairment charge applied.

Newly acquired businesses that meet the held-for-sale classification criteria upon acquisition are reported as discontinued operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2022 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, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. 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.

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

On March 15, 2022, Lucky Liefern LLC, an entity owned and controlled by Paul B. Prager, bought 271,447 shares of our Common Stock at a price of \$7.81 per share for an aggregate offering price of approximately \$2.12 million. The shares were issued in reliance on an exemption from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

None.

ITEM 5. Other Information.

On May 16, 2022, the Company appointed Patrick A. Fleury, age 44, as Chief Financial Officer of the Company, effective immediately (the “Effective Date”), replacing Kenneth J. Deane, who is currently serving as Chief Financial Officer of the Company. Mr. Deane will remain with the Company and continue to serve as the Company’s Chief Accounting Officer and Treasurer, as of the Effective Date. The biographical information and business experience of Mr. Deane are included in the Company’s proxy statement for the annual meeting of stockholders to be held on June 22, 2022, filed with the SEC on May 2, 2022, and are incorporated herein by reference.

Previously, Mr. Fleury was a Managing Director and Senior Research Analyst at NovaWulf Digital Management, LP (“NovaWulf”) from January 2022 to present. Prior to NovaWulf, Mr. Fleury was a founding member of the credit team at Platinum Equity Advisors (“Platinum”), responsible for public and private credit investments in high yield, distressed and special situations. Prior to joining Platinum in June 2019, Mr. Fleury was at Nokota Management LP (“Nokota”) from September 2016 to May 2019, where he was responsible for public and private distressed, high yield and equity investments. Prior to joining Nokota, Mr. Fleury was a Managing Director at Blackstone’s global credit platform, GSO Capital Partners, where he led credit investments in operationally and financially challenged situations. Before joining Blackstone/GSO, Mr. Fleury held roles of increasing responsibility at Satellite Asset Management and Jefferies & Company, Inc. Mr. Fleury began his career in the Global Energy & Power Investment Banking Group at Banc of America Securities, LLC. Mr. Fleury received a BA, magna cum laude, in Economics and Government & Legal Studies from Bowdoin College.

In connection with his appointment as Chief Financial Officer, the Company entered into an employment agreement with Mr. Fleury on May 16, 2022 (the “Fleury Employment Agreement”), which will become effective on the Effective Date, and provides for a term of three years. Pursuant to the Fleury Employment Agreement, Mr. Fleury will receive an annual base salary of \$350,000, will be eligible to receive a performance-based annual bonus with a target opportunity equal to 50% of his annual base salary, and will be eligible to participate in the benefit plans of the Company that are made generally available to similarly situated employees of the Company. The Fleury Employment Agreement contains customary non-competition, non-solicitation and confidentiality covenants.

As an inducement to his commencement of employment as Chief Financial Officer of the Company, the Board, upon the recommendation of the compensation committee of the Board (the “Compensation Committee”), executed with Mr. Fleury that certain Inducement Grant Restricted Stock Unit Award Agreement, as of the Effective Date (the “Fleury RSU Agreement”), which provided for the grant to Mr. Fleury of an equity award of 1,000,000 restricted stock units (“RSUs”). Twenty-five percent (25%) of the RSUs will vest upon each of the first two anniversaries of the date of grant and the remaining fifty percent (50%) of the RSUs will vest upon the third anniversary of the date of the grant, subject to Mr. Fleury’s continued employment or service with the Company through each such date (the “Inducement Award”). The Inducement Award was granted as an “employment inducement grant” within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules and was therefore not awarded under the Company’s stockholder approved equity plan.

Pursuant to the terms of the Fleury Employment Agreement, if Mr. Fleury’s employment is terminated by the Company without “cause” or by Mr. Fleury for “good reason” (each as defined in the Fleury Employment Agreement), other than as a result of his death or disability, Mr. Fleury will be entitled to receive the following severance benefits: (i) a lump-sum cash payment payable on the 60th calendar day following the termination date in an aggregate amount equal to the annual base salary that would have been paid to Mr. Fleury during the 12-month period (the “severance period”) following the termination date; (ii) continued coverage during the severance period (or until such Mr. Fleury becomes eligible for comparable coverage under the medical health plans of a successor employer, if earlier) for Mr. Fleury and any eligible dependents under all of the Company’s health and welfare plans in which Mr. Fleury and any eligible dependents participated immediately prior to the termination date, subject to any active-employee cost-sharing or similar provisions in effect for Mr. Fleury thereunder as of immediately prior to the termination date; (iii) a prorated portion of the annual bonus payable with respect to the fiscal year in which such termination occurs determined on a daily basis, based on target level of achievement of the applicable performance goals for such year, payable on the 60th calendar day following the termination date; (iv) any previously earned annual bonus payable to Mr. Fleury for any fiscal year completed on or before the termination date that has not been paid to Mr. Fleury as of the termination date, payable on the 60th calendar day following the termination date; and (v) all outstanding equity awards

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then-held by Mr. Fleury will be treated in accordance with the terms of the applicable equity plan and award agreements; provided, however, that, with respect to awards that vest (x) solely based on continued service with TeraWulf, excluding the Inducement Award, such award will vest in any tranche scheduled to vest in accordance with the applicable award agreement during the severance period and (y) based on the achievement of performance criteria, based on the actual achievement of such performance criteria that occurs during the severance period.

If Mr. Fleury's employment is terminated by the Company due to Mr. Fleury's death or disability, subject to Mr. Fleury's (or his estate's) execution of an effective general release of claims and continued compliance with non-competition, non-solicitation and other restrictive covenants applicable to Mr. Fleury pursuant to such Mr. Fleury's restrictive covenant agreement entered into contemporaneously with the Fleury Employment Agreement (the "Fleury Restrictive Covenant Agreement"), the Company will pay or provide Mr. Fleury (or his estate) with the following severance benefits: (i) a prorated portion of the annual bonus payable with respect to the fiscal year in which such termination occurs determined on a daily basis, based on target level of achievement of the applicable performance goals for such year, payable on the 60th calendar day following the termination date; and (ii) any previously earned annual bonus payable to Mr. Fleury for any fiscal year completed on or before the termination date that has not been paid to Mr. Fleury as of the termination date, payable on the 60th calendar day following the termination date.

Contemporaneously with the entry into his employment agreement, Mr. Fleury also entered into a restrictive covenant agreement by which he is bound by certain restrictive covenants during employment and for a specified period thereafter, including non-competition (6 months post-employment; provided that such period increases to 12 months post-employment if Mr. Fleury's employment is terminated by TeraWulf for cause), non-solicitation (18 months post-employment), non-disparagement (indefinite) and confidentiality (indefinite).

In connection with his appointment as Chief Accounting Officer, Mr. Deane entered into a letter agreement (the "Deane Employment Agreement Amendment") which amended his employment letter agreement, dated November 4, 2021, with the Company (the "Deane Employment Agreement") and which is filed as Exhibit 10.2 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The Deane Employment Agreement Amendment amended Mr. Deane's position, authority, duties and responsibilities such that Mr. Deane will be employed in the position of Chief Accounting Officer and Treasurer of the Company, following his voluntary resignation from his position as Chief Financial Officer as of the Effective Date.

In connection with his appointment as Chief Accounting Officer, the Compensation Committee granted Mr. Deane an equity award of 300,000 restricted stock units, one-third (1/3rd) of which will vest upon each of the first three anniversaries of the date of grant, generally subject to Mr. Deane's continued employment or service with the Company through each such date (the "Award"). If Mr. Deane's employment is terminated by the Company without cause, he resigns for good reason or his employment is terminated by the Company due to his death or disability, then any unvested restricted stock units outstanding under the Award will vest in full as of the date of such termination. The Award is granted pursuant to the Company's 2021 Omnibus Incentive Plan and an award agreement issued thereunder (the "Deane RSU Agreement").

There are no family relationships between Mr. Fleury or Mr. Deane and any of the officers or directors of the Company, and there are no related party transactions with Mr. Fleury or Mr. Deane that are reportable under Item 404(a) of Regulation S-K.

The foregoing descriptions of the Fleury Employment Agreement, the Fleury Restrictive Covenant Agreement, the Fleury RSU Agreement, the Deane Employment Agreement Amendment and the Deane RSU Agreement do not purport to be complete, and are qualified in their entirety by reference to the full text of the Fleury Employment Agreement, the Fleury Restrictive Covenant Agreement, the Fleury RSU Agreement, the Deane Employment Agreement Amendment and the Deane RSU Agreement, respectively, which are filed as exhibits 10.25, 10.26, 10.27, 10.28 and 10.29 hereto, respectively, and each of which is incorporated herein by reference.

PART IV

ITEM 6. Exhibits, Financial Statement Schedules

Exhibit Number	Description
(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 Form 8-K12B filed with the SEC on December 13, 2021).
(3.2)	Amended and Restated Bylaws of TeraWulf Inc., effective as of December 13, 2021 (incorporated by reference to Exhibit 3.2 of Form 8-K12B filed with the SEC on December 13, 2021).
(3.3)	TeraWulf Inc. Series A Convertible Preferred Certificate of Designations (incorporated by reference to Exhibit 3.1 of Form 8-K/A filed with the SEC on March 17, 2022).
(10.1)	At Market Issuance Sales Agreement, dated as of February 11, 2022, by and between TeraWulf Inc. and B. Riley Securities, Inc. and D.A. Davidson & Co (incorporated by reference to Exhibit 1.1 of TeraWulf Inc.'s Current Report on Form 8-K filed with the SEC on February 11, 2022).
10.2*	Employment Letter Agreement, dated as of May 16, 2022, by and between TeraWulf Inc. and Patrick M. Fleury.
10.3*	Restrictive Covenant Agreement, dated as of May 16, 2022, by and between TeraWulf Inc. and Patrick M. Fleury.
10.4*	Inducement Award Restricted Stock Unit Award Agreement, dated as of May 16, 2022, by and between TeraWulf Inc. and Patrick M. Fleury.
10.5*	Amendment, dated as of May 16, 2022, to that certain Employment Letter Agreement, dated November 4, 2021, by and between TeraWulf Inc. and Kenneth J. Deane (incorporated by reference to Exhibit 10.10 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).
10.6*	Restricted Stock Unit Award Agreement, dated as of May 16, 2022, by and between TeraWulf Inc. and Kenneth J. Deane.
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 and Accounting 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 and the Principal Financial and Accounting Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101	Financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline Extensible Business Reporting Language (iXBRL); (i) Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, (ii) Consolidated Statements of Operations for the Three Months Ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, (iii) Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, (iv) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2022 and the period February 8, 2021 (date of inception) to March 31, 2021, and (v) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

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

* Executive compensation plans and arrangements.

SIGNATURES

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

TERAWULF INC.
(Registrant)

May 16, 2022
(Date)

By: /s/ Paul B. Prager

Paul B. Prager
Chief Executive Officer and Chairman
(Principal Executive Officer)

By: /s/ Kenneth J. Deane

Kenneth J. Deane
Chief Financial Officer and Treasurer
(Principal Financial Officer)

TERAWULF INC.

May 16, 2022

Patrick Fleury

Dear Patrick:

This letter agreement (this “Agreement”) sets forth our mutual understanding and agreement concerning your employment with TeraWulf Inc., a Delaware corporation (together with any of its subsidiaries and affiliates as may employ you from time to time, and any and all successors thereto, the “Company”).

Term; Effectiveness. The period of your employment under this Agreement (the “Term”) will commence as of May 16, 2022 (the “Effective Date”), and will continue until the third anniversary of the Effective Date (the “Initial Term”). The Initial Term will be automatically extended for successive one-year periods (each such one-year period, a “Renewal Term”), unless either party provides written notice that the Term will not be so extended to the other party at least sixty (60) days prior to the last day of the then current term (e.g., Initial Term or Renewal Term, as applicable).

Position, Authority, Duties and Responsibilities. During the Term, you will be employed in the position of Chief Financial Officer of the Company and will have such authority, duties and responsibilities as are customary for such positions. You will report to the Chief Executive Officer of the Company. If requested by the Board of Directors of the Company (the “Board”) or the Chief Executive Officer of the Company, you will also serve as an officer of subsidiaries or affiliates of the Company. Except as otherwise provided herein, you will not be entitled to any additional compensation for your service for other positions or titles you may hold with any subsidiaries or affiliates of the Company to the extent you are so appointed. Notwithstanding the preceding, you will be permitted to be involved with the businesses set forth on Annex I attached hereto or as otherwise approved in writing by the Chief Executive Officer of the Company.

You agree to observe and comply with the Company’s rules and policies as adopted from time to time by the Company. You will devote substantially all of your business time, skill, attention and best efforts to the performance of your duties hereunder; provided, however, that you will be entitled to (i) serve on civic, charitable, and religious boards and (ii) manage your personal and family investments, in each case, to the extent that such activities do not materially interfere with the performance of your duties and responsibilities hereunder, are not in conflict with the business interests of the Company or its subsidiaries or affiliates and do not otherwise compete with the business of the Company or any of its subsidiaries or affiliates.

Annual Base Salary. During the Term, for all services rendered under this Agreement, you will receive an annual base salary of \$350,000, payable in accordance with the Company's applicable payroll practices.

Annual Bonus. During the Term, you will be eligible to earn an annual fiscal year performance-based bonus (the "Annual Bonus"), with a target of 50% of your annual base salary, based upon both objective and/or subjective factors set annually by the Compensation Committee of the Board (the "Compensation Committee"), as applicable, and communicated to you at the beginning of the relevant year. Each such Annual Bonus will be payable on such date as is determined by the Compensation Committee, but in any event within the period required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such that it qualifies as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Department of Treasury Regulations (or any successor thereto). Notwithstanding the foregoing, no Annual Bonus will be payable with respect to any calendar year unless you remain continuously employed with the Company on the date of payment.

Inducement Award. As an inducement to your entering into this Agreement and commencement of employment with the Company hereunder, and subject to the approval of the Board (or a committee thereof), upon or promptly following the Effective Date, you will be granted an award of restricted stock units ("RSUs") for 1,000,000 shares of the Company's common stock, par value of \$0.001 per share (the "Inducement Award"). Subject to your continued employment with the Company through the applicable vesting date, the Inducement Award will vest as follows: 250,000 RSUs will vest on the first anniversary of the grant date, 250,000 RSUs will vest on the second anniversary of the grant date and 500,000 RSUs will vest on the third anniversary of the grant date. The Company intends to grant the Inducement Award as an "inducement grant" (within the meaning of Nasdaq Marketplace Rule 5635(c)(4)). While the Inducement Award will be granted outside of the Company's 2021 Omnibus Incentive Plan, the other terms and conditions applicable to the Inducement Award will be consistent with those applicable to restricted stock unit awards granted under the Company's 2021 Omnibus Incentive Plan as described in the applicable award agreement.

Equity Compensation. During the Term, you shall be eligible to receive equity-based compensation awards under the Company's 2021 Omnibus Incentive Plan (or its successor plan) from time to time, as determined by the Board (or a subcommittee thereof) in its sole discretion. It is the intention of the parties that no additional equity-based compensation awards will be granted to you until the Inducement Award vests.

Benefits. During the Term, you will be entitled to participate in the Company's benefit plans and programs generally made available from time to time for its employees generally, including, but not limited to medical, 401(k), and paid time off, subject to the terms and conditions of such plans and programs. The Company reserves the right to amend, modify or terminate any of its benefit plans or programs at any time and for any reason. The Company will reimburse you for your reasonable expenses incurred in connection with performing your duties hereunder, in accordance with its then prevailing policies and procedures for expense reimbursement.

At-Will Employment; Termination. Your employment with the Company will be "at will," such that the Company may terminate your employment at any time, with or without reason and with or without notice. You agree to provide the Company with at least sixty (60) days advance written notice of any voluntary resignation of your employment hereunder, and, in such event, the Company in its sole discretion may elect to accelerate the effective date of termination. The Company reserves the right to require that you not be in the offices of the Company or any of its affiliates and/or not undertake all or any of your duties and/or not contact clients, colleagues or advisors of the Company or any of its affiliates (unless otherwise instructed) during all or part of any period of notice of your termination of

service (in which case you will be referred to hereunder as being on “garden leave”). During any period of garden leave, your terms and conditions of service and duties of fidelity and confidentiality to the Company will remain in full force and effect and, during any such period, you will remain a service provider to the Company and will not be employed or engaged in any other business.

Upon termination of your employment for any reason, you agree to resign, as of the date of termination or such other date requested by the Company, from all positions and offices that you then hold with the Company and its subsidiaries and affiliates.

Following the termination of your employment with the Company by either party and for any reason, all obligations of the Company to pay or provide you with compensation and benefits will cease, except (i) for the payment of any unpaid base salary or any unreimbursed expenses, in each case accrued or incurred through the effective date of the termination of your employment (the “termination date”), which will be payable as soon as practicable and in all events within 30 days following the termination date, (ii) as explicitly set forth in any other benefit plans or arrangements applicable to terminated employees in which you participate and (iii) as otherwise expressly required by applicable law (collectively, the “Accrued Obligations”). For the avoidance of doubt, except as described in Exhibit A attached hereto, any bonus for the year of termination of employment is forfeited if your employment is terminated for any reason. In addition, if your employment with the Company is terminated in certain circumstances, you (or your estate) will be entitled to receive certain payments and benefits as described in Exhibit A attached hereto, and subject to the conditions set forth therein.

Certain Covenants. As a condition of your employment, you agree to be bound by the restrictive covenants set forth in the Restrictive Covenant Agreement (the “Restrictive Covenant Agreement”), attached hereto as Exhibit B, which will be in addition to, and not supersede, any restrictive covenant obligations to which you may otherwise be subject. The Restrictive Covenant Agreement will be executed contemporaneously with this Agreement.

Clawback. Any amounts payable hereunder are subject to any policy (whether currently in existence or later adopted) established by the Company providing for clawback or recovery of amounts that were paid to you. The Company will make any determination for clawback or recovery in its sole discretion and in accordance with any applicable law or regulation.

Indemnification. During your employment and service as an officer and at all times thereafter during which you may be subject to liability, you will be entitled to indemnification set forth in the Company’s governing documents to the maximum extent allowed under the laws of the State of Delaware and you will be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers against all costs, charges and expenses incurred or sustained by you in connection with any action, suit, or proceeding to which you may be made a party by reason of you being or having been a director, officer or employee of the Company or any of its subsidiaries (other than any dispute, claim or controversy arising under or relating to this Agreement). Notwithstanding anything to the contrary herein, your rights under this paragraph will survive the termination of your employment for any reason and the expiration of this Agreement for any reason.

Cooperation. You agree that during and after your employment with the Company, you will assist the Company and its subsidiaries and affiliates in the defense of any claims or potential claims that may be made or threatened to be made against the Company or any of its subsidiaries and affiliates in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise, that are not adverse to you (each, an “Action”), and will assist the Company and its subsidiaries and affiliates in the prosecution of any claims that may be made by the Company the

Company and its subsidiaries and affiliates in any Action, to the extent that such claims may relate to your employment or the period of your employment by the Company and its subsidiaries and affiliates. You agree, unless precluded by law, to promptly inform the Company if you are asked to participate (or otherwise become involved) in any such Action. You also agree, unless precluded by law, to promptly inform the Company if you are asked to assist in any investigation (whether governmental or otherwise) of the Company and its subsidiaries and affiliates (or their Actions) to the extent that such investigation may relate to your employment or the period of your employment by the Company, regardless of whether a lawsuit has then been filed against the Company and its subsidiaries and affiliates with respect to such investigation. The Company or one of its subsidiaries or affiliates will reimburse you for all of your reasonable out-of-pocket expenses incurred in connection with such cooperation.

Certain Representations. You represent and warrant that as of the date hereof: (i) you have the full right, authority and capacity to enter into this Agreement and perform your obligations hereunder; (ii) you are not bound by any agreement that conflicts with or prevents or restricts the full performance of your duties and obligations to the Company hereunder; and (iii) the execution and delivery of this Agreement will not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which you are subject. You acknowledge and agree that the Company shall not have any obligation to reimburse or indemnify you for any losses arising from any breach of the foregoing representations.

Tax Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, non-U.S. or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation.

Assignment. Without the prior written consent of the Company, you may not assign this Agreement, except that you may assign by will or the laws of descent and distribution your accrued rights to payment, and any assignment in violation of this Agreement will be void. This Agreement will be binding on you and the Company and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, successors by merger, consolidation, sale or similar transaction and in the event of your death, your estate and heirs in the case of any payments due to you hereunder); provided that the Company may assign its rights and obligations under this Agreement without the consent of you in the event that the Company shall hereafter affect any internal reorganization of the Company's corporate structure, consolidation or merger.

Governing Law. This 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.

Dispute Resolution; Consent to Jurisdiction. You 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 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.

Amendment; Entire Agreement. No provisions of this Agreement may be amended, except by a written document signed by you and a duly authorized officer of the Company (other than you). This Agreement constitutes the entire agreement and understanding between the Company and you with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between you and the Company, relating to such subject matter. This Agreement is intended to and hereby supersedes any prior agreements or understandings, whether formal or informal, between you and the Company or any of its subsidiaries or affiliates.

IRC Section 409A. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement will be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date (“Section 409A”). Notwithstanding any provision of this Agreement to the contrary, in no event whatsoever will the Company or any of its subsidiaries or affiliates be liable for any additional tax, interest or penalties that may be imposed on you as a result of Section 409A or any damages for failing to comply with Section 409A. Any payments to be made under this Agreement upon a termination of employment that are “nonqualified deferred compensation” shall only be made upon a “separation from service” within the meaning of Section 409A. For purposes of Section 409A, your right to receive installment payments pursuant this Agreement will be treated as a right to receive a series of separate and distinct payments. To the extent that any reimbursement of expenses or in-kind benefits constitutes “nonqualified deferred compensation” under Section 409A, such reimbursement or benefit will be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year will not affect the amount of in-kind benefits provided in any other year. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to you in connection with termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A and you are determined to be a “specified employee” as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of your termination date (the “Specified Employee Payment Date”) or, if earlier, on the date of your death. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to you in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

Counterparts. This Agreement may be executed in multiple counterparts, which together shall constitute one and the same agreement. Facsimile, pdf and other true and accurate copies of this Agreement shall have the same force and effect as originals hereof.

[Signature Page Follows]

This Agreement is executed and delivered by the Company and you as of the date first set forth above.

Sincerely,

TERAWULF INC.

By: /s/ Paul B. Prager

Name: Paul B. Prager

Title: Chief Executive Officer

Accepted and Agreed:

/s/ Patrick A. Fleury

Patrick A. Fleury

[Signature Page to Employment Agreement]

ANNEX I

Permitted Activities

1. Continued involvement in:

- a. The Bitcoin mining business in Hardin, MT, that is in existence as of the date of this Agreement, on behalf of Beowulf Energy LLC in connection with its building and operation of a data center.

EXHIBIT A

1. ***Termination without Cause or Resignation for Good Reason.*** Subject to your continued compliance with the covenants contained in the Restrictive Covenant Agreement attached as Exhibit B to the Agreement, if your employment is terminated (i) by the Company without Cause or (ii) your resignation from employment for Good Reason then, in addition to the Accrued Obligations, the Company will:

(a) pay you a lump-sum cash payment on the sixtieth (60th) calendar day following the termination date in an aggregate amount equal to the annual base salary that would have been paid to you during the twelve (12)-month period following the termination date (the “Severance Period”), less applicable taxes and withholdings (the “Severance Payment”); provided that, in the event the Company determines that you have materially violated any covenant contained in the Restrictive Covenant Agreement, you will be required to disgorge to the Company a prorated portion of the Severance Payment, determined on a daily basis from the date of such breach through the last day of the Severance Period;

(b) continue to provide coverage during the Severance Period (or until you become eligible for comparable coverage under the medical health plans of a successor employer, if earlier) for you and any eligible dependents under all Company health and welfare plans in which you and any such dependents participated immediately prior to the termination date, subject to any active-employee cost-sharing or similar provisions in effect for you thereunder as of immediately prior to the termination date; provided that such coverage will not be provided in the event the Company would be subject to any excise tax under Section 4980D of the Code or other penalty or liability pursuant to the provisions of the Patient Protection and Affordable Care Act of 2010 (as amended from time to time), and in lieu of providing the coverage described above, the Company will instead pay to you a fully taxable monthly cash payment in an amount such that, after payment by you of all taxes on such payment, you retain an amount equal to the applicable premiums for such month, with such monthly payment being made on the last day of each month for the remainder of the Severance Period. For the avoidance of doubt, your health benefit coverage from the Company during the Severance Period shall run concurrent with the health continuation coverage period mandated by Section 4980B of the Code;

(c) pay you a prorated portion of the Annual Bonus payable with respect to the fiscal year in which such termination occurs determined on a daily basis, based on target level of achievement of the applicable performance goals for such year, payable on the sixtieth (60th) calendar day following the termination date;

(d) pay you any previously earned Annual Bonus payable to you for any fiscal year of the Company completed on or before the termination date that has not been paid to you as of the termination date, payable on the sixtieth (60th) calendar day following the termination date; and

(e) treat all outstanding equity awards held by you in accordance with the terms of the applicable equity plan and award agreements; provided that, with respect to awards that vest (i) solely based on continued service with the Company, you will vest in any tranche scheduled to vest in accordance with the applicable award agreement during the Severance Period and (ii) based on the achievement of performance criteria, based on the actual achievement of such performance criteria that occurs during the Severance Period.

Notwithstanding the foregoing, this Section 1(e) shall not apply to the Inducement Award.

2. ***Termination due to Disability or Death.*** Subject to your continued compliance with the covenants contained in Exhibit B, if your employment terminates due to your Disability or death, then, in addition to the Accrued Obligations, the Company will:

(a) pay you (or your estate) a pro-rata Annual Bonus for the year of termination, determined on a daily basis, based on actual performance for the full year, payable in the same manner and the same time as provided in the “Annual Bonus” section of this Agreement; and

(b) pay you (or your estate) any previously earned Annual Bonus payable to you for any fiscal year of the Company completed on or before the termination date that has not been paid to you as of the termination date, payable on the sixtieth (60th) calendar day following the termination date.

3. ***Release.*** Notwithstanding anything herein to the contrary, the amounts set forth in this Exhibit A will be contingent upon and subject to your (or your estate’s, if applicable) execution and non-revocation of a general waiver and release of claims agreement in the Company’s customary form (the “Release”) (and the expiration of any applicable revocation period), on or prior to the sixtieth (60th) day following the date of termination.

4. ***Definitions.*** For purposes of this Agreement:

(a) “Cause” will mean your (i) having engaged in material misconduct in providing services to the Company or its affiliates; (ii) having engaged in conduct that you knew or reasonably should have known would be materially injurious to the Company or its affiliates; (iii) having been convicted of (after all appeals have been exhausted), or having entered a plea bargain or settlement admitting guilt for, (x) a felony or (y) any other criminal offense involving fraud or, in the course of the performance of your service to the Company, material dishonesty; (iv) unlawful use or possession of illegal drugs on the Company’s premises or while performing your duties and responsibilities to the Company; or (v) commission of an act of fraud, embezzlement or misappropriation, in each case against the Company or any affiliate. The determination of whether Cause exists shall be made by the Compensation Committee in good faith in its sole discretion upon, or within 60 days following, termination of your employment or service based on information available to the Compensation Committee through such 60-day period. Notwithstanding the foregoing, Cause shall not exist unless you have first received a written notice from the Company which sets forth in reasonable detail the circumstances giving rise to Cause and you will have a period of 30 days to cure (if capable of cure).

(b) “Disability” will mean your disability caused by any physical or mental injury, illness or incapacity as a result of which you have been unable to effectively perform the essential functions of your duties for a continuous period of more than 120 days or for any 180 days (whether or not continuous) within a 365-day period, as determined by the Board in good faith. If any question will arise as to whether a Disability exists, you may, and at the request of the Company will, submit to a medical examination by a physician selected by the Company to determine whether a Disability exists and such determination will for the purposes of this Agreement be conclusive of the issue. If such question will arise and you will fail to submit to such medical examination, the Company’s determination of the issue will be binding on you.

(c) You will have “Good Reason” to resign from your employment in the event that any of the following actions are taken by the Company without your prior written consent: (i) a material reduction in your annual base salary; (ii) a material reduction in your Annual Bonus target opportunity; (iii) any material diminution of your duties, responsibilities, authority, positions or titles, other than any changes in duties, responsibilities, authority, positions or titles that result solely from the Company’s ceasing to be a stand-alone public corporation; (iv) a material change in your reporting line, which for the avoidance of doubt will include no longer reporting directly to the individual who serves as the Chief Executive Officer of the Company as of the Effective Date as a result of such individual’s involuntary termination of employment (e.g., a termination by the Company without “cause” or a resignation by such individual for “good reason”); or (v) any material breach by the Company of any material term or provision of the Agreement; provided, however, that none of the events described in the foregoing clauses shall constitute Good Reason unless you have notified the Company in writing describing the events that constitute Good Reason within thirty (30) calendar days following the first occurrence of such events and then only if the Company fails to cure such events within thirty (30) calendar days after the Company’s receipt of such written notice, and you have actually terminated your employment with the Company promptly following the expiration of such cure period.

EXHIBIT B

Restrictive Covenant Agreement

(see attached)

TERAWULF INC.

RESTRICTIVE COVENANT AGREEMENT

You hereby acknowledge and agree that TeraWulf Inc. (together, with its subsidiaries and affiliates, the “Company”) needs the covenants set forth in this Restrictive Covenant Agreement (this “Agreement”) based on the following: (a) in the course of your employment or service with the Company, you will be providing services to the Company and that you will be intimately involved in the planning for or direction of the business of the Company; (b) the Company is engaged in a highly competitive industry; (c) the Company provides services related to its business and products to clients located in various areas throughout the United States; (d) you have 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; (e) you could, after having access to the Company’s Confidential Information (as defined below) and/or Trade Secrets (as defined below) and after receiving further experience, become a competitor; and (f) the Company will suffer irreparable harm if you were to terminate your employment and thereafter, directly or through activities or efforts of any third parties, enter into competition with the Company. In consideration of your employment or service or continued employment or service with the Company, access to Company goodwill and Confidential Information, and in order to assure the confidentiality and proper use of the Confidential Information and Trade Secrets and for other good and valuable consideration the receipt and sufficiency of are hereby acknowledged, the parties hereby agree as follows:

1. Restricted Activities. You agree that some restrictions on your activities during and after your employment are necessary to protect the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company.

(a) **Noncompetition.** During your employment or service with the Company and for a period of six (6) months after your employment or service terminates, you shall not, either directly or indirectly, on your 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 an officer, director, owner, partner, member, joint venturer, employee, team member, independent contractor, agent or consultant in the same, similar or related capacity as you were employed by or providing services to the Company, in any business engaged in the Business of the Company (as defined below); provided, however, that you 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; provided, further that your continued engagement with the business(es) set forth on Exhibit A shall not be a violation of this Agreement. Notwithstanding the preceding, if your employment or service is terminated for “cause” (as such term is defined in your then-current employment or service agreement), the restrictions in this Section 1(a) shall apply during the twelve (12) month period immediately following the date your employment or service with the Company terminates.

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

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

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

Certain Definitions. As used herein, “**Territory**” shall be defined as the United States of America and any other territory where you are working at the time of termination of employment or service with the Company or the Company is doing business; which you acknowledge and agree is the territory in which you are providing services to the Company. The “**Business of the Company**” means (A) any business or activity engaged in by the Company and in which you were involved or obtained Confidential Information or Trade Secrets during your employment or service with the Company, and (B) any other business opportunity that is under active consideration by the Company during your employment or service with the Company and in which you were involved or obtained Confidential Information or Trade Secrets during his or her employment or service with the Company.

2. 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.

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

4. Acknowledgements. You acknowledge that you have carefully read and considered the provisions of the restrictive covenants set forth herein and, having done so, agree that the restrictive covenants set forth herein impose a fair and reasonable restraint on you and are reasonably required to protect the interests of the Company and its respective officers, directors, employees and equityholders.

5. Trade Secrets and Confidential Information.

(a) “**Confidential Information**” means all nonpublic or proprietary data or information (other than Trade Secrets) concerning the business and operations of the Company, including, but not limited to, any nonpublic 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) You acknowledge that in the course of your employment or service with the Company, you have received or will receive and has had or will have access to Confidential Information and Trade Secrets of the Company, and that unauthorized or improper use or disclosure by you of such Confidential Information or Trade Secrets will cause serious and irreparable harm to the Company. Accordingly, you are willing to enter into the covenants contained herein in order to provide the Company with what you consider to be reasonable protection for its interests.

(c) You hereby agree to (i) hold in confidence all Confidential Information of the Company that comes into your knowledge during your 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 your duties, without the prior written consent of the Company for as long as the information remains Confidential Information.

(d) You hereby agree to hold in confidence all Trade Secrets of the Company that comes into your knowledge during your 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 5 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 you or any person or entity acting by or on your behalf or information which you can demonstrate to have had rightfully in your possession prior to the commencement of your employment or service with the Company or (ii) information required to be disclosed by judicial or governmental proceedings; provided that, in the event you are ordered by a court or other government agency to disclose any Confidential Information, you 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 you 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, you 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. You also understand that if you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the Trade Secret to your attorney and use the Trade Secret information in the court proceeding, if you (i) file any document containing the Trade Secret under seal, and (ii) do not disclose the Trade Secret, except pursuant to court order.

6. Work Product and Inventions.

(a) You acknowledge that your 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 you, or to which you have contributed or will contribute, in connection with your services to the Company (collectively, “Works”), are and will be within the scope of your employment or service and part of your duties and responsibilities. Your work on and contributions to the Works will be rendered and made by you 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”, you hereby assign, grant and deliver 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. You agree 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 you constitute and appoint the Company as its agent to execute and deliver any assignments or documents you fail or refuse to execute and deliver, this power and agency being coupled with an interest and being irrevocable. Without limiting the preceding provisions of this Section 6(a), you agree 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) You shall disclose promptly to the Company (which shall receive it in confidence), and only to the Company, any invention or idea of yours in any way connected with your services or related to the Business of the Company, the research or development of the Company, or demonstrably anticipated research or development (developed alone or with others), conceived or made during your employment or services with the Company or within three (3) months thereafter and hereby assign to the Company any such invention or idea. You agree, 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 appoint the Company as its agent to execute and deliver any assignments or documents you fail or refuse 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 was used and which was conceived and developed entirely on your 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 (ii) the invention results from any work performed by you for the Company.

7. **Equitable Remedy.** Because of the difficulty of measuring economic losses to the Company 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 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, 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 you of any provision set forth herein. The Company 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.

8. Miscellaneous.

(a) Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except as agreed to in writing signed by both you and a duly authorized officer of the Company. The failure of you or the Company to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive you or the Company of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(b) Notices. All notices, requests and other communications under this 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 email delivery, so long as the message is clearly marked, sent to the email 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 you, the address, facsimile number or email address that you most recently provided to the Company, or to such other address, facsimile number or email address as such party may hereafter specify for the purpose by notice to the other parties hereto.

(c) Governing Law. This 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.

(d) Dispute Resolution; Consent to Jurisdiction. You 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 Agreement (whether brought by any party or against any party) 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.

(e) Counterparts. This Agreement may be executed in multiple counterparts, which together shall constitute one and the same agreement. Facsimile, pdf and other true and accurate copies of this Agreement shall have the same force and effect as originals hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 16th day of May, 2022.

TERAWULF INC.

By: /s/ Paul B. Prager

Name: Paul B. Prager

Title: Chief Executive Officer

EMPLOYEE

/s/ Patrick A. Fleury

(Signature)

Patrick A. Fleury

(Print Name)

[Signature Page to TeraWulf Inc. Restrictive Covenant Agreement]

Exhibit A

Permitted Activities

1. Continued involvement in:

- a. The Bitcoin mining business in Hardin, MT, that is in existence as of the date of this Agreement, on behalf of Beowulf Energy LLC in connection with its building and operation of a data center.

TERAWULF INC.
NOTICE OF INDUCEMENT RSU GRANT
(INDUCEMENT AWARD OUTSIDE OF THE TERAULF 2021 OMNIBUS INCENTIVE PLAN)

Participant: Patrick Fleury

of Shares Underlying RSUs: 1,000,000

Date of Grant: May 16, 2022

Vesting Schedule: The RSUs shall vest in accordance with terms of the Award Agreement attached hereto as Annex I. Upon vesting, the RSUs shall no longer be subject to cancellation pursuant to Section 3 of the Award Agreement.

By signing your name below, you accept the RSUs granted to you by the Company as an inducement to you entering into employment with the Company in compliance with Nasdaq Listing Rule 563(c)(4). Unless otherwise defined herein, capitalized terms used herein shall have the same defined meanings as set forth in the TeraWulf 2021 Omnibus Incentive Plan (the "Plan"). The RSUs are granted outside of the Plan, but you acknowledge and agree that such RSUs are subject to all of the terms and conditions of the Plan (as if it had been granted under the 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

/s/ Patrick A. Fleury

Patrick A. Fleury

TERAWULF INC.

By: /s/ Paul B. Prager

Name: Paul B. Prager

Title: Chief Executive Officer

**TERAWULF INC.
INDUCEMENT AWARD
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Pursuant to the Inducement RSU Grant Notice (“Grant Notice”) and this Inducement Award Restricted Stock Unit Award Agreement (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 Restricted Stock Units (the “RSUs”) with respect to the number of Shares indicated in the Grant Notice (the “Award”). Each RSU represents the right to receive one Share. The RSUs are granted to the Participant effective as of the Date of Grant. The RSUs are granted outside of the TeraWulf 2021 Omnibus Incentive Plan (the “Plan”), pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules as an inducement for the Participant to commence employment with the Company. In addition, the RSUs are being granted for the purposes of (i) inducing the Participant to become, and to retain the Participant as, Chief Financial Officer of the Company and (ii) aligning the Participant’s interests with those of the Company’s stockholders. Notwithstanding the forgoing, the RSUs shall be subject to the terms and conditions of the Plan as if the RSUs had been granted under the Plan, and the terms and conditions of the Plan are hereby incorporated into the Grant Notice and this Award Agreement. 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. Vesting; Settlement.

(a) Vesting. Twenty-five percent (25%) of the RSUs subject to the Award shall vest upon each of the first two anniversaries of the Date of Grant and the remaining fifty percent (50%) of the RSUs subject to the Award shall vest upon the third anniversary of the Date of Grant, in each case, subject to the Participant’s continued employment or service with the Company through each such date (each such date, a “Vesting Date”).

(b) Settlement. Subject to the provisions of this Award Agreement, promptly following the applicable Vesting Date (and no later than the thirtieth (30th) day following the applicable Vesting Date), the Participant shall receive the number of Shares that correspond to the number of RSUs that have vested subject to Section 1(a), less any Shares withheld by the Company pursuant to Section 5 below. Upon such delivery, such Shares shall be fully assignable, saleable and transferable by the Participant, provided that any such assignment, sale, transfer or other alienation with respect to such Shares shall be in accordance with applicable securities laws.

(c) Incorporation by Reference. It is understood that the RSUs granted hereunder are granted outside of the Plan; provided, however, that, unless inconsistent with the express terms of this Award Agreement, this Award Agreement shall be construed and administered in a manner consistent with the provisions of the Plan as if granted pursuant thereto, the terms of which are incorporated herein by

reference (including, without limitation, any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan, which shall be deemed to apply to the RSUs granted hereunder without any further action of the Committee, unless expressly provided otherwise by the Committee). The Committee shall have final authority to interpret and construe the Plan's terms as they are incorporated herein by reference and deemed to apply to the RSUs granted hereunder, and this Award Agreement, and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and the Participant's beneficiary in respect of any questions arising under the Plan or this Award Agreement. For the avoidance of doubt, neither the RSUs granted hereunder nor any Shares issued upon settlement of such RSUs shall reduce the number of Shares available for issuance pursuant to Awards granted under the Plan.

2. **Dividend Equivalents.** Unless otherwise provided by the Committee, the Participant shall not be eligible to receive dividend equivalents with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs, at which time accrued dividend equivalents shall be paid pursuant to Section 9(g) (ii) of the Plan.

3. **Termination of Employment.** In the event of the Participant's termination of employment or service with the Company at any time, all unvested RSUs shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

4. **Rights as a Stockholder.** The Participant shall have no voting rights with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs.

5. **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 or settlement of any RSU 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.

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

7. **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 7, in addition to any other remedy that may be available at law or in equity, the RSUs 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.

8. **Miscellaneous.**

(a) **Compliance with Legal Requirements.** The granting of the RSUs, 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) **Representations.** The Participant acknowledges that the grant of the RSUs hereunder satisfies in full the Company's obligation to grant him the "Inducement RSU Award," as defined and described in that certain employment agreement, dated as of May 16, 2022, by and between the Company and the Participant, as amended, restated or otherwise modified from time to time in accordance with its terms (the "Employment Agreement," which term, as used herein, shall include any subsequent employment or services agreement between the Participant and the Company or any of its Affiliates that replaces or supersedes such agreement).

(a) **Transferability.** The RSUs shall be subject to Section 15(b) of the Plan.

(b) **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.

(c) **Section 409A.** This Award Agreement is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and the provisions of this Award Agreement shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and this Award Agreement shall be operated accordingly. If any provision of this Award Agreement or any term or condition of the RSUs would otherwise conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. Notwithstanding anything else in this Award Agreement, if the Committee considers a Participant to be a "specified employee" under Section 409A of the Code at the time of such Participant's "separation from service" (as defined in Section 409A of the Code), and the amount hereunder is "deferred compensation" subject to Section 409A of the Code any distribution that otherwise would be made to such Participant with respect to RSUs as a result of such separation from service shall not be made until the date that is six months after such separation from service, except to the extent that earlier distribution would not result in such Participant's incurring interest or additional tax under Section 409A of the Code. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participants' right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment. Notwithstanding the foregoing, the tax treatment of the

benefits provided under this Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

(d) General Assets. All amounts credited in respect of the RSUs to the book-entry account under this Award Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(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 RSU terms), and hereby accepts the grant of RSUs and agrees to be bound by its contractual terms as set forth herein (including Exhibit A) and those incorporated from the Plan. The Participant acknowledges and agrees that the grant of the RSUs 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 RSU. In the event of a conflict between the terms and provisions incorporated from the Plan and the terms and provisions of this Award Agreement, the Plan terms and provisions shall prevail. This Award Agreement, including the terms and provisions incorporated from 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 the 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 the 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. The Company may, in its sole discretion, decide to deliver any documents related to this Award Agreement by electronic means. The Participant hereby consents to receive such documents by electronic delivery, including 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 six (6) 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 Award 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

1. Continued involvement in:

- a. The Bitcoin mining business in Hardin, MT, that is in existence as of the date of this Agreement, on behalf of Beowulf Energy LLC in connection with its building and operation of a data center.

TERAWULF INC.

May 16, 2022

Kenneth Deane
deane@terawulf.com

Re: Amendment of Employment Agreement

Dear Kenneth:

This letter agreement (the “**Amendment**”) amends your employment letter agreement, dated November 4, 2021, with TeraWulf Inc. (the “**Employment Agreement**”), effective as of the date hereof, as follows:

The first sentence of the section entitled “***Position, Authority, Duties and Responsibilities***” is deleted and hereby replaced in its entirety as follows:

“During the Term, you will be employed in the position of Chief Accounting Officer and Treasurer of the Company and will have such authority, duties and responsibilities as are customary for such positions.”

You acknowledge and agree that you hereby voluntarily resign from, and relinquish all duties and obligations in connection with, any and all positions you hold as the Chief Financial Officer of the Company, effective as of the date hereof; provided, however, that you shall retain your position as Treasurer of the Company. In connection with such resignation, you further acknowledge and agree that you consent to the change in your position from Chief Financial Officer to Chief Accounting Officer and therefore Good Reason under your Employment Agreement shall not apply in connection with such change.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Employment Agreement. Except as specifically modified by this Amendment, this Amendment shall not constitute a waiver, amendment or modification of any term or condition of the Employment Agreement and the provisions of the Employment Agreement shall remain in full force and effect. On and after the date hereof, each reference in the Employment Agreement to “this Agreement,” “herein,” “hereof,” “hereunder,” or words of similar import shall mean and be a reference to the Employment Agreement as amended by this Amendment.

This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the conflict of laws principles hereof. This Amendment may be executed and transmitted by PDF or other form of electronic transmission, and any signature on a PDF or other form of electronic transmission shall be considered an original for all purposes and shall be fully enforceable. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

Sincerely,

TERAWULF INC.

By: /s/ Paul B. Prager

Name: Paul B. Prager

Title: Chief Executive Officer

Accepted and Agreed:

/s/ Kenneth J. Deane

Kenneth J. Deane

[Signature Page to Deane Employment Agreement Amendment]

**TERAWULF
2021 OMNIBUS INCENTIVE PLAN
NOTICE OF RSU GRANT**

Participant: Kenneth Deane

of Shares Underlying RSUs: 300,000

Date of Grant: May 16, 2022

Vesting Schedule: The RSUs shall vest in accordance with terms of the Award Agreement attached hereto as Annex I. Upon vesting, the RSUs shall no longer be subject to cancellation pursuant to Section 3(b) of the Award Agreement.

By signing your name below, you accept the RSUs and acknowledge and agree that the RSUs 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

/s/ Kenneth J. Deane

Kenneth J. Deane

TERAWULF INC.

By: /s/ Paul B. Prager

Name: Paul B. Prager

Title: Chief Executive Officer

**TERAWULF
2021 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Pursuant to the RSU 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 Restricted Stock Units (the “RSUs”) under the TeraWulf 2021 Omnibus Incentive Plan (the “Plan”) with respect to the number of Shares indicated in the Grant Notice (the “Award”). Each RSU represents the right to receive one Share. The RSUs 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. Vesting; Settlement.

(a) Vesting. Except as otherwise provided in Section 3(a) below, one-third (1/3rd) of the Award shall vest upon each of the first three anniversaries of the Date of Grant, subject to the Participant’s continued employment or service with the Company through each such date (each such date, a “Vesting Date”).

(b) Settlement. Subject to the provisions of this Award Agreement, promptly following the applicable Vesting Date (and no later than the thirtieth (30th) day following the applicable Vesting Date), the Participant shall receive the number of Shares that correspond to the number of RSUs that have vested subject to Section 1(a), less any Shares withheld by the Company pursuant to Section 5 below. Upon such delivery, such Shares shall be fully assignable, saleable and transferable by the Participant, provided that any such assignment, sale, transfer or other alienation with respect to such Shares shall be in accordance with applicable securities laws.

2. Dividend Equivalents. Unless otherwise provided by the Committee, the Participant shall not be eligible to receive dividend equivalents with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs, at which time accrued dividend equivalents shall be paid pursuant to Section 9(g) (ii) of the Plan.

3. Termination of Employment or Service.

(a) Termination without Cause; Resignation for Good Reason; Termination Due to Death or Disability. In the event the Participant’s employment or service with the Company is terminated by the Company without Cause (including due to the Company’s non-renewal of the Term (as defined in the Employment Agreement) in accordance with the terms of the Participant’s Employment Agreement) terminated by the Participant for Good Reason, or is terminated by the Company due to the Participant’s death or Disability, then all unvested RSUs held by the Participant shall vest in full as of the date of such termination of employment, subject to the Participant’s (or the Participant’s estate’s, if applicable) execution and non-revocation of a general waiver and release of claims agreement in the Company’s customary form (and the expiration of any applicable revocation period), on or prior to the sixtieth (60th) day following the date of termination. For the purposes of this Award Agreement, “Cause,” “Disability” and “Good Reason” shall have the meanings set forth in the employment letter agreement, dated as of November 4, 2021, between the Company and the Participant (as amended from time to time, the

“Employment Agreement”). Each RSU that vests in accordance with this Section 3(a) shall be settled in accordance with the terms of Section 1(b).

(b) Generally. In the event of the Participant’s termination or resignation of employment or service with the Company for any reason (other than as contemplated in Section 3(a)) at any time, all unvested RSUs shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

4. **Rights as a Stockholder.** The Participant shall have no voting rights with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs.

5. **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 or settlement of any RSU 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.

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

7. **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 7, in addition to any other remedy that may be available at law or in equity, the RSUs 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.

8. **Miscellaneous.**

(a) Compliance with Legal Requirements. The granting of the RSU, 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) Transferability. The RSUs shall be subject to Section 15(b) of the Plan.

(c) 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.

(d) Section 409A. This Award Agreement is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and the provisions of this Award Agreement shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and this Award Agreement shall be operated accordingly. If any provision of this Award Agreement or any term or condition of the RSUs would otherwise conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. Notwithstanding anything else in this Award Agreement, if the Committee considers a Participant to be a "specified employee" under Section 409A of the Code at the time of such Participant's "separation from service" (as defined in Section 409A of the Code), and the amount hereunder is "deferred compensation" subject to Section 409A of the Code any distribution that otherwise would be made to such Participant with respect to RSUs as a result of such separation from service shall not be made until the date that is six months after such separation from service, except to the extent that earlier distribution would not result in such Participant's incurring interest or additional tax under Section 409A of the Code. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participants' right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment. Notwithstanding the foregoing, the tax treatment of the benefits provided under this Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

(e) General Assets. All amounts credited in respect of the RSUs to the book-entry account under this Award Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(f) 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.

(g) 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.

(h) 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.

(i) 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 RSU terms), and hereby accepts the grant of RSUs 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 RSUs 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 RSU. 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.

(j) 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.

(k) 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.

(l) 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).

(m) 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 six (6) 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 Award 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

1. Continued involvement in:

- a. The Bitcoin mining business in Hardin, MT, that is in existence as of the date of this Agreement, on behalf of Beowulf Energy LLC in connection with its building and operation of a data center;
- b. The asset management, operations and management consulting with respect to Rijnmond Power Holding B.V. as well as its wholly owned 810 MW combined cycle gas turbine Rijnmond power generation facility near Rotterdam, the Netherlands, on behalf of Beowulf Energy LLC and Beowulf Energy Europe LLC;
- c. The asset management, operations, financing, redevelopment, disposition and/or restructuring of all or a portion of the portfolio of domestic power generation assets owned by Heorot Power Holdings LLC and located in California, Montana, Colorado, Massachusetts and New York (the “Power Generation Assets”) by or on behalf of Beowulf Energy LLC; and
- d. The acquisition, disposition, operation, redevelopment or wind-down of one or more of the Power Generation Assets by or on behalf of Beowulf Energy LLC or its commonly controlled affiliates.

TERAWULF INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Paul B. Prager, certify that:

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

May 16, 2022

/s/ Paul B. Prager

Paul B. Prager
Chief Executive Officer
TeraWulf Inc.

TERAWULF INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kenneth J. Deane, certify that:

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

May 16, 2022

/s/ Kenneth J. Deane

Kenneth J. Deane
Chief Financial Officer
TeraWulf Inc.

TERWULF 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 three month period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul B. Prager, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 16, 2022

/s/ Paul B. Prager

Paul B. Prager
Chief Executive Officer
TeraWulf Inc.

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

TERAWULF INC.

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

In connection with the Quarterly Report of TeraWulf Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kenneth J. Deane, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 16, 2022

/s/ Kenneth J. Deane

Kenneth J. Deane
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).
