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DELTA REPORT

10-Q

CORE SCIENTIFIC, INC./TX

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2597
CHANGES	245
DELETIONS	1204
ADDITIONS	1148

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

OR

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

For the transition period from to

Commission file number 001-40046

Core Scientific, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**86-1243837**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

210 Barton Springs 838 Walker Road
Suite 300 21-2105
Austin, Texas Dover, Delaware
(Address of Principal Executive Offices)
78704 19904
(Zip Code)
(512) 402-5233
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 $0.00001 per share	CORZQ CORZ	OTC Markets The Nasdaq Global Select Market
Warrants, each whole warrant exercisable for shares one share of common stock at an exercise price of $6.81 per share	CRZWQ CORZW	OTC Markets The Nasdaq Global Select Market
Warrants, each whole warrant exercisable for one share of common stock at an exercise price of $0.01 per share	CORZZ	The Nasdaq Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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	☒	Emerging growth company	☒
Non-accelerated filer	☐	Smaller reporting company	☐		

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of October 30, 2023 May 3, 2024, 386,021,602 177,783,480 shares of Common Stock, par value $0.0001, $0.00001, were outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements may be identified by the use of words such as “aim,” “estimate,” “plan,” “project,” “forecast,” “goal,” “intend,” “will,” “expect,” “anticipate,” “believe,” “seek,” “target” or other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding projections, estimates and forecasts of revenue and other financial and performance metrics, projections of market opportunity and expectations, the Company’s ability to scale and grow its business, source clean and renewable energy, the advantages and expected growth of the Company and the Company’s ability to source and retain talent. These statements are provided for illustrative purposes only and are based on various assumptions, whether or not identified in this Quarterly Report on Form 10-Q, and on the current expectations of the Company’s management. These forward-looking statements are not intended to serve, and must not be relied on by any investor, as a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of the Company.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated. These risks, assumptions and uncertainties include those described in Item 1A. — “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. There may be additional risks that the Company could not presently know or that the Company currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect the Company’s expectations, plans or forecasts of future events and views as of the date of this Quarterly Report on Form 10-Q and should not be relied upon as representing the Company’s assessments as of any date subsequent to the date of this Quarterly Report on Form 10-Q. The Company anticipates that subsequent events and developments will cause the Company’s assessments to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so except as required under applicable securities laws. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date they are made.

Part I - Financial Information

Item 1. Financial Statements

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Balance Sheets
(in thousands, except par value)

March 31, 2024		March 31, 2024	December 31, 2023
Assets			
Current Assets:			
Current Assets:			
Current Assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Restricted cash			
Accounts receivable			

	September 30, 2023	December 31, 2022
Assets	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 42,146	$ 15,884
Restricted cash	21,797	36,356
Accounts receivable, net of allowance of $8,724 and $8,724, respectively	1,109	234

Accounts receivable from related parties		—	23
Digital assets			
Digital assets			
Digital assets	Digital assets	559	724
Prepaid expenses and other current assets	Prepaid expenses and other current assets	33,039	31,881
Assets held for sale		36,069	—
Total Current Assets			
Total Current Assets			
Total Current Assets	Total Current Assets	134,719	85,102
Property, plant and equipment, net	Property, plant and equipment, net	547,303	691,134
Operating lease right-of-use assets	Operating lease right-of-use assets	6,583	20,430
Intangible assets, net	Intangible assets, net	2,448	1,704
Intangible assets, net			
Intangible assets, net			
Other noncurrent assets	Other noncurrent assets	14,409	9,316
Total Assets	Total Assets	$ 705,462	$ 807,686
Liabilities and Stockholders' Deficit	**Liabilities and Stockholders' Deficit**		
Current Liabilities:	Current Liabilities:		
Current Liabilities:			
Current Liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 45,527	$ 53,641
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	55,606	17,952
Deferred revenue	Deferred revenue	63,170	77,689
Deferred revenue from related parties		—	496
Operating lease liabilities, current portion			
Operating lease liabilities, current portion			
Operating lease liabilities, current portion	Operating lease liabilities, current portion	205	769
Finance lease liabilities, current portion	Finance lease liabilities, current portion	19,833	—

Notes payable, current portion	Notes payable, current portion	128,321	36,242	
Contingent value rights, current portion				
Total Current Liabilities				
Total Current Liabilities				
Total Current Liabilities	Total Current Liabilities	312,662	186,789	
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	1,047	720	
Finance lease liabilities, net of current portion	Finance lease liabilities, net of current portion	35,909	—	
Notes payable, net of current portion		679,559	—	
Convertible and other notes payable, net of current portion				
Contingent value rights, net of current portion				
Warrant liabilities				
Other noncurrent liabilities	Other noncurrent liabilities	1,158	2,210	
Total liabilities not subject to compromise	Total liabilities not subject to compromise	1,030,335	189,719	
Liabilities subject to compromise	Liabilities subject to compromise	93,853	1,027,313	
Total Liabilities	Total Liabilities	1,124,188	1,217,032	
Commitments and contingencies (Note 8)				
Commitments and contingencies (Note 9)				Commitments and contingencies (Note 9)
Stockholders' Deficit:	Stockholders' Deficit:			
Common stock; $0.0001 par value; 10,000,000 shares authorized at both September 30, 2023 and December 31, 2022; 385,868 and 375,225 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		36	36	
Preferred stock; $0.00001 par value; 2,000,000 shares authorized; none issued and outstanding				

Preferred stock; $0.00001 par value; 2,000,000 shares authorized; none issued and outstanding			
Preferred stock; $0.00001 par value; 2,000,000 shares authorized; none issued and outstanding			
Common stock; $0.00001 par value; 10,000,000 shares authorized at March 31, 2024 and December 31, 2023; 182,237 and 386,883 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	1,805,782	1,764,368
Accumulated deficit	Accumulated deficit	(2,224,544)	(2,173,750)
Total Stockholders' Deficit	Total Stockholders' Deficit	(418,726)	(409,346)
Total Stockholders' Deficit			
Total Stockholders' Deficit			
Total Liabilities and Stockholders' Deficit	Total Liabilities and Stockholders' Deficit	$ 705,462	$ 807,686

See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	2024			
	2024			
Revenue:	Revenue:			
Revenue:				
Revenue:				

Digital asset mining revenue					
Digital asset mining revenue					
Digital asset mining revenue					
Hosting revenue from customers					
Hosting revenue from customers					
Hosting revenue from customers	Hosting revenue from customers	$ 27,020	$ 35,731	$ 72,245	$ 94,407
Hosting revenue from related parties	Hosting revenue from related parties	2,828	9,185	10,062	22,659
Equipment sales to customers		—	7,468	—	11,391
Equipment sales to related parties		—	29,693	—	67,269
Digital asset mining revenue		83,056	80,495	278,164	323,337
Hosting revenue from related parties					
Hosting revenue from related parties					
Total revenue					
Total revenue					
Total revenue	Total revenue	112,904	162,572	360,471	519,063
Cost of revenue:	Cost of revenue:				
Cost of revenue:					
Cost of revenue:					
Cost of digital asset mining					
Cost of digital asset mining					
Cost of digital asset mining					
Cost of hosting services	Cost of hosting services	24,882	44,975	64,187	119,850
Cost of equipment sales		—	27,917	—	63,993
Cost of digital asset mining		72,603	116,756	212,125	279,576
Cost of hosting services					
Cost of hosting services					
Total cost of revenue	Total cost of revenue	97,485	189,648	276,312	463,419
Gross profit (loss)		15,419	(27,076)	84,159	55,644
Total cost of revenue					
Total cost of revenue					
Gross profit					
Gross profit					
Gross profit					
Gain from sales of digital assets					
Gain from sales of digital assets					
Gain from sales of digital assets	Gain from sales of digital assets	363	11,036	2,358	25,007
Impairment of digital assets	Impairment of digital assets	(681)	(7,986)	(2,864)	(212,184)
Impairment of goodwill and other intangibles		—	(268,512)	—	(1,059,265)
Impairment of property, plant and equipment		—	(59,259)	—	(59,259)
Losses on exchange or disposal of property, plant and equipment		(340)	—	(514)	(13,057)
Impairment of digital assets					
Impairment of digital assets					
Change in fair value of energy derivatives					
Change in fair value of energy derivatives					
Change in fair value of energy derivatives					

Losses on disposal of property, plant and equipment					
Losses on disposal of property, plant and equipment					
Losses on disposal of property, plant and equipment					
Operating expenses:					
Operating expenses:					
Operating expenses:	Operating expenses:				
Research and development	Research and development	2,253	6,192	5,308	24,305
Research and development					
Research and development					
Sales and marketing					
Sales and marketing					
Sales and marketing	Sales and marketing	1,041	39	3,133	11,675
General and administrative	General and administrative	23,511	43,346	69,671	174,380
General and administrative					
General and administrative					
Total operating expenses	Total operating expenses	26,805	49,577	78,112	210,360
Operating (loss) income		(12,044)	(401,374)	5,027	(1,473,474)
Non-operating expenses, net:					
Gain on debt extinguishment		(374)	—	(21,135)	—
Total operating expenses					
Total operating expenses					
Operating income					
Operating income					
Operating income					
Non-operating (income) expenses, net:					
Non-operating (income) expenses, net:					
Non-operating (income) expenses, net:					
Loss (gain) on debt extinguishment					
Loss (gain) on debt extinguishment					
Loss (gain) on debt extinguishment					
Interest expense, net	Interest expense, net	2,196	25,942	2,317	74,734
Fair value adjustment on convertible notes		—	(4,123)	—	186,853
Fair value adjustment on derivative warrant liabilities		—	(521)	—	(32,985)
Reorganization items, net		28,256	—	78,270	—
Other non-operating (income) expenses, net		(1,090)	1,478	(3,978)	4,997
Total non-operating expenses, net		28,988	22,776	55,474	233,599
Loss before income taxes		(41,032)	(424,150)	(50,447)	(1,707,073)
Income tax expense		114	10,642	347	4,398
Net loss		$ (41,146)	$ (434,792)	$ (50,794)	$ (1,711,471)
Interest expense, net					
Interest expense, net					
Net loss per share (Note 11):					
Reorganization items, net					
Reorganization items, net					
Reorganization items, net					

Change in fair value of warrant and contingent value rights					
Change in fair value of warrant and contingent value rights					
Change in fair value of warrant and contingent value rights					
Other non-operating expense (income), net					
Other non-operating expense (income), net					
Other non-operating expense (income), net					
Total non-operating (income) expenses, net					
Total non-operating (income) expenses, net					
Total non-operating (income) expenses, net					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income tax expense					
Income tax expense					
Income tax expense					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss) per share (Note 12):					
Net income (loss) per share (Note 12):					
Net income (loss) per share (Note 12):					
Basic					
Basic					
Basic	Basic	$ (0.11)	$ (1.23)	$ (0.13)	$ (5.38)
Diluted	Diluted	$ (0.11)	$ (1.23)	$ (0.13)	$ (5.38)
Diluted					
Diluted					
Weighted average shares outstanding:					
Weighted average shares outstanding:					
Weighted average shares outstanding:	Weighted average shares outstanding:				
Basic	Basic	382,483	354,195	378,107	318,169
Basic					
Basic					
Diluted	Diluted	382,483	354,195	378,107	318,169
Diluted					
Diluted					

See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022

Net loss	$	(41,146)	$	(434,792)	$	(50,794)	$	(1,711,471)
Other comprehensive income, net of income taxes:								
Change in fair value attributable to instrument-specific credit risk of convertible notes measured at fair value under the fair value option, net of tax effect of $—, $—, $— and $— respectively		—		47,832		—		83,578
Total other comprehensive income, net of income taxes		—		47,832		—		83,578
Comprehensive loss	$	(41,146)	$	(386,960)	$	(50,794)	$	(1,627,893)

See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Statements of Changes in Stockholders' (Deficit) Equity Deficit
For the Three and Nine Months Ended September 30, 2023 March 31, 2024
(in thousands)
(Unaudited)

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Deficit	(Deficit) Equity
Balance at July 1, 2023	379,091	$ 36	$ 1,790,921	$ (2,183,398)	$ (392,441)
Net loss	—	—	—	(41,146)	(41,146)
Stock-based compensation	—	—	14,861	—	14,861
Restricted stock awards issued, net of shares withheld for tax withholding obligations	7,154	—	—	—	—
Restricted stock awards forfeited	(377)	—	—	—	—
Balance at September 30, 2023	385,868	$ 36	$ 1,805,782	$ (2,224,544)	$ (418,726)

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Deficit	Deficit
Balance at January 1, 2024	386,883	$ 36	$ 1,823,260	$ (2,420,237)	$ (596,941)
Cumulative effect of adoption of ASU 2023-08, *Accounting for and Disclosure of Crypto Assets*	—	—	—	24	24
Balance at January 1, 2024, adjusted	386,883	36	1,823,260	(2,420,213)	(596,917)
Net income	—	—	—	210,691	210,691
Stock-based compensation	—	—	(1,060)	—	(1,060)
Cancellation of common stock in connection with emergence	(386,883)	(36)	36	—	—
Issuance of new common stock in connection with emergence	152,497	2	296,494	—	296,496
Issuance of new common stock under the Equity Rights Offering	15,649	—	55,000	—	55,000
Issuance of new common stock for the Equity Rights Offering backstop commitment	2,111	—	5,475	—	5,475
Issuance of new common stock for Bitmain obligation	10,735	—	27,839	—	27,839
Conversion premium on the issuance of the New Secured Convertible Notes	—	—	33,202	—	33,202
Issuance of warrants	—	—	(345,856)	—	(345,856)
Exercise of stock options	—	—	9	—	9
Restricted stock awards issued, net of tax withholding obligations	1,285	—	(3,388)	—	(3,388)
Restricted stock awards forfeited	(40)	—	—	—	—
Balance at March 31, 2024	182,237	$ 2	$ 1,891,011	$ (2,209,522)	$ (318,509)

Balance at January 1, 2023	375,225	$ 36	$ 1,764,368	$ (2,173,750)	$ (409,346)
Net loss	—	—	—	(50,794)	(50,794)
Stock-based compensation	—	—	41,414	—	41,414
Restricted stock awards issued, net of shares withheld for tax withholding obligations	11,020	—	—	—	—

Restricted stock awards forfeited	(377)	—	—	—	—
Balance at September 30, 2023	385,868	$ 36	$ 1,805,782	$ (2,224,544)	$ (418,726)

See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Statements of Changes in Contingently Redeemable Convertible Preferred Stock and Stockholders' (Deficit) Equity Deficit
For the Three and Nine Months Ended September 30, 2022 March 31, 2023
(in thousands)
(Unaudited)

	Contingently Redeemable Convertible Preferred Stock		Common Stock		Additional	Accumulated	Accumulated Other Comprehensive Income	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit		
Balance at July 1, 2022	—	$ —	353,481	$ 35	$ 1,695,748	$ (1,304,111)	$ 24,780	$ 416,452
Net loss	—	—	—	—	—	(434,792)	—	(434,792)
Other comprehensive income, net of $— income taxes	—	—	—	—	—	—	47,832	47,832
Stock-based compensation	—	—	—	—	29,884	—	—	29,884
Restricted stock awards issued, net of shares withheld for tax withholding obligations	—	—	4,897	—	(2,349)	—	—	(2,349)
Restricted stock awards forfeited	—	—	(2,268)	—	—	—	—	—
Issuances of common stock - equity line of credit	—	—	7,315	1	13,039	—	—	13,040
Issuances of common stock - financing transaction fees	—	—	1,285	—	2,960	—	—	2,960
Balance at September 30, 2022	—	$ —	364,710	$ 36	$ 1,739,282	$ (1,738,903)	$ 72,612	$ 73,027

	Contingently Redeemable Convertible Preferred Stock		Common Stock		Additional	Accumulated	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit		
Balance at January 1, 2022	10,826	$ 44,476	271,576	$ 27	$ 1,379,581	$ (27,432)	$ (10,966)	$ 1,341,210
Net loss	—	—	—	—		(1,711,471)		(1,711,471)
Other comprehensive income, net of $— income taxes	—	—	—	—	—	—	83,578	83,578
Stock-based compensation	—	—	—	—	165,949	—	—	165,949
Exercise of stock options	—	—	1,321	—	3,846	—	—	3,846
Restricted stock awards issued, net of shares withheld for tax withholding obligations	—	—	39,099	4	(31,630)	—	—	(31,626)
Restricted stock awards forfeited	—	—	(2,268)	—	—	—	—	—
Exercise of convertible notes	—	—	197	—	1,574	—	—	1,574
Cashless exercise of warrants	—	—	3,001	—	—	—	—	—
Issuances of common stock - equity line of credit	—	—	7,315	1	13,039	—	—	13,040
Conversion of contingently redeemable preferred stock to common stock	(10,826)	(44,476)	10,826	1	44,475	—	—	44,476
Issuances of common stock - Merger with XPDI	—	—	30,778	3	163,456	—	—	163,459
Issuances of common stock - financing transaction fees	—	—	1,285	—	2,960	—	—	2,960
Issuances of common stock - vendor settlement	—	—	1,580	—	12,674	—	—	12,674
Costs attributable to issuance of common stock and equity instruments - Merger with XPDI	—	—	—	—	(16,642)	—	—	(16,642)
Balance at September 30, 2022	—	$ —	364,710	$ 36	$ 1,739,282	$ (1,738,903)	$ 72,612	$ 73,027

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Deficit	Deficit
Balance at January 1, 2023	375,225	$ 36	$ 1,764,368	$ (2,173,750)	$ (409,346)
Net loss	—	—	—	(388)	(388)
Stock-based compensation	—	—	12,273	—	12,273
Restricted stock awards issued, net of shares withheld for tax withholding obligations	2,616	—	—	—	—
Balance at March 31, 2023	377,841	$ 36	$ 1,776,641	$ (2,174,138)	$ (397,461)

See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

		Nine Months Ended September 30,	
		2023	2022
	Three Months Ended March 31,		
	2024		
	Three Months Ended March 31,		
	2024	2023	
Cash flows from Operating Activities:	**Cash flows from Operating Activities:**		
Net loss		$ (50,794)	$ (1,711,471)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Net income (loss)			
Net income (loss)			
Net income (loss)			
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	64,800	156,544
Amortization of operating lease right-of-use assets	Amortization of operating lease right-of-use assets	703	424
Stock-based compensation	Stock-based compensation	41,414	166,548
Digital asset mining revenue	Digital asset mining revenue	(278,164)	(323,337)
Deferred income taxes		—	3,434
Gain on sale of intangible assets		—	(5,904)
Gain on debt extinguishment		(21,135)	—
Fair value adjustment on derivative warrant liabilities		—	(32,985)
Fair value adjustment on convertible notes		—	210,968

Fair value adjustment on other liabilities	—	9,498
Equity line of credit expenses	—	1,431
Amortization of debt discount and debt issuance costs	—	6,172
Losses on exchange or disposal of property, plant and equipment	514	13,057
Loss (gain) on debt extinguishment		
Loss (gain) on debt extinguishment		
Loss (gain) on debt extinguishment		
Change in fair value of energy derivatives		
Change in fair value of warrant liabilities		
Change in fair value of contingent value rights		
Amortization of debt discount		
Amortization of debt discount		
Amortization of debt discount		
Losses on disposal of property, plant and equipment		
Impairment of digital assets / Impairment of digital assets	2,864	212,184
Impairment of goodwill, other intangibles and property, plant and equipment	—	1,118,524
Provision for doubtful accounts	—	5,943
Gain on sale of digital assets / Gain on sale of digital assets	(2,358)	(25,007)
Gain on sale of digital assets		
Gain on sale of digital assets		
Non-cash reorganization items		
Changes in operating assets and liabilities: / Changes in operating assets and liabilities:		
Accounts receivable, net		
Accounts receivable, net		
Accounts receivable, net / Accounts receivable, net	(875)	(6,737)
Accounts receivable from related parties / Accounts receivable from related parties	23	(595)
Digital assets / Digital assets	277,823	350,794
Deposits for equipment / Deposits for equipment	(600)	(66,932)

Prepaid expenses and other current assets	Prepaid expenses and other current assets	(10,650)	53,832
Accounts payable	Accounts payable	32,771	2,954
Accrued expenses and other	Accrued expenses and other	13,001	(241)
Deferred revenue	Deferred revenue	(15,015)	22,251
Deferred revenue from related parties		—	(65,954)
Other noncurrent assets and liabilities, net	Other noncurrent assets and liabilities, net	(10,911)	(6,194)
Net cash provided by operating activities	Net cash provided by operating activities	43,411	89,201
Cash flows from Investing Activities:	**Cash flows from Investing Activities:**		
Purchases of property, plant and equipment	Purchases of property, plant and equipment	(4,516)	(243,755)
Cash acquired in acquisition		—	—
Deposits for self-mining equipment		—	(217,677)
Proceeds from the sale of intangibles		—	10,850
Investments in internally developed software		(840)	—
Purchases of property, plant and equipment			
Purchases of property, plant and equipment			
Other			
Other			
Other	Other	—	(719)
Net cash used in investing activities	Net cash used in investing activities	(5,356)	(451,301)
Cash flows from Financing Activities:	**Cash flows from Financing Activities:**		
Proceeds from issuance of common stock, net of transaction costs		—	—
Proceeds from issuance of common stock upon Merger with XPDI, net of transaction costs		—	210,534
Proceeds from debt, net of issuance costs		—	216,182
Repurchase of common shares to pay employee withholding taxes		—	(31,627)

Proceeds from issuance of common stock			
Proceeds from issuance of common stock			
Proceeds from issuance of common stock			
Proceeds from draw from exit facility			
Proceeds from draw from exit facility			
Proceeds from draw from exit facility			
Principal repayments of finance leases	Principal repayments of finance leases	(3,411)	(28,070)
Principal payments on debt	Principal payments on debt	(22,941)	(98,953)
Payment for transaction costs		—	—
Net cash (used in) provided by financing activities		(26,352)	268,066
Restricted stock tax holding obligations			
Restricted stock tax holding obligations			
Restricted stock tax holding obligations			
Proceeds from exercise of stock options			
Net cash provided by provided by (used in) financing activities			
Net increase in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash—beginning of period			
Cash, cash equivalents and restricted cash—end of period			

Net increase in cash, cash equivalents and restricted cash	11,703	(94,034)
Cash, cash equivalents and restricted cash—beginning of period	52,240	131,678
Cash, cash equivalents and restricted cash—end of period	$ 63,943	$ 37,644
Supplemental disclosure of other cash flow information:		
Cash paid for interest	1,508	69,616
Income tax refunds	(336)	(782)
Cash paid for reorganization items, net	62,590	—
Supplemental disclosure of noncash investing and financing activities:		
Change in accrued capital expenditures	(39,660)	(59,030)

Decrease in equipment related to debt extinguishment	17,849	—
Decrease in notes payable in exchange for equipment	(38,610)	—
Payment-in-kind interest	—	24,103
Cashless exercise of warrants	—	3,001
Property, plant and equipment obtained in exchange transaction	—	62,338
Property, plant and equipment disposed of through settlements	6,301	—
Purchase of insurance policies financed by short-term note payable	5,011	—
Issuance of notes payable through settlements	21,035	—

Supplemental disclosure of other cash flow information:				
Cash paid for interest	$	2,811	$	317
Income tax refunds	$	(1)	$	(300)
Cash paid for reorganization items	$	53,835	$	—
Supplemental disclosure of noncash investing and financing activities:				
Change in accrued capital expenditures	$	(8,484)	$	45,721
Decrease in equipment related to debt extinguishment		—		17,849
Decrease in notes payable in exchange for equipment		—		(38,610)
Reduction in plant, property, and equipment basis related to Bitmain purchase		(26,101)		—
Reclass of other current and non-current assets to plant, property, and equipment		8,890		—
Decrease in right-of-use assets due to lease termination		(6,560)		—
Increase in right-of-use assets due to lease commencement		70,690		—
Increase in lease liability due to lease commencement		70,690		—
Extinguishment of convertible notes upon emergence		(559,902)		—
Extinguishment of accounts payable, accrued expenses, finance lease liability, and notes payable upon emergence		(321,773)		—
Cancellation of common stock in connection with emergence		(37)		—
Issuance of new common stock in connection with emergence		296,494		—
Issuance of new common stock for Bitmain obligation		27,839		—
Issuance of new common stock for the Equity Rights Offering backstop commitment		5,475		—
Issuance of contingent value rights		86,325		—
Issuance of warrants		345,856		—
Issuance of new secured convertible notes		260,000		—
Issuance of secured notes, net of discount		149,520		—
Issuance of Exit Credit Agreement including $1.2 million paid in kind upfront fee		41,200		—
Issuance of miner equipment lender facility loans		52,947		—
Issuance of notes related to settlement		9,092		—
Cumulative effect of adoption of ASU 2023-08, Accounting for and Disclosure of Crypto Assets		24		—

Certain prior year amounts have been reclassified for consistency with the current year presentation.
See accompanying notes to unaudited consolidated financial statements.

Core Scientific, Inc.
(Debtor-in-Possession)
Notes to Unaudited Consolidated Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

MineCo Holdings, Inc. was incorporated on December 13, 2017, in the State of Delaware and changed its name to Core Scientific, Inc. (“Old Core”) pursuant to an amendment to its Certificate of Incorporation dated June 12, 2018. On August 17, 2020, Old Core engaged in a holdco restructuring to facilitate a borrowing arrangement by Old Core pursuant to which Old Core was merged with and into a wholly owned subsidiary of Core Scientific Holding Co. and became a wholly owned subsidiary of Core Scientific

Holding Co. and the stockholders of Old Core became the stockholders of Core Scientific Holding Co. In July 2021, Core Scientific Holding Co. completed the acquisition of Blockcap, Inc. ("Blockcap"). Prior to its acquisition, Blockcap was one of Old Core's largest hosting customers. On January 19, 2022, following the approval at the special meeting of the stockholders of Power & Digital Infrastructure Acquisition Corp., a Delaware corporation ("XPDI"), Core Scientific Holding Co. merged with XPDI, and XPDI Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of XPDI ("Merger Sub"), consummated the transactions contemplated under the merger agreement. In connection with the closing of the merger, XPDI changed its name from Power & Digital Infrastructure Acquisition Corp. to Core Scientific, Inc. ("Core Scientific" or the "Company").

Core Scientific is a best-in-class, large-scale an operator of dedicated, purpose-built facilities for digital asset mining and a premier provider of digital infrastructure, software solutions and services to our third-party customers. The Company currently focuses primarily on digital asset mining. We mine employ our own large fleet of computers ("miners") to earn digital assets for our own account and provide colocation hosting services for other large-scale miners large customers at our eight seven operational data centers in Georgia (2), Kentucky (1), North Carolina (2) (1), North Dakota (1) and Texas (2). Currently, we We derive the majority of our revenue from self-mining bitcoin. earning bitcoin for our own account ("self-mining").

We began operate in two segments: "Mining," consisting of digital asset mining in 2018 for our own account, and in 2020 became one "Hosting," consisting of the largest North American providers of colocation our digital infrastructure and third-party hosting services business for third-party mining customers. We are one of the largest blockchain infrastructure, digital asset mining and colocation hosting provider companies in North America. As of September 30, 2023, we had approximately 1,500 MW of contracted power capacity at our sites, including 500 MW of power allocated to the Muskogee, Oklahoma data center, which remains substantially undeveloped.

specialized Graphics Processing Unit ("GPU") cloud compute customers.

Our hosting colocation business provides a full suite of services to our digital asset mining and GPU cloud compute customers. We provide deployment, monitoring, troubleshooting, optimization and maintenance of our customers' digital asset mining equipment and provide necessary electrical power, repair and other infrastructure services necessary for our customers to operate, maintain and efficiently mine digital assets.

assets and offer specialized cloud services, as applicable.

We operate believe our experience in two segments: "Mining", consisting of digital asset mining can be applied favorably to the design, development and operation of large-scale data centers configured to optimize the performance of specialized computers for our own account, other specific, high-value applications such as cloud computing, machine learning and "Hosting", consisting of our blockchain infrastructure and third-party hosting business.

Our business strategy is to grow our revenue and profitability by increasing the capacity and efficiency of our self-mining fleet and entering into strategic, revenue-enhancing colocation opportunities with third parties. artificial intelligence. We intend to develop the look for opportunities to expand our business into these areas using our knowledge, experience and existing infrastructure necessary to support business growth and profitability and capture adjacent where favorable market opportunities that leverage our mining infrastructure, expertise and capabilities. exist.

Chapter 11 Filing and Emergence from Bankruptcy

On December 21, 2022, the Company and certain of its affiliates (collectively, the "Debtors") filed voluntary petitions (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") seeking relief under Chapter 11 of the United States Code (the "Bankruptcy Code"). The Chapter 11 Cases are were jointly administered under Case No. 22-90341. The Debtors continue continued to operate their business and manage their properties as "debtors-in-possession" ("DIP") under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The Debtors have filed various "first day" motions with the Bankruptcy Court requesting customary relief, which were generally approved by the Bankruptcy Court on December 22, 2022, that have enabled the Company to operate in the ordinary course while under Chapter 11 protection. For detailed discussion about the Chapter 11 Cases, refer to Note 3 — Chapter 11 Filing and Other Related Matters. Emergence from Bankruptcy.

On June 20, 2023 January 15, 2024, the Debtors filed with the Bankruptcy Court a proposed Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related proposed form of Disclosure Statement; (ii) on August 8, 2023, the Fourth Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement; and (iii) on September 7, 2023 (with Technical Modifications) (the "Plan of Reorganization") with the Bankruptcy Court. On January 16, 2024, the Second Amended Joint Chapter 11 Bankruptcy Court entered an order (the "Confirmation Order") among other things, confirming the Plan of Reorganization. On January 23, 2024 (the "Effective Date"), the conditions to the effectiveness of the Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates (the "Plan") and a related Disclosure Statement (the "Disclosure Statement").

On September 19, 2023, the Debtors, the ad hoc group of the Debtors' secured convertible notes holders (the "Ad Hoc Noteholder Group") were satisfied or waived and the equity committee (the "Equity Committee" Company emerged from bankruptcy.

The Company was not required to apply fresh start accounting based on the provisions of Accounting Standards Codification ("ASC") reached an agreement in principle with respect to 852, *Reorganizations*, since the

economic terms entity's reorganization value immediately before the date of confirmation is more than the Plan (the "Mediated Settlement"). The Debtors, the Ad Hoc Noteholder Group total of all its post-petition liabilities and the Equity Committee will continue to work and negotiate in good faith to document the Mediated Settlement, resolve certain open issues and revise the Plan and Disclosure Statement to incorporate the terms of the Mediated Settlement. allowed claims.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Refer to the significant accounting policies described in Note 2 — Summary of Significant Accounting Policies to the consolidated financial statements and accompanying notes in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Basis of Presentation

Our consolidated balance sheet as of December 31, 2022 December 31, 2023, which was derived from our audited consolidated financial statements, and our unaudited interim consolidated financial statements provided herein have been prepared in accordance with the instructions for Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to

rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). However, in our opinion, the disclosures made therein are adequate to make the information presented not misleading. We believe the unaudited interim financial statements herein furnished reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented. All of these adjustments are of a normal recurring nature. The interim consolidated results of operations and cash flows are not necessarily indicative of the consolidated results of operations and cash flows that might be expected for the entire year. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Revision of Previously Issued Debtor-in Possession

On the Effective Date, the Company emerged from bankruptcy and was no longer considered debtors-in-possession under the Bankruptcy Code. For detailed discussion about the Chapter 11 Cases and our emergence from bankruptcy, refer to Note 3 — Chapter 11 Filing and Emergence from Bankruptcy.

Liquidity and Financial Statements

See Note 14 — Revision of Previously Issued Financial Statements.

Going Concern Condition

For the nine three months ended September 30, 2023 March 31, 2024, the Company generated a net loss income of $50.8 million $210.7 million. The Company had unrestricted cash and cash equivalents of $42.1 million $98.1 million as of September 30, 2023 March 31, 2024, compared to $15.9 million $50.4 million as of December 31, 2022 December 31, 2023. The Company has historically generated cash primarily from the issuance of common stock and debt, through sales of digital assets received as digital asset mining revenue and through revenue from operations through contracts with customers. As of September 30, 2023 March 31, 2024, the Company had net working capital of $5.2 million and a total stockholders' deficit of $418.7 million $318.5 million.

The Plan of Reorganization at the Effective Date (i) eliminated substantial debt and debt service, (ii) established new debt in the form of a secured credit agreement, publicly traded notes and convertible notes, and debt to equipment lenders secured by mining machines, and (iii) new publicly traded equity and warrants. The settlement of accrued and payable claims through new debt and equity issuance and the extension of debt service to future periods on the Effective Date substantially eliminated the reported working capital deficit at December 31, 2023. When combined with the additional liquidity of the available delayed-draw term loan and the expected cash flows from operations, management has concluded that as of March 31, 2024, the Company's capital, liquidity and cash flow from operations is sufficient to fund its operations and debt service obligations for at least the next 12 months from the date these consolidated financial statements have been prepared on a going concern basis. Our ability were issued.

Digital Assets

Currently the Company is required by its existing debt agreements to continue as a going concern is contingent upon, among other things, our ability to, subject sell bitcoin it earns within ten days of receipt. Sales of digital assets awarded to the Bankruptcy Court's approval, implement Company through its self-mining activities are classified as cash flows from operating activities.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-08, *Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* ("ASU 2023-08"). ASU 2023-08 is intended to improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income. The amendments also improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period. ASU 2023-08 is effective for annual and interim reporting periods beginning after December 15, 2024, with early adoption permitted.

The Company's digital assets are within the scope of ASU 2023-08 and the Company elected to early adopt the new standard effective January 1, 2024. The transition guidance requires a Chapter 11 plan cumulative-effect adjustment as of reorganization (the "Plan"), successfully emerge from the Chapter 11 Cases beginning of the current fiscal year for any difference between the carrying amount of the Company's digital assets and generate sufficient liquidity from the restructuring to meet our obligations and operating needs. fair value. As a result of risks and uncertainties related to (i) the Company's ability early adoption, the Company recorded a $24 thousand increase to successfully consummate Digital assets and a $24 thousand decrease to Accumulated deficit on the Plan Consolidated Balance Sheets as of January 1, 2024.

The Company did not have any digital asset holdings as of March 31, 2024. The Company's digital assets have active markets with observable prices and emerge from the Chapter 11 Cases, and (ii) the effects are considered Level 1 fair value measurements. The following table presents a roll-forward of disruption from the Chapter 11 Cases making it more difficult to maintain business, financing and operational relationships, together with the Company's recurring losses from operations and accumulated deficit, substantial doubt exists regarding our ability to continue as a going concern. For detailed discussion about the Chapter 11 Cases and the Plan, refer to Note 3 — Chapter 11 Filing and Other Related Matters.

Debtor-in Possession

In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. Pursuant to certain motions and applications intended to limit the disruption of the bankruptcy proceedings on our operations (the First Day Motions (as defined below)) and other motions filed with the Bankruptcy Court throughout the duration of the Chapter 11 Cases, the Bankruptcy Court has authorized us to conduct our business activities in the ordinary course, including, among other things and subject to the terms and conditions of such orders, authorizing us to obtain DIP financing, pay employee wages and benefits, enter into contracts with customers, vendors and suppliers, continue to earn revenue and pay vendors and suppliers in the ordinary course of business. For detailed discussion about the Chapter 11 Cases, refer to Note 3 — Chapter 11 Filing and Other Related Matters. total digital

assets for the three months ended March 31, 2024, based on the fair value model under ASU 2023-08, and the three months ended March 31, 2023 (in thousands):

	March 31, 2024	March 31, 2023
Digital assets, beginning of period	$ 2,284	$ 724
Cumulative effect of ASU 2023-08, adopted January 1, 2024	24	—
Digital assets, beginning of period, as adjusted	2,308	724
Digital asset mining revenue, net of receivables[1]	149,644	98,026
Mining proceeds from shared hosting	8,371	—
Proceeds from sales of digital assets	(160,777)	(98,384)
Realized gain from sale of digital assets	543	1,064
Impairment of digital assets	—	(1,056)
Payment of board fee	(89)	—
Other	—	(374)
Digital assets, end of period	$ —	$ —

[1] As of March 31, 2024 and March 31, 2023, there was $2.0 million and $1.2 million, respectively, of digital asset receivable included in prepaid expenses and other current assets on the consolidated balance sheets.

Digital assets are classified as current assets on the Company's Consolidated Balance Sheets. In accordance with certain of the Company's credit and note agreements, the Company is currently required to sell its bitcoin within ten days of receipt.

The Company does not have any off-balance sheet holdings of digital assets and does not safeguard digital assets for third parties.

Use of Estimates

The preparation of the Company's unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Some of the more significant estimates include assumptions used to estimate its the Company's ability to continue as a going concern, the valuation of the Company's common shares and the determination of the grant date fair value of stock-based compensation awards for periods prior to the Merger, the valuation of digital assets, goodwill, other intangible assets and property, plant and equipment, the initial measurement of lease liabilities, the fair value of convertible debt, derivative warrants, liabilities, and income taxes. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from management's estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less from the date of acquisition. As of September 30, 2023 and December 31, 2022, cash equivalents included $34.1 million and $10.2 million, respectively, of highly liquid money market funds which are classified as Level 1 within the fair value hierarchy. Restricted cash consists of cash held in escrow under the Original DIP Credit Agreement (as defined below) and in escrow to pay for construction and development activities. As of September 30, 2023 and December 31, 2022, the Company had restricted cash of $21.8 million and $36.4 million, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable balance consists of amounts due from its hosting customers. The Company records accounts receivable at the invoiced amount less an allowance for any potentially uncollectible accounts under the current expected credit loss ("CECL") impairment model and presents the net amount of the financial instrument expected to be collected. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, which considers forecasts of future economic conditions in addition to information about past events and current conditions. Based on this model, the Company considers many factors, including the age of the balance, collection history, and current economic trends. Bad debts are written off after all collection efforts have ceased.

Allowances for credit losses are recorded as a direct reduction from an asset's amortized cost basis. Credit losses and recoveries are recorded in selling, general and administrative expenses in the consolidated statements of operations. Recoveries of financial assets previously written off are recorded when received. For the nine months ended September 30, 2023 and 2022, the Company did not record any credit losses or recoveries.

Based on the Company's current and historical collection experience, the Company recorded an allowance for doubtful accounts of $8.7 million as of September 30, 2023 and December 31, 2022.

Performance Obligations - Hosting Segment

The Company's performance obligations primarily relate to hosting services, which are described below. The Company has performance obligations associated with commitments in customer hosting contracts for future services that have not yet been recognized in the financial statements. For As of March 31, 2024, for contracts with original terms that exceed one year (typically ranging from 15 to 48 24 months), those commitments not yet recognized as we expect to recognize approximately $58.3 million of September 30, 2023 revenue in the future related to performance obligations associated with existing hosting contracts. The Company expects to recognize approximately 89% of this amount over the next 12 months and December 31, 2022, were $100.8 million and $159.6 million, respectively. the remainder thereafter.

Deferred Revenue

The Company records contract liabilities in Deferred revenue and Other non-current liabilities on the Company's Consolidated Balance Sheets when cash payments are received in advance of performance and recognizes them as revenue when the performance obligations are satisfied. The Company's total deferred revenue balance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, was $64.3 $9.3 million and $80.4 $9.8 million, respectively, all from advance payments received during the periods then ended. respectively.

In the three and nine months ended September 30, 2023 March 31, 2024, the Company recognized $2.7 million and $20.5 million $6.4 million of revenue respectively, that was included in the deferred revenue balance as of the beginning of the year.

In the three and nine months ended September 30, 2022 March 31, 2023, the Company recognized $30.9 million and $79.6 million $11.6 million of revenue respectively, that was included in the deferred revenue balance as of the beginning of the year.

Advanced payments for hosting services are typically recognized in the following month and are generally recognized within one year.

Recently Adopted Accounting Standards

Measurement of Credit Losses Convertible and Other Notes Payable

In June 2016, Convertible and other notes payable ("Notes payable") are accounted for under ASC 470, *Debt* ("ASC 470") are presented at their carrying value, which is their remaining par or face amount net of any related unamortized premium, discount and issuance costs. Notes payable are initially recognized at their present value. When cash proceeds are received for the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Measurement issuance of Credit Losses Notes payable the proceeds are used to establish their present value. When cash proceeds are not received for the issuance of Notes payable their present value is based on Financial Instruments*, which will require an entity to measure credit losses for certain financial instruments and financial assets, including trade receivables. Under this update, on initial recognition and at each reporting period, an entity the consideration exchanged. This present value generally will be the Notes payable's cash flows discounted at a market rate when it is more evident than the noncash consideration exchanged. When the present value of Notes payable on issuance varies from its par or face amount, an original discount or premium results and any related issuance costs are used to determine an effective interest rate. Original premium, discount and issuance costs are amortized using the level effective rate interest method. Amortization is recognized as a component of current interest expense.

Notes payable are evaluated at issuance to determine whether or not they have features or terms which would be treated as embedded derivatives that are required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. The Company adopted this new guidance on January 1, 2023 bifurcated under ASC 815, *Derivatives and Hedging* ("ASC 815"). At December 31, 2023 and March 31, 2024, and the adoption Notes payable did not have any embedded derivatives required to be bifurcated.

Contingent Value Rights Liabilities

As described in Note 7 — Contingent Value Rights and Warrant Liabilities, on the Effective Date, pursuant to the Plan of Reorganization, the Company entered into a material impact contingent value rights agreement (the "Contingent Value Rights Agreement") which provides for the issuance of the contingent value rights (the "CVRs") to certain creditors and provides for the issuance of CVRs issued to holders of allowed general unsecured claims ("GUC") (in such capacity, the "GUC Payees") (the "GUC CVRs"). The CVRs and GUC CVRs are equity-linked instruments which are either only cash settled or in some instances share settled at the Company's sole discretion. The Company determined that these equity-linked instruments are not indexed to the Company's stock and are required to be recognized as liabilities which are, initially and subsequently, measured at fair value with changes in value reflected in Net income (loss).

On the Effective Date, the CVRs and GUC CVRs were recognized at their fair value of $86.3 million. As of March 31, 2024, the CVRs and GUC CVRs were reported at a fair value of $44.6 million in Contingent value rights on the consolidated balance sheets. During the three months ended March 31, 2024, the change in fair value of $41.7 million was included in Change in fair value of warrant and contingent value rights on the Company's unaudited consolidated financial statements. Consolidated Statements of Operations.

Warrant Liabilities

As described in Note 7 — Contingent Value Rights and Warrant Liabilities, on the Effective Date, pursuant to the Plan of Reorganization, holders of the Company's previous common stock received warrants. The warrants are equity-linked instruments. The Company determined that these equity-linked instruments are not indexed to the Company's stock and are required to be recognized as liabilities which are, initially and subsequently, measured at fair value with changes in value reflected in Net income (loss).

On the Effective Date, the warrants were recognized at their fair value of $345.9 million. As of March 31, 2024, the warrants were reported at a fair value of $327.5 million in Warrant liabilities on the Consolidated Balance Sheets. During the three months ended March 31, 2024, the change in fair value of $18.4 million was included in Change in fair value of warrant and contingent value rights on the Company's Consolidated Statements of Operations.

Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,* which will improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This update will be effective for the Company during the annual reporting period beginning January 1, 2025. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* Under this ASU, public business entities must annually "(1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate)." This update will be effective for the Company during the annual reporting period beginning January 1, 2025. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

There are no other new accounting pronouncements that are expected to have a significant impact on the Company's unaudited consolidated financial statements.

3. CHAPTER 11 FILING AND OTHER RELATED MATTERS EMERGENCE FROM BANKRUPTCY

Chapter 11

On December 21, 2022 (the "Petition Date"), the Debtors filed the Chapter 11 Cases in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. The Chapter 11 Cases are jointly administered under Case No. 22-90341. The Debtors continue continued to operate their business and manage managed their properties as "debtors-in-possession" ("DIP") DIP under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The Debtors filed various "first day" motions with the Bankruptcy Court requesting customary relief, which were generally approved by the Bankruptcy Court on December 22, 2022, that have enabled the Company to operate in the ordinary course while under Chapter 11 protection.

On June 20, 2023, the Debtors filed with the Bankruptcy Court (i) a proposed Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related proposed form of Disclosure Statement; (ii) Statement, and on August 8, 2023 January 15, 2024, the Debtors filed the Fourth Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement; and (iii) on September 7, 2023 Affiliated Debtors (with Technical Modifications) with the Bankruptcy Court.

On January 16, 2024, the Second Amended Joint Chapter 11 Bankruptcy Court entered the Confirmation Order among other things, confirming the Plan of Reorganization. On the Effective Date, the conditions to the effectiveness of the Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement.

On September 19, 2023, the Debtors, the ad hoc group of the Debtors' secured convertible notes holders (the "Ad Hoc Noteholder Group") were satisfied or waived and the equity committee (the "Equity Committee") reached an agreement in principle with respect to the economic terms of the Plan (the "Mediated Settlement"). The Debtors, the Ad Hoc Noteholder Group and the Equity Committee will continue to work and negotiate in good faith to document the Mediated Settlement, resolve certain open issues and revise the Plan and Disclosure Statement to incorporate the terms of the Mediated Settlement.

Original DIP Credit Agreement and Restructuring Support Agreement

In connection with the Chapter 11 Cases, the Debtors entered into a Senior Secured Super-Priority Debtor-in-Possession Loan and Security Agreement, dated as of December 22, 2022 (the "Original DIP Credit Agreement"), with Wilmington Savings Fund Society, FSB, as administrative agent, and the lenders Company emerged from time to time party thereto (collectively, the "Original DIP Lenders"). The Original DIP Lenders are also holders or affiliates, partners or investors of holders under the Company's notes sold pursuant to (i) the Secured Convertible Note Purchase Agreement, dated as of April 19, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), by and among Core Scientific, Inc. (as successor of Core Scientific Holding Co.), the guarantors party thereto from time to time, U.S. Bank National Association, as note agent and collateral agent, and the purchasers of the notes issued thereunder (the "Secured Convertible Notes"), and (ii) the Convertible Note Purchase Agreement, dated as of August 20, 2021, (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), by and among Core

Scientific, Inc. (as successor of Core Scientific Holding Co.), the guarantors party thereto from time to time, U.S. Bank National Association, as note agent and collateral agent, and the purchasers of the notes issued thereunder (the "Other Convertible Notes," and together with the Secured Convertible Notes, the "Convertible Notes").

Also in connection with the filing of the Chapter 11 Cases, the Company entered into a restructuring support agreement (together with all exhibits and schedules thereto, the "Restructuring Support Agreement") with the ad hoc group of noteholders, representing more than 70% of the holders of the Convertible Notes (the "Ad Hoc Noteholder Group") pursuant to which the Ad Hoc Noteholder Group agreed to provide commitments for a debtor-in-possession facility (the "Original DIP Facility") of more than $57 million and agreed to support the syndication of up to an additional $18 million in new money DIP (defined below) facility loans to all holders of Convertible Notes. The Company terminated the Restructuring Support Agreement pursuant to a "fiduciary out" which permitted the Company to pursue better alternatives. bankruptcy.

Replacement DIP Credit Agreement

On February 2, 2023, the Bankruptcy Court entered an interim order (the "Replacement Interim DIP Order") authorizing, among other things, the Debtors to obtain senior secured non-priming super-priority replacement post-petition financing (the "Replacement DIP Facility"). On February 27, 2023, the Debtors entered into a Senior Secured Super-Priority Replacement Debtor-in-Possession Loan senior secured super-priority replacement debtor-in-possession loan and Security Agreement security agreement governing the Replacement DIP Facility (the "Replacement DIP Credit Agreement"), with B. Riley Commercial Capital, LLC, as administrative agent (the "Administrative Agent"), and the lenders from time to time party thereto (collectively, the "Replacement DIP Lender"). Proceeds of the Replacement DIP Facility were used to, among other things, repay amounts outstanding under the Original original debtor-in-possession facility that was entered into in connection with the filing of the Chapter 11 Cases (the "Original DIP Facility, Facility"), including payment of all fees and expenses required to be paid under the terms of the Original DIP Facility. These funds, along with ongoing cash generated from operations, were anticipated to provide the necessary financing to effectuate the planned restructuring, facilitate the emergence from Chapter 11, and cover the fees and expenses of legal and financial advisors.

The Replacement DIP Facility, among other things, provides provided for a non-amortizing super-priority senior secured term loan facility in an aggregate principal amount not to exceed $70 million. Under the Replacement DIP Facility, (i) $35 million was made available following Bankruptcy Court approval of the Interim DIP Order and (ii) $35 million was made available following Bankruptcy Court approval of the Final DIP Order. Loans under the Replacement DIP Facility will bear bore interest at a rate of 10%, which will be was payable in kind in arrears on the first day of each calendar month. The Administrative Agent received an upfront payment equal to 3.5% of the aggregate commitments under the Replacement DIP Facility on February 3, 2023, payable in kind, and the Replacement DIP Lender will receive received an exit premium equal to 5% of the amount of the loans being repaid, reduced or satisfied, payable in cash. The Replacement DIP Credit Agreement includes representations and warranties, covenants applicable

Core Scientific, Inc.

Notes to the Debtors, and events of default. If an event of default under the Replacement DIP Credit Agreement occurs, the Administrative Agent may, among other things, permanently reduce any remaining commitments and declare the outstanding obligations under the Replacement DIP Credit Agreement to be immediately due and payable. Unaudited Consolidated Financial Statements

The maturity date of the Replacement DIP Credit Agreement is December 22, 2023, which can be extended, under certain conditions, by an additional three months to March 22, 2024. The Replacement DIP Credit Agreement will also terminate on the date that is the earliest of the following (i) the effective date of the Plan with respect to the Borrowers (the "Plan") (as defined in the Replacement DIP Credit Agreement) or any other Debtor; (ii) the consummation of any sale or other disposition of all or substantially all of the assets of the Debtors pursuant to section 363 of the Bankruptcy Code; (iii) the date of the acceleration of the Loans and the termination of the Commitments (whether automatically, or upon any Event of Default or as otherwise provided in the Replacement DIP Credit Agreement); and (iv) conversion of the Chapter 11 Cases into cases under chapter 7 of the Bankruptcy Code.

On March 1, 2023, the Bankruptcy Court entered an order approving the Replacement DIP Facility on a final basis and the terms under which the Debtors are authorized to use the cash collateral of the holders of their convertible notes (the "Final DIP Order").

On July 4, 2023, the Debtors, the Administrative Agents and the Replacement DIP Lender entered into the First Amendment to the Replacement DIP Credit Agreement. For detailed discussion about

In January 2024, the First Amendment, refer to Note 5 — Notes Payable.

NYDIG Settlement

On February 26, 2023, the Bankruptcy Court entered an order (the "NYDIG Order"), whereby the Debtors and NYDIG agree that the Debtors would transfer the miners serving as collateral under the NYDIG Loan back to NYDIG over a period of several

months in exchange for the full extinguishment of the NYDIG Loan. The final shipment of miners serving as collateral under the NYDIG loan occurred during the quarter ended March 31, 2023, after which the NYDIG Loan Replacement DIP Facility was extinguished repaid in full and terminated on the Company recorded a $20.8 million gain on extinguishment Effective Date of debt in the Company's Consolidated Statements Plan of Operations.

Priority Power Settlement

On March 20, 2023, the Bankruptcy Court entered an order (the "Priority Power Order"), whereby the Debtors and Priority Power agree that the Debtors would transfer equipment to Priority Power and assume an Energy Management and Consulting Services Agreement and other new agreements. Priority Power was determined to have a single aggregate allowed claim of $20.8 million, which was secured by a perfected mechanic's lien. The claim was deemed paid and fully satisfied by transfer of specific equipment from the Debtors to Priority Power on the date of the Priority Power Order, thereby releasing all Priority Power liens. The satisfaction of the obligation and transfer of the equipment is a noncash transaction which occurred during the quarter ended March 31, 2023, and resulted in a gain of $4.9 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the nine months ended September 30, 2023.

City of Denton Lease Settlement

On August 16, 2023, the Bankruptcy Court entered an order (the "City of Denton Order"), approving the parties agreement to settle all claims of City of Denton and Denton Municipal Electric ("Denton") against the Debtors and releasing any and all liens related to the Debtor's lease of the Denton facility in exchange for Debtors execution lease cure costs totaling $1.5 million. The satisfaction of the settlement resulted in a loss of $1.5 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023.

Huband-Mantor Construction Settlement

On August 18, 2023, the Bankruptcy Court entered an order (the "HMC Order"), approving the parties agreement to settle all claims of Huband-Mantor Construction ("HMC") and its subcontractors against the Debtors and releasing any and all liens in favor of HMC and its subcontractors in exchange for Debtors payment of $2 million and the Debtors execution of a promissory note in favor of HMC in the principal amount of $15.5 million. The promissory note is secured by a mortgage of the Debtors Cottonwood 1 facility in Texas. The satisfaction of the settlement resulted in a loss of $8.3 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023. See Note 5 — Notes Payable for further discussion ofthe promissory note.

Celsius Mining LLC Settlement

On September 14, 2023, the Debtors and Celsius entered into a purchase and sale agreement (the "PSA") that provides in addition to a full mutual release of claims asserted against each party in the respective bankruptcy cases for a cash payment by Celsius to the Company of $14.0 million and a full and final release of all claims of Celsius against the Debtors related to the Celsius Contracts, in exchange for the Debtors, (i) sale to Celsius of the Debtor's Ward County, Texas bitcoin mining data center site (the "Cedarvale Facility") and certain related assets, (ii) grant to Celsius of a perpetual, non-transferable (except as described in Section 14 of the PSA), non-exclusive limited license to use identified Company intellectual property solely as and to the extent necessary to (x) finish construction and development of the Cedarvale Facility, (y) develop and construct other mining facilities on other properties owned or leased by Celsius similar in type and scope to the Cedarvale Facility, and (z) operate all of the foregoing, (iii) assumption and assignment to Celsius of certain executory contracts. In connection with the PSA the parties released and (iv) unequivocally release claims against Celsius asserted by the Company in connection with the Celsius Chapter 11 Cases and the Company's Chapter 11 Cases. On November 2, 2023, the Company received the payment of $14.0 million from Celsius in connection with the PSA.

As of September 30, 2023, there were $36.1 million of assets held for sale on the Company's Consolidated Balance Sheets related to the sale of the Cedarvale Facility. Refer to Note 8 — Commitments and Contingencies for further discussion of the sale.

ACM ELF ST LLC Lease Settlement

In September 2023, the Company entered into a $7.2 million equipment finance agreement with ACM ELF ST LLC in settlement and satisfaction of a previous equipment finance agreement which resulted in a gain of $5.0 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023. See Note 5 — Notes Payable for further discussion ofthe promissory note.

J.W. Didado Electric, LLC Settlement

On October 2, 2023, the Bankruptcy Court entered an order (the "J.W. Didado Order"), approving the parties agreement to settle all claims of W. Didado Electric, LLC ("Didado") against the Debtors and releasing any and all liens related to the Debtor's Muskogee datacenter in exchange for Debtors execution of an unsecured promissory note in favor of Didado in the principal amount of $13 million to be paid over 36 months upon emergence of bankruptcy. Reorganization.

Reorganization items, net and Liabilities Subject to Compromise

Effective on December 21, 2022, the Company began to apply the provisions of ASC 852, *Reorganizations* ("ASC 852"), which is applicable to companies under bankruptcy protection, and requires amendments to the presentation of certain financial statement line items. ASC 852 requires that the financial statements for periods including and after the filing of the Chapter 11 Cases distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Expenses (including professional fees), realized gains and losses, and provisions for losses that can be directly associated with the reorganization must be reported separately as Reorganization items, net in the Consolidated Statements of Operations beginning December 21, 2022, the date of filing of the Chapter 11 Cases. Liabilities that may be affected by the Plan of Reorganization must be classified as liabilities subject to compromise at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts as a result of the Plan of Reorganization or negotiations with creditors. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of secured status of certain claims, the values of any collateral securing such claims, or other events. Any resulting changes in classification will be reflected in subsequent financial statements. If there is uncertainty about whether a secured claim is undersecured, or will be impaired under the Plan of Reorganization, the entire amount of the claim is included with prepetition claims in liabilities subject to compromise.

As a result of the filing of the Chapter 11 Cases on December 21, 2022, the classification of pre-petition indebtedness is generally subject to compromise pursuant to the Plan. Plan of Reorganization. Generally, actions to enforce or otherwise effect payment of pre-bankruptcy filing liabilities are were stayed. Although payment of pre-petition claims generally is not permitted, the The Bankruptcy Court granted the Debtors authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtors' businesses and assets. Among other things, the Bankruptcy Court authorized the Debtors to pay certain pre-petition claims relating to employee wages and benefits, taxes and critical vendors. The Debtors are paying and intend to pay undisputed post-petition liabilities in the ordinary course of business. In addition, the Debtors may reject certain pre-petition executory contracts and unexpired leases with respect to their operations with the approval of the Bankruptcy Court. Any damages resulting from the rejection of executory contracts and unexpired leases are treated as general unsecured claims.

While the Chapter 11 Cases are pending, the Debtors do not anticipate making interest payments due under their pre-petition debt instruments pursuant to the protection under the Plan. The contractual interest expense pursuant to our pre-petition debt instruments that was not recognized in our consolidated statements of operations was $19.2 million and $60.7 million for the three and nine months ended September 30, 2023, respectively.

Reorganization items, net incurred as a result of the Chapter 11 Cases presented separately in the accompanying Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,
	2023	2023
Professional fees and other bankruptcy related costs	$ 25,113	$ 62,970
Settlements with creditors:		
Priority Power	(4,878)	(4,878)
ACM ELF ST LLC Lease	(5,003)	(5,003)
Huband-Mantor Construction	8,269	8,269
Denton Lease	1,547	1,547
Other, net	4	4
Total settlements with creditors	(61)	(61)
Debtor-in-possession financing costs	3,204	15,361
Reorganization items, net	$ 28,256	$ 78,270

	Three Months Ended March 31,	
	2024	2023
Professional fees and other bankruptcy related costs	$ 21,480	$ 20,107
Negotiated settlements	(2,269)	—
Satisfaction of allowed claims:		
Extinguishment of secured and other convertible notes	(10,831)	—
Extinguishment of miner equipment lender loans and leases	(102,024)	—
Satisfaction of general unsecured creditor claims	(31,167)	—
Satisfaction of cures and other claims	231	—
Total satisfaction of allowed claims	(143,791)	—
Reimbursed claimant professional fees	12,802	—
Debtor-in-possession financing costs	339	11,452
Reorganization items, net	$ (111,439)	$ 31,559

The Company has incurred During the three months ended March 31, 2024, there were significant reorganization related gains resulting primarily from satisfaction of allowed claims under the Plan of Reorganization on the Effective Date and continues to incur significant costs associated with the reorganization, primarily debtor-in-possession financing costs and legal and negotiated settlements, partially offset by professional fees which and other bankruptcy related costs. These reorganization related impacts were classified as Reorganization items, net subsequent to our petition. until the Effective Date. Reorganization costs incurred after the Effective Date have been classified as General and administrative expense.

The accompanying Consolidated Balance Sheets Sheet as of September 30, 2023 and December 31, 2022 include December 31, 2023 includes amounts classified as Liabilities subject to compromise, which represent represented liabilities the Company anticipates will estimated would be allowed as claims in the Chapter 11 Cases. Cases by the Court. These amounts represent represented the Company's current estimate of known or potential obligations to be resolved in connection with the Chapter 11 Cases and may differ from actual future settlement amounts paid. Differences between liabilities estimated and claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. Cases.

Liabilities subject to compromise consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Accounts payable	$ 33,278	$ 20,908
Accrued expenses and other current liabilities	18,136	64,493
Accounts payable, and accrued expenses and other current liabilities	$ 51,414	$ 85,401
Operating lease liability	$ —	$ 13,868
Financing lease liability	—	70,796
Debt subject to compromise	41,775	844,695
Accrued interest on liabilities subject to compromise	664	12,553
Leases, debt and accrued interest	42,439	941,912
Liabilities subject to compromise	$ 93,853	$ 1,027,313

	December 31, 2023
Accounts payable	$ 36,678
Accrued expenses and other current liabilities	20,300
Accounts payable, and accrued expenses and other current liabilities	$ 56,978
Debt subject to compromise	$ 41,777
Accrued interest on liabilities subject to compromise	580
Leases, debt and accrued interest	42,357
Liabilities subject to compromise	$ 99,335

Pre-petition unsecured claims, and secured claims which ultimately may be determined were identified as impaired and subject to be impaired compromise during the bankruptcy process and therefor subject were reclassified to compromise, have been classified as Liabilities subject to compromise. During the quarter ended September 30, 2023, improvements in the Company's condition and other developments indicated that secured claims which were initially considered subject to compromise at the beginning Final determination of the bankruptcy process value at which liabilities were settled was made when the Plan of Reorganization became effective and at December 31, 2022, were no longer likely to be subject to compromise as of September 30, 2023. This determination is the primary reason for the decrease in the Liabilities subject to compromise balance, with Court approved settlements contributing nominally to the reductions. Company emerged from bankruptcy.

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Final determination of the value at which liabilities will ultimately be settled cannot be made until the Plan becomes effective 4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and the Company emerges from bankruptcy. The Company will continue to evaluate and adjust the amount and classification of its pre-petition liabilities. Such adjustments may be material. Any additional liabilities that are subject to compromise will be recognized accordingly, and the aggregate amount of Liabilities subject to compromise may change.

4. DIGITAL ASSETS

Activity related to our digital asset balances for the nine months ended September 30, 2023 and 2022 was as follows (in thousands):

	September 30, 2023	September 30, 2022
Digital assets, beginning of period	$ 724	$ 234,298
Digital asset mining revenue, net of receivables	278,100	323,337
Mining proceeds from shared hosting	10,321	—
Proceeds from sales of digital assets	(287,769)	(350,795)

Gain from sales of digital assets	2,351	25,007
Impairment of digital assets	(2,864)	(212,184)
Payment of board fee	(304)	—
Digital assets, end of period	$ 559	$ 19,663

* As of September 30, 2023, there was $0.9 million of digital asset receivable included in prepaid expenses and other current assets on the consolidated balance sheets.

Digital assets are available to be sold as a source of funds, if needed, for current operations and are classified as current assets on the Company's Consolidated Balance Sheets. The Company had total digital assets of $0.6 million and $0.7 million, at September 30, 2023 and December 31, 2022, respectively.

The Company does not have any off-balance sheet holdings of digital assets.

5. NOTES PAYABLE

The commencement of the Chapter 11 Cases constituted an event of default under certain of the Company's debt agreements. Any efforts to enforce payment obligations under the debt instruments are automatically stayed as a result of the Chapter 11 Cases and the creditors' rights in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. See Note 3 — Chapter 11 Filing and Other Related Matters for further information. The stay applies to the ability of creditors to demand accelerated payments under default provisions, as a result, the Company continues to classify its notes and leases, not subject to compromise, according to the original payment schedules.

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Notes payable equipment, net as of September 30, 2023 March 31, 2024 and December 31, 2022, December 31, 2023 consist of the following (in thousands):

	Stated Interest Rate	Effective Interest Rates	Maturities	September 30, 2023	December 31, 2022
Kentucky note	5.0%	5.0%	2023	$ 529	$ 529
NYDIG loan	11.0% - 15.0%	11.0% - 17.0%	Various	—	38,573
Stockholder loan	10.0%	20.0%	2023	10,000	10,000
Trinity loan	11.0%	11.0%	2024	23,356	23,356
Bremer loan	5.5%	5.6%	2026	18,331	18,331
Blockfi loan	9.7% - 13.1%	10.1% - 13.1%	2023	53,913	53,913
Anchor Labs loan	12.5%	12.5%	2024	25,159	25,159
Mass Mutual Barings loans	9.8% - 13.0%	9.8% - 13.0%	2025	63,844	63,844
B. Riley Bridge Notes	7.0%	7.0%	2023	41,777	41,777
Liberty loan	10.6%	10.6%	2024	6,968	6,968
Secured Convertible Notes[1]	10.0%	10.0%	2025	237,584	237,584
Other Convertible Notes[2]	10.0%	10.0%	2025	322,396	322,396
Original DIP Credit Agreement[3]	10.0%	10.0%	2023	—	35,547
Replacement DIP Credit Agreement[4]	10.0%	10.0%	2023	17,848	—
HMC loan	—	15.0%	2026	15,500	—
ACM financing	—	15.0%	2025	7,232	—
First Insurance loan	—	7.6%	2024	4,399	—
Other				2,618	2,960
Notes payable, prior to reclassification to Liabilities subject to compromise				851,454	880,937
Less: Notes payable in Liabilities subject to compromise[5]				41,775	844,695
Less: Unamortized discount and debt issuance costs - post-petition				1,799	—
Total notes payable, net				807,880	36,242
Less: current maturities				128,321	36,242
Notes payable, net of current portion				$ 679,559	$ —

	March 31, 2024	December 31, 2023	Estimated Useful Lives

Land and improvements[1]	$ 20,583	$ 21,852	20 years
Building and improvements	168,470	164,495	12 to 39 years
Mining and network equipment[2]	450,921	441,404	1 to 5 years
Electrical equipment[3]	65,006	64,810	5 to 10 years
Other property, plant and equipment[4]	2,788	2,935	5 to 7 years
Total	707,767	695,496	
Less: accumulated depreciation and amortization[5]	320,394	293,974	
Total	387,373	401,522	
Add: Construction in progress	188,596	183,909	
Property, plant and equipment, net	$ 575,969	$ 585,431	

[1] Secured Convertible Notes includes principal balance at issuance and PIK interest. Estimated useful life of improvements. Land is not depreciated.

[2] Other Convertible Notes includes principal balance Includes finance lease assets of $6.8 million and $46.6 million at issuance March 31, 2024 and PIK interest. December 31, 2023, respectively.

[3] Original DIP Credit Agreement, see Note 3 - Chapter 11 Filing Includes finance lease assets of $12.7 million and Other Related Matters for further information. $12.7 million at March 31, 2024 and December 31, 2023, respectively.

[4] Replacement DIP Credit Agreement, see Note 3 - Chapter 11 Filing Includes finance lease assets of $0.4 million and Other Related Matters for further information. $0.4 million at March 31, 2024 and December 31, 2023, respectively.

[5] In connection Includes accumulated amortization for assets under finance leases of $10.5 million and $43.4 million at March 31, 2024 and December 31, 2023, respectively.

Depreciation expense, including amortization of finance lease assets, for the three months ended March 31, 2024 and 2023, was $28.8 million, and $20.2 million, respectively. Depreciation for the three months ended March 31, 2024 and 2023, allocated to costs of revenue was $28.7 million, and $20.2 million, respectively.

Mining and network equipment

We have entered into and facilitated agreements with vendors to supply mining equipment for our digital asset mining operations. The majority of our purchases are made on multi-month contracts with installment payments due in advance of scheduled deliveries. Delivery schedules have ranged from one month to 12 months. As of December 31, 2023, we had two active purchase agreements with Bitmain. The first agreement was for the Company's Chapter 11 Cases, $41.8 million and $844.7 million acquisition of outstanding notes payable Antminer S19J XP miners with a combined exahash of 4.08 or 28,400 miners, all of which have been reclassified to Liabilities subject to compromise in the Company's Consolidated Balance Sheets delivered as of September 30, 2023 and December 31, 2022, respectively, at their expected allowed amount. Up to March 31, 2024. The second agreement was for the Petition Date, the Company continued to accrue interest expense in relation to these reclassified debt instruments. acquisition of Antminer S21 miners with a combined exahash of 2.52 or approximately 12,900 miners. As of September 30, 2023 and December 31, 2022, $0.7 million and $12.6 million, respectively, of accrued interest was classified as Liabilities subject to compromise.

HMC Loan - In August 2023, in addition to a cash payment of $2 million, the Company entered into a $15.5 million secured promissory note agreement with Huband-Mantor Construction, Inc (the “HMC loan”) in connection with its settlement and release from all claims. The note bears interest at a contractual rate per annum of 0% and has a term of 36 months from issuance, The Company is required to make monthly payments of principal and interest. Interest expense on the note has been recognized based on an effective interest rate of 15.0%. The loan is secured by a security interest in the underlying property leased.

ACM Financing - In September 2023, the Company entered into a $7.2 million equipment finance agreement with ACM ELF ST LLC (the “ACM Loan”) in settlement and satisfaction of a previous equipment finance agreement. The finance agreement has a term of 26 months from issuance. Interest expense on the finance agreement has been recognized based on an effective rate of 15.0%. The finance agreement is secured by a security interest in the underlying equipment.

First Insurance Loan - In August 2023, the Company entered into an unsecured $5.0 million Insurance Premium Financing Agreement with First Insurance Funding, a Division of Lake Forest Bank & Trust Company (the “First Insurance loan”) to finance the

renewal premium of property insurance policies. Under the agreement, a down payment was paid in the amount of $2.1 million, and the Company will pay the balance in eight monthly installments commencing on September 24, 2023. The contractual annual percentage interest rate is 0%. Interest expense on the note has been recognized based on an effective interest rate of 7.6%

On July 4, 2023, the Debtors, the Administrative Agent and the Replacement DIP Lenders entered into a First Amendment to the Replacement DIP Credit Agreement (the “First Amendment”). The First Amendment, among other things, provides (i) that the Debtors may make certain transfers or payments in connection with settlements of certain third-party claims as described in the First Amendment and (ii) for a reduction in the excess cash threshold amount to the sum of $40.0 million and an amount (which shall not be less than zero) equal to $5.0 million less the amount of any payments on account of prepetition claims, liens or cure costs made by any Obligor after June 30, 2023. This excess cash threshold amount reduction resulted in the Debtors making an additional $6.2 million mandatory prepayment under the Replacement DIP Credit Agreement on July 7, 2023.

As discussed in Note 3 — Chapter 11 Filing and Other Related Matters, under the NYDIG Order, the final shipment of miners that served as collateral under the NYDIG loan occurred during the quarter ended March 31, 2023, after which the NYDIG Loan was extinguished in full and the Company recorded a $20.8 million Gain on extinguishment of debt in the Company's Consolidated Statements of Operations.

The principal amount of the Convertible Notes as of September 30, 2023, reflects the proceeds received plus any PIK interest added to the principal balance of the notes. Upon the closing of the merger agreement with XPDI in January 2022, the conversion price for the Convertible Notes became fixed at 80% of the financing price ($8.00 per share of common stock) and the holders now have the right to convert at any time until maturity. At maturity, any Secured Convertible Notes not converted will be owed two times the original face value plus accrued interest; any Other Convertible Notes not converted will be owed the original face value plus accrued interest. In addition, at any time (both before and after the merger with XPDI) March 31, 2024, the Company has the right to prepay the Convertible Notes at the minimum payoff of two times the outstanding principal amount plus accrued interest. All had received approximately 4,790 miners. The remaining miners were received in April 2024. As of the Convertible Notes, totaling $560.0 million as reporting date of September 30, 2023, are scheduled to mature this Quarterly Report on April 19, 2025, which includes $237.6 million Form 10-Q, we have completed all 2024 payments due on miners ordered for the principal amount of the Secured Convertible Notes which have payoff at maturity of two times the principal amount of the note plus accrued interest. The total amount that would be owed on the Secured Convertible Notes outstanding as of September 30, 2023, if held to maturity was $475.2 million. deployment this year.

6. FAIR VALUE MEASUREMENTS

Level 3 Recurring Fair Value Measurements

Securities are transferred from Level 2 to Level 3 when observable market prices for similar securities are no longer available and unobservable inputs become significant to the fair value measurement. All transfers into and out of Level 3 are assumed to occur at the beginning of the quarterly reporting period in which they occur. As of September 30, 2023 and December 31, 2022, there were no Level 3 financial instruments.

Nonrecurring fair value measurements

The Company's non-financial assets, including digital assets, property, plant and equipment, and intangible assets are measured at estimated fair value on a nonrecurring basis. These assets are adjusted to fair value only when an impairment is recognized, or the underlying asset is held for sale. Refer to Note 2 — Summary of Significant Accounting Policies, for more information regarding fair value considerations when measuring impairment.

No non-financial assets were classified as Level 3 as of September 30, 2023, or December 31, 2022.

Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, net, accounts payable, notes payable and certain accrued expenses and other liabilities. The carrying amount of these financial instruments, other than notes payable discussed below, approximates fair value due to the short-term nature of these instruments.

7. 5. LEASES

The Company has entered into non-cancellable operating and finance leases for office, data facilities, computer and networking equipment, electrical infrastructure and office equipment, with lease periods expiring through 2035. In addition, certain leases contain bargain renewal options extending through 2051. The Company recognizes lease expense for these leases on a straight-line basis over the lease term, which includes any bargain renewal options. The Company recognizes rent lease expense on a straight-line basis over the lease period. In addition to minimum rent, certain leases require payment of real estate taxes, insurance, common area maintenance charges, and other executory costs. Differences between rent lease expense and rent paid are recognized as adjustments to operating lease right-of-use assets on the Company's Consolidated Balance Sheets. For certain leases, the Company receives lease incentives, such as tenant improvement allowances, and records those as adjustments to operating lease right-of-use assets and operating lease liabilities on the Company's Consolidated Balance Sheets and amortizes the lease incentives on a straight-line basis over the lease term as an adjustment to rent lease expense.

The components of operating and finance leases are presented on the Company's Consolidated Balance Sheets as follows (in thousands):

	Financial statement line item	September 30, 2023	December 31, 2022

	Financial statement line item	Financial statement line item	March 31, 2024	December 31, 2023

Assets:	**Assets:**			
Operating lease right-of-use assets	Operating lease right-of-use assets	Operating lease right-of-use assets	$ 6,583	$20,430
Finance lease right-of-use assets*		Property, plant and equipment, net	$17,996	$31,213
Operating lease right-of-use assets				
Operating lease right-of-use assets				
Finance lease right-of-use assets				
Liabilities:	**Liabilities:**			
Operating lease liabilities, current portion				
Operating lease liabilities, current portion				
Operating lease liabilities, current portion	Operating lease liabilities, current portion	Operating lease liabilities, current portion	$ 205	$ 769
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	$ 1,047	$ 720
Finance lease liabilities, current portion	Finance lease liabilities, current portion	Finance lease liabilities, current portion	$19,833	$ —
Finance lease liabilities, net of current portion	Finance lease liabilities, net of current portion	Finance lease liabilities, net of current portion	$35,909	$ —
Operating and finance lease liabilities subject to compromise		Liabilities subject to compromise	$ —	$84,664

*December 31, 2022 revised Supplemental disclosure of noncash investing and financing activities in the Company's Consolidated Statements of Cash Flows includes a decrease in lease liability due to reflect lease satisfactions on the impact Effective Date of $50.7 million presented in Extinguishment of accounts payable, accrued expenses, finance lease liability, and notes payable upon emergence for the 2022 impairments of property, plant and equipment.quarter ended March 31, 2024.

The components of lease expense were as follows (in thousands):

		Three Months Ended September 30,	
	Financial statement line item	2023	2022
Operating lease expense	General and administrative expenses	$ 77	$ 589

Short-term lease expense	General and administrative expenses	161	195
Finance lease expense:			
Amortization of right-of-use assets	Cost of revenue	2,580	9,040
Interest on lease liabilities	Interest expense, net	766	2,278
Total finance lease expense		3,346	11,318
Total lease expense		$ 3,584	$ 12,102

Core Scientific, Inc.
(Debtor-in-Possession)
Notes to Unaudited Consolidated Financial Statements

		Financial statement line item	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Financial statement line item	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
		Financial statement line item	Three Months Ended March 31,				
Operating lease expense	Operating lease expense	General and administrative expenses	$ 675	$ 898			
Short-term lease expense	Short-term lease expense	General and administrative expenses	523	671			
Finance lease expense:	Finance lease expense:						
Amortization of right-of-use assets	Amortization of right-of-use assets	Cost of revenue	9,708	27,563			
Amortization of right-of-use assets							
Amortization of right-of-use assets							
Interest on lease liabilities	Interest on lease liabilities	Interest expense, net	1,508	6,617			
Total finance lease expense	Total finance lease expense		11,216	34,180			
Total lease expense	Total lease expense		$12,414	$35,749			

In determining the discount rate used to initially measure the present value of the right-of-use asset and lease liability, we use rates implicit in the lease, or if not readily available, we use our estimated incremental borrowing rate. Our incremental borrowing rate is based on an estimated secured rate with reference to recent borrowings of similar collateral and tenure, when available. Determining our incremental borrowing rate, especially if If there are insufficient observable recent borrowings near the time of lease commencement, we utilize a rate based on published index rates of credit quality similar to ours adjusted for similar collateral and tenure. Estimating an incremental borrowing rate may require significant judgment.

Information relating to the lease term and discount rate is as follows:

	September 30, 2023	September 30, 2022
Weighted Average Remaining Lease Term (Years)		
Operating leases	15.4	10.7

Finance leases	1.3	2.3
Weighted Average Discount Rate		
Operating leases	7.1 %	6.5 %
Finance leases	12.9 %	12.7 %

The following tables summarize the Company's supplemental cash flow information (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Lease Payments		
Operating lease payments	$ 499	$ 474
Finance lease payments	$ 3,501	$ 34,287
Supplemental Noncash Information		
	$ —	$ 21,574
Operating lease right-of-use assets obtained in exchange for lease obligations[1]	$ —	$ 10,557
(Decrease) increase in finance lease right-of-use assets as a result of lease modification	$ (11,644)	$ 693
Decrease in ROU related due to termination	$ 13,144	$ —
Decrease in lease liability due to termination	$ (13,517)	$ —

[1]Includes operating lease right-of-use assets of $6.7 million that were recorded upon adoption of Topic 842 on January 1, 2022.

	March 31, 2024	March 31, 2023
Weighted Average Remaining Lease Term (Years)		
Operating leases	7.1	10.7
Finance leases	1.3	2.1
Weighted Average Discount Rate		
Operating leases	9.3 %	6.5 %
Finance leases	12.3 %	12.4 %

Information relating to lease payments is as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Lease Payments		
Operating lease payments	$ 69	$ 337
Finance lease payments[1]	$ 4,628	$ 1,080

[1] Approximately $4.6 million of finance lease liabilities were reinstated pursuant to the Plan of Reorganization. Of the $4.6 million of finance lease payments made during the three months ended March 31, 2024, $3.6 million related to cure payments from emergence on the Effective Date.

The Company's minimum payments under noncancelable operating and finance leases having initial terms and bargain renewal periods in excess of one year are as follows at September 30, 2023 March 31, 2024, and thereafter (in thousands):

	Operating leases	Finance leases
Remaining 2023	$ 272	$26,173
2024	170	30,950

	Operating leases	Operating leases	Finance leases
Remaining 2024			
2025	2025 170	1,863	

2026	2026	170	3
2027	2027	170	—
2028			
Thereafter	Thereafter	1,252	—
Total lease payments	Total lease payments	2,204	58,989
Less: imputed interest	Less: imputed interest	952	3,247
Total	Total	$ 1,252	$55,742

Core Scientific, Inc.
Notes to Unaudited Consolidated Financial Statements

6. CONVERTIBLE AND OTHER NOTES PAYABLE

Notes payable as of March 31, 2024 and December 31, 2023, consist of the following (in thousands):

	Stated Interest Rate	Effective Interest Rates	Maturities	March 31, 2024	December 31, 2023
Replacement DIP Credit Agreement[1]	10.0%	10.0%	2024	$ —	$ 4,273
Exit Credit Agreement	9.0%	9.0%	2027	61,200	—
Other Convertible Notes[2]	10.0%	10.0%	2025	—	322,396
Secured Convertible Notes[3]	10.0%	10.0%	2025	—	237,584
Secured Notes	12.5%	12.6%	2028	150,000	—
New Secured Convertible Notes	6.0% - 10.0%	10.0%	2029	260,000	—
Miner Financing:					
Blockfi loan	9.7% - 13.1%	10.1% - 13.1%	2023	—	53,913
Blockfi takeback loan	3.0% - 8.0%	11.9%	2029	47,734	—
Liberty/Stonebriar loan	10.6%	10.6%	2024	—	6,968
Liberty/Stonebriar takeback loan	3.0% - 8.0%	11.9%	2029	6,211	—
ACM note	—%	15.0%	2025	5,704	6,519
Mass Mutual Barings loans	9.8% - 13.0%	9.8% - 13.0%	2025	—	63,844
Anchor Labs loan	12.5%	12.5%	2024	—	25,159
Trinity loan	11.0%	11.0%	2024	—	23,356
Equipment and Settlement:					
Bremer loan	5.5%	5.5%	2027	13,641	18,331
HMC note	5.0%	15.0%	2026	13,347	14,208
Didado note	5.0%	15.0%	2027	12,294	13,000
Dalton note	5.0%	5.0%	2024	4,547	—
Harper note	5.0%	15.0%	2026	4,522	4,678
Trilogy note	5.0%	15.0%	2026	2,927	2,927
Unsecured:					
B. Riley Bridge Notes	7.0%	7.0%	2023	—	41,777
Other:					
First Insurance note	7.6%	7.6%	2024	640	2,538
Stockholder loan	10.0%	20.0%	2023	—	10,000
Kentucky Note	5.0%	5.0%	2023	—	529
Other	5.0% - 7.7%	7.1% - 15.0%	2024 - 2025	1,246	2,453
Notes payable, prior to reclassification to Liabilities subject to compromise				584,013	854,453

Less: Notes payable in Liabilities subject to compromise[4]	—	41,777
Less: Unamortized discounts - post-petition	4,107	4,236
Total notes payable, net	579,906	808,440
Less: current maturities	23,333	124,358
Convertible and other notes payable, net of current portion	$ 556,573	$ 684,082

[1] Replacement DIP Credit Agreement, see Note 3 — Chapter 11 Filing and Emergence from Bankruptcy for further information.

[2] Other Convertible Notes included principal balance at issuance and PIK interest.

[3] Secured Convertible Notes included principal balance at issuance and PIK interest.

[2] Other Convertible Notes included principal balance at issuance and PIK interest.

[1] Replacement DIP Credit Agreement, see Note 3 — Chapter 11 Filing and Emergence from Bankruptcy for further information.

[4] In connection with the Company's Chapter 11 Cases, $41.8 million of outstanding notes payable were reclassified to Liabilities subject to compromise in the Company's Consolidated Balance Sheet Classification

As discussed in 5 — Notes Payable, in October 2022, Sheets as of December 31, 2023, at their expected allowed amount. Up to the Petition Date, the Company determined not continued to accrue interest expense in relation to these reclassified debt instruments. As of December 31, 2023, $0.6 million of accrued interest was classified as Liabilities subject to compromise.

On January 4, 2024, the Company pre-paid the outstanding balance of $4.5 million on the Replacement DIP Facility provided by B. Riley Financial, the Company's DIP lender. The $4.5 million payment included exit fees of approximately $0.2 million. The Replacement DIP Facility was terminated on the Effective Date.

On January 24, 2024, the Company entered into a settlement agreement with Dalton Utilities which resulted in the issuance of an unsecured promissory note with a principal amount of $9.1 million dated December 29, 2023. The note bears interest at a contractual rate of 5.0% per annum and has a maturity date of May 2, 2024. The Company is required to make monthly payments of principal and interest.

On the Effective Date, the obligations of the Company under the Company's April convertible notes, August convertible notes, replacement debtor-in-possession credit agreement, stock certificates, book entries, and any other certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document, directly or indirectly, evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any claim or interest (except such certificates, notes or other instruments or documents evidencing indebtedness or obligations of, or interests in, the Debtors that are specifically reinstated pursuant to the Plan of Reorganization) were cancelled, and the duties and obligations of all parties thereto were deemed satisfied in full, canceled, released, discharged, and of no force or effect.

Extinguishments

On the Effective Date, the holders of Secured and Other Convertible Notes received Secured Notes Indenture, New Secured Convertible Notes Indenture, New Common Stock and CVRs. Certain holders of New Secured Convertible Notes also funded and received the Exit Credit Agreement. The exchange and underlying agreements were executed contemporaneously and in contemplation of each other and were analyzed on a combined basis under ASC 470. The Company determined that extinguishment accounting was applicable, as the debt terms in the exchange are substantially different: (a) the present value of the cash flows of the new and remaining instruments differ by more than 10%, (b) the fair value of the conversion option changed by more than 10% of the carrying amount of the original instruments, and (c) a substantive conversion feature was added to the debt terms. The gain on extinguishment is reported in Reorganization items, net.

Two previous miner equipment lender loans were exchanged for Miner Equipment Lender Agreements. The Company determined that extinguishment accounting was applicable, as the loans had original maturities near the exchange on the Effective Date. The remaining miner equipment lender loans and leases were exchanged for New Common Stock. The Company determined that extinguishment accounting was applicable, as the remaining miner equipment lender loans and leases were settled by the issuance of equity-classified shares. The gain on extinguishment is reported in Reorganization items, net.

Issuances

On the Effective Date, pursuant to the Plan of Reorganization, the Company issued the following debt instruments, which are defined and described in further detail below (in thousands):

	Principal Balance on the Effective Date
Exit Credit Agreement	$ 61,200
Secured Notes Indenture	$ 150,000
New Secured Convertible Notes Indenture	$ 260,000
Miner Equipment Lender Agreements	$ 52,947

In addition, approximately $15.0 million of debt was reinstated pursuant to the Plan of Reorganization.

Exit Credit Agreement

On the Effective Date, under the terms of the Plan of Reorganization, the Company entered into a credit and guaranty agreement, dated as of January 23, 2024 (the "Exit Credit Agreement"), by and among the Company, as borrower, the guarantors named therein, the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent, consisting of an $80 million first-lien credit facility with certain payments holders of the Company's April convertible notes and August convertible notes (in such capacity, the "Exit Lenders") equal to (i) a $40 million term loan comprised of (x) a $20 million initial term loan and (y) a $20 million delayed-draw term loan and (ii) a $40 million roll-up of the outstanding balance of the April convertible notes and August convertible notes (the "Exit Facility"). The Exit Facility will mature on January 23, 2027.

From the Effective Date, cash borrowings under the Exit Facility bear interest at 9.0% per annum, payable on the first business day of each Fiscal Quarter (as defined in the Exit Credit Agreement), commencing on April 1, 2024. The Exit Facility amortizes in equal quarterly installments of $1.25 million beginning on January 1, 2026. Upon the occurrence and during the continuance of an Event of Default (as such term is defined in the Exit Credit Agreement), the obligations under the Exit Facility shall automatically bear interest at a rate equal to an additional 2.0% per annum over the rate otherwise applicable, with respect such interest being payable in cash on each interest payment date (unless the administrative agent demands prior payment).

At issuance, the Company identified embedded features in the Exit Facility and evaluated them for potential bifurcation in accordance with ASC 815-15. The identified embedded features were determined to several be clearly and closely related to the debt host and not subject to bifurcation.

The present value of the Exit Facility's cash flows were estimated to be equal to its par amount, therefore no discount or premium was recorded on issuance.

Obligations under the Exit Credit Agreement are secured by a valid and perfected lien and security interest on substantially all assets and property of the Company and the guarantors thereof, including a first-priority lien on all new, unencumbered miner equipment purchased by the Company or any subsidiary thereof other than the following, which are each secured by a second priority lien on, (i) Equipment Priority Collateral (as defined below) and (ii) future financed equipment. Obligations under the Exit Credit Agreement are guaranteed by all direct and indirect subsidiaries of the Company.

The Exit Facility provides for affirmative, negative and financial covenants, that, among other things, limit the ability of the Company and, in certain cases, certain of the Company's subsidiaries, to incur more indebtedness; pay dividends, redeem stock or make other distributions; make investments; grant or permit certain liens; transfer or sell assets; merge or consolidate; and enter into certain transactions with our affiliates. The Exit Facility also imposes financial maintenance covenants in the form of a maximum leverage ratio and minimum liquidity requirements. The Exit Facility contains certain events of default, including, without limitation, nonpayment of principal, nonpayment of interest, fees or other obligations after three business days, bankruptcy events of the Company or any of its debt facilities, equipment financing facilities subsidiaries and leases certain changes of control.

Secured Notes Indenture

On the Effective Date, under the terms of the Plan of Reorganization, the Company issued $150.0 million aggregate principal amount of senior secured notes due 2028 (the "Secured Notes") pursuant to a secured notes indenture (the "Secured Notes Indenture") among (i) the Company, as the issuer, (ii) the guarantors named therein and other financings, including its two bridge promissory notes. As (iii) Wilmington Trust, National Association, as trustee and collateral agent (the "Secured Notes Agent").

The maturity date of the Secured Notes is January 23, 2028. The Secured Notes bear interest at a rate of 12.5% per annum, payable on March 15, June 15, September 15 and December 15 of each year, beginning on June 15, 2024. There is no amortization on the Secured Notes prior to maturity.

The Secured Notes are secured by a valid and perfected second lien and security interest on substantially all assets of the Company and the guarantors thereof, which liens are junior in priority to liens securing the Exit Facility and are subject to the terms of the New Intercreditor Agreement. The Secured Notes are guaranteed by all direct and indirect subsidiaries of the Company.

The Company is entitled to prepay the notes prior to maturity. If the notes are prepaid after the first year (including in the event that the notes are accelerated), or if the notes are not paid when due at the stated maturity, the Company is required to pay a premium on the outstanding principal amount equal to: (a) 1.00% of the aggregate principal amount of the notes then outstanding, if the notes are prepaid on or after the first anniversary of the Issue Date (as such term is defined in the Secured Notes Indenture) and prior to the

second anniversary of the Issue Date, (b) 2.00% of the aggregate principal amount of the notes then outstanding, if the notes are prepaid on or after the second anniversary of the Issue Date and prior to the third anniversary of the Issue Date and (c) 3.00% of the aggregate principal amount of the notes then outstanding, if the notes are prepaid on or after the third anniversary of the Issue Date or if the notes are not paid when due at maturity, in each case whether such payment is made before or after an event of default or an acceleration (including any acceleration as a result of an insolvency proceeding) of all or part of the creditors notes. No prepayment premium shall be applicable in connection with any prepayment, repayment or refinancing that occurs prior to the first anniversary of the Issue Date.

At issuance, the Company identified embedded features in the Secured Notes and evaluated them for potential bifurcation in accordance with ASC 815-15. The identified embedded features were determined to be clearly and closely related to the debt host and not subject to bifurcation.

The present value of the Secured Notes' cash flows were estimated to be $149.5 million, the discount is amortized to result in recognition of a level effective interest rate.

The Secured Notes Indenture contains affirmative and negative covenants consistent with those in the Exit Facility and the New Secured Convertible Notes Indenture (as defined below) that, among other things, limit the ability of the Company and, in certain cases, certain of the Company's subsidiaries to incur more indebtedness; pay dividends, redeem stock or make other distributions; make investments; grant or permit certain liens; transfer or sell assets; merge or consolidate; and enter into certain transactions with its affiliates. The Secured Notes Indenture contains certain events of default, including, without limitation, nonpayment of principal, nonpayment of fees, interest or other obligations after three business days, violations of the covenants (subject, in the case of certain affirmative covenants, to certain grace periods), and bankruptcy events of the Company or any of its subsidiaries.

New Secured Convertible Notes Indenture

On the Effective Date, under these debt facilities may exercise remedies following any applicable grace periods (which have passed) and the terms of the Plan of Reorganization, the Company issued $260.0 million aggregate principal amount of secured convertible notes due 2029 (the "New Secured Convertible Notes") pursuant to a secured convertible notes indenture (the "New Secured Convertible Notes Indenture") among (i) Core Scientific, Inc., as the issuer, (ii) the guarantors party thereto and (iii) Wilmington Trust, National Association, as trustee and as collateral agent for the New Secured Convertible Notes (in such capacity, the "Secured Convertible Notes Agent"). The New Secured Convertible Notes were issued to holders of the Company's April convertible notes and August convertible notes.

The maturity date of the New Secured Convertible Notes is January 23, 2029. The New Secured Convertible Notes bear interest payable quarterly on March 15, June 15, September 15 and December 15, beginning on June 15, 2024, at the Company's option, (i) in cash at a rate of 10.0% per annum, or (ii) in cash at a rate of 6.0% of per annum and in stock at a rate of 6.0% of per annum (the "Cash/PIK Interest"); provided that the payable-in-stock portion of the Cash/PIK Interest is payable in New Common Stock using a price equal to the volume weighted average price of the New Common Stock for the 20 consecutive trading day period immediately preceding the date that is three business days prior to the applicable interest payment date.

The New Secured Convertible Notes are secured by a valid and perfected third lien and security interest on substantially all assets of the Company and the guarantors thereof, and which liens are junior in priority to liens securing the Exit Facility and Secured Notes and are subject to the terms of the New Intercreditor Agreement. The New Secured Convertible Notes are guaranteed by all direct and indirect subsidiaries of the Company.

Upon the occurrence of a Fundamental Change (as such term is defined in the New Secured Convertible Notes Indenture), the holders of the New Secured Convertible Notes have the right to require the Company to purchase all or any confirmed plan portion of reorganization, such holder's New Secured Convertible Notes at the principal amount thereof plus accrued interest to the repurchase date. Holders may elect to convert the New Secured Convertible Notes into shares of New Common Stock at any time prior to maturity at an initial conversion rate of 171.48 shares of New Common Stock per $1,000 principal amount of New Secured Convertible Notes (equal to a conversion price of $5.8317 per share of New Common Stock), which the Company may deliver in cash, New Common Stock or a combination thereof. The conversion price is subject to anti-dilution adjustments upon (among other triggering events) the occurrence of certain dilutive transactions, including electing share dividends, splits, combinations and reclassification. The New Secured Convertible Notes also automatically convert into New Common Stock if the volume weighted average price for each day for any 20 consecutive trading days is greater than or equal to accelerate 133.6% of the as-adjusted conversion price of $7.79.

At issuance, the Company identified embedded features in the New Secured Convertible Notes and evaluated them for potential bifurcation in accordance with ASC 815-15. The conversion feature was determined to be indexed to the Company's own stock and

would be classified in equity if it were freestanding meeting a scope exception from derivative accounting under ASC 815. The other identified embedded features were determined to be clearly and closely related to the debt host and not subject to bifurcation.

Convertible debt instruments not specifically addressed in other GAAP are accounted for in accordance with ASC 470-20. Under that guidance a substantial premium is presumed to attributable to the conversion feature. A conversion feature which is not bifurcated as a derivative is initially recognized in equity as additional paid-in capital. The New Secured Convertible Notes were estimated to have a present value of $293.2 million on issuance. $260.0 million was initially recognized as debt and $33.2 million was initially recognized as additional paid-in capital. Under the relevant guidance, neither balance is subject to recognition of recurring remeasurements.

The New Secured Convertible Notes Indenture contains affirmative and negative covenants consistent with those in the Exit Facility and the Secured Notes Indenture that, among other things, limit the ability of the Company and, in certain cases, certain of the Company's subsidiaries to incur more indebtedness; pay dividends, redeem stock or make other distributions; make investments; grant or permit certain liens; transfer or sell assets; merge or consolidate; and enter into certain transactions with its affiliates. The New Secured Convertible Notes Indenture contains certain events of default, including, without limitation, nonpayment of principal, nonpayment of interest, fees or other obligations after three business days, and bankruptcy events of the Company or any of its subsidiaries.

Miner Equipment Lender Agreements (BlockFi and Stonebriar)

On the Effective Date, under the terms of the Plan of Reorganization, the Company entered into separate New Miner Equipment Lender Agreements (Election 2) with each holder of an Allowed Miner Equipment Lender Secured Claim that is a Settling Miner Equipment Lender that elected on its ballot to receive and is receiving the Miner Equipment Lender Treatment Election 2 (the "Election 2 Miner Equipment Facility Lenders"), in each case, in the principal amount of such debt, suing eighty percent (80%) of each applicable Holders' Allowed Miner Equipment Lender Claim as of the Effective Date (the "Miner Equipment Lender Facility").

The maturity date on the Miner Equipment Lender Facility is January 23, 2029. Loans issued under the Miner Equipment Lender Facility accrue interest (1) from the Effective Date to and including the second anniversary of the Effective Date, (x) if the Company for nonpayment, increasing does not deliver an Election Notice (as defined below), at a rate of 13.0% per annum and shall be payable 3.0% in cash interest rates and 10.0% paid-in-kind, and (y) if the Company delivers a written notice to default rates, the Election 2 Miner

Equipment Facility Lenders five (5) business days prior to the due date of any interest payment during this period (an “Election Notice”), the Company may elect to have interest accrue at either (a) 12.0% per annum, payable 5.0% in cash and 7.0% paid-in-kind or taking action (ii) 8.0% per annum, payable in cash and (2) following the second anniversary of the Effective Date, at a rate of 10.0% per annum, payable in cash. Upon the occurrence and during the continuance of an Event of Default (as such term is defined in the New Miner Equipment Lender Agreements (Election 2)), the obligations under the Miner Equipment Lender Facility may, at the option of the Election 2 Miner Equipment Facility Lenders, accrue interest at a rate equal to an additional 2.0% per annum over the rate otherwise applicable, with such interest being payable in cash on demand.

Loans issued under the Miner Equipment Lender Facility are secured by a first-priority, duly-perfected and validly enforceable lien on (i) the collateral securing each Election 2 Miner Equipment Facility Lenders’ existing equipment loan/lease and (ii) new, non-financed miners acquired by the Company after the Effective Date, in an aggregate amount of up to $18,204,559 (collectively, the “Equipment Priority Collateral”).

On the Effective Date, under the terms of the Plan of Reorganization, each Miner Equipment Facility Lender entered into a separate intercreditor agreement with the Secured Convertible Notes Agent, the Secured Notes Agent and the Exit Agent (as defined in the Plan of Reorganization) with respect to collateral, where applicable. Remedies available under these debt facilities are stayed while the Equipment Priority Collateral.

The present value of the Miner Equipment Lender Facility’s cash flows were estimated to be equal to its par amount, therefore no discount or premium was recorded on issuance.

The Miner Equipment Lender Facility contains customary covenants, representations and warranties.

As of March 31, 2024, the Company believes it was in compliance with the provisions and financial covenants in their respective material debt agreements in all material respects.

7. CONTINGENT VALUE RIGHTS AND WARRANT LIABILITIES

Contingent Value Rights Agreement

On the Effective Date, under the terms of the Plan of Reorganization, the Company entered into the Contingent Value Rights Agreement and recorded the liabilities at fair value as of the Effective Date. Pursuant to the Contingent Value Rights Agreement, the Company issued 51,783,625 CVRs to holders of the Company’s April convertible notes and August convertible notes who received New Common Stock (as defined in Note 10 — Stockholders' Deficit) (in such capacity, the “Payees”) in an aggregate amount of 51,783,625 shares of New Common Stock (the “Corresponding New Common Stock”). The CVRs require the Company to make payments to each Payee, of:

- (i) at the first testing date, cash equal to such Payee’s pro rata share (the “Year 1 Contingent Payment Obligation”) of the lesser of (a) $43,333,333.33 and (b) the difference between (1) $260,000,000 and (2) the fair market value of the Corresponding New Common Stock (the “First Anniversary Payment Amount”); provided that the Year 1 Contingent Payment Obligation will be extinguished if the fair market value of the Corresponding New Common Stock is equal to or in excess of $260,000,000 with respect to the first testing date;

- (ii) at the second testing date, cash or New Common Stock (or a combination of cash and New Common Stock), in the Company’s sole discretion, equal to such Payee’s pro rata share (the “Year 2 Contingent Payment Obligation”) of the lesser of (a) $43,333,333.33 and (b) the difference between (1) $260,000,000 minus the First Anniversary Payment Amount and (2) the fair market value of the Corresponding New Common Stock (the “Second Anniversary Payment Amount”); provided that the Year 2 Contingent Payment Obligation will be extinguished if the fair market value of the Corresponding New Common Stock is equal to or in excess of $260,000,000 minus the First Anniversary Payment Amount, if any, with respect to the second testing date; and

- (iii) at the third testing date, cash or New Common Stock (or a combination of cash and New Common Stock), in the Company’s sole discretion, equal to such Payee’s pro rata share (the “Year 3 Contingent Payment Obligation”) of the lesser of (a) $43,333,333.33 and (b) the difference between (1) $260,000,000 minus the sum of the First Anniversary Payment Amount and the Second Anniversary Payment Amount and (2) the fair market value of the Corresponding New Common Stock (the “Third Anniversary Payment Amount”); provided that the Year 3 Contingent Payment Obligation will be extinguished if the fair market value of the Corresponding New Common Stock is equal to or in excess of $260,000,000 minus (1) the First Anniversary Payment amount, if any and (2) the Second Anniversary Payment Amount, if any, with respect to the third testing date.

GUC Contingent Value Rights

On the Effective Date, pursuant to the Plan of Reorganization, the Company issued (i) 20,335,491 shares of New Common Stock, to holders of allowed general unsecured claims (the “GUC Equity Distribution”) and (ii) GUC CVRs to holders of allowed general unsecured claims.

Within 45 days of the GUC CVR Testing Date (as defined below), the Company will be required to pay to each GUC Payee New Common Stock in an amount equal to the lesser of (i) such GUC Payee’s pro rata share of the New Common Stock with an aggregate value, based on Plan Value, of $7,100,000 and (ii) the difference between (a) the GUC Equity Distribution at Plan Value and (b) the value of the GUC Equity Distribution as implied by the volume weighted average of the closing price of the GUC Equity Distribution during the 60 trading days prior to the GUC CVR Testing Date; provided that, to the extent that the value of the GUC Equity Distribution, as implied by the volume weighted average of the closing price during any 20 trading days over any consecutive 30 trading day period during the GUC CVR Testing Period, is equal to or in excess of the GUC Equity Distribution at Plan Value, the Company shall not owe any amounts to the GUC Payees and the GUC CVRs shall be immediately extinguished.

The testing period (the “GUC CVR Testing Period”) began on the Effective Date and will end on the date that is 18 months following the Effective Date (the “GUC CVR Testing Date”).

Warrant Agreement

On the Effective Date and pursuant to the Plan of Reorganization and the Confirmation Order, the Company entered into a warrant agreement providing for the issuance of 98,313,313 warrants, each exercisable for one share of New Common Stock at an exercise price of $6.81 per share (the “Tranche 1 Warrants”) and (ii) an aggregate of 81,927,898 warrants, each exercisable for one share of New Common Stock at an exercise price of $0.01 per share (the “Tranche 2 Warrants” and, together with the Tranche 1

Warrants, the “Warrants”). Pursuant to the Plan of Reorganization, holders of the Company’s previous common stock received, for each share of the Company’s previous stock held, 0.253244 Tranche 1 Warrants and 0.211037 Tranche 2 Warrants.

Each whole Tranche 1 Warrant entitles the registered holder to purchase one whole share of New Common Stock at an exercise price of $6.81 per share (the “Tranche 1 Exercise Price”). Each whole Tranche 2 Warrant entitles the registered holder to purchase one whole share of New Common Stock at an exercise price of $0.01 per share at any time following the time the volume weighted average price per share of New Common Stock equals or exceeds $8.72 per share on each trading day for 20 consecutive trading days (the “Triggering Event”). At March 31, 2024, the Triggering Event for the Tranche 2 Warrants had not occurred. The Tranche 1 Exercise Price and the price per share used to determine a Triggering Event are subject to adjustment for specific events as set forth in the Warrant Agreement.

The Tranche 1 Warrants will expire on January 23, 2027, and the Tranche 2 Warrants will expire on January 23, 2029, each at 5:00 p.m., New York City time, or earlier upon the occurrence of certain events as set forth in the Warrant Agreement. The Warrant Agreement provides that the Warrant Agreement, with respect to the Tranche 1 Warrants or Tranche 2 Warrants, may be amended with the prior written consent of holders holding a majority of the shares then issuable upon exercise of the Tranche 1 Warrants or Tranche 2 Warrants then outstanding, as applicable; provided, however, that any amendment or supplement to the Warrant Agreement that would reasonably be expected to materially and adversely affect any right of a holder of Warrants shall require the written consent of such holder. In addition, the consent of each holder of Warrants affected shall be required for any amendment pursuant to which the applicable exercise price would be increased, the number of shares issuable upon exercise of Warrants would be decreased (other than pursuant to adjustments provided in the Warrant Agreement) or the applicable expiration date would be revised to an earlier date; provided, however, that the Company and the Warrant Agent may amend the Warrant Agreement without the consent of holders of Warrants to (i) to cure any ambiguity; (ii) correct any defective provision; or (iii) make any other provisions with respect to matters or questions arising under Chapter 11 protections. the Warrant Agreement as long as the new provisions do not adversely affect (other than a de minimis adverse effect) the interest of holders of Warrants.

The Warrants may be exercised upon prior written notice of such election, payment of the applicable exercise price (together with any applicable taxes and governmental charges) and, with respect to Warrants held through the book-entry facilities of the Depository (as defined in the Warrant Agreement), surrender of the warrant certificate on or prior to the settlement date.

The Tranche 2 Warrants may be exercised on a cashless basis, pursuant to which the holder shall be entitled to receive a number of shares of New Common Stock equal to one share of New Common Stock multiplied by a fraction equal to (x) the fair market value (as of the business day immediately preceding the date on which the exercise notice was delivered) of one share of New Common Stock, minus the applicable exercise price, divided by (y) such fair market value. Holders of Warrants do not have the rights or privileges of holders of New Common Stock or any voting rights until they exercise their Warrants and receive shares of New Common Stock. After the issuance of shares of New Common Stock upon exercise of the Warrants, each holder will be entitled to the same rights as holders of New Common Stock.

Pursuant to the Warrant Agreement, holders of Warrants may exercise their Warrants only for a whole number of shares of New Common Stock. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded to the next higher whole number of the number of shares of New Common Stock to be issued to the holder.

Effective January 24, 2024, the Tranche 1 Warrants and Tranche 2 Warrants began trading on the Nasdaq Global Select Market under the symbols “CORZW” and “CORZZ,” respectively.

8. FAIR VALUE MEASUREMENTS

The Company measures certain assets and liabilities at fair value on a recurring or non-recurring basis in certain circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting the Company’s own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company uses observable market data when determining fair value whenever possible and relies on unobservable inputs only when observable market data is not available.

Recurring Fair Value Measurements

In October 2023, the Company entered into an energy forward purchase contract to fix a specified component of the energy price related to forecasted energy purchases at the Cottonwood 1 facility from November 1, 2023 through May 31, 2024 (the “Energy Derivatives”). The Energy Derivatives are recognized as derivatives in accordance with ASC 815 initially and subsequently measured at fair value with changes in value reflected in Net income (loss). At March 31, 2024 observable Level 2 inputs, such as forward energy prices and discount rates, were available for the energy forward purchase contract.

The CVRs, GUC CVRs and Warrants are recognized as derivative liabilities in accordance with ASC 815 initially and subsequently measured at fair value with changes in value reflected in Net income (loss). When these instruments were recognized on the Effective Date, observable market data was not available. At March 31, 2024 observable Level 1 market data was available for the CVRs and Warrants.

The following presents the levels of the fair value hierarchy for the Company's derivatives measured at fair value on a recurring basis as of March 31, 2024 (in thousands):

	March 31, 2024			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Fair value
Energy derivatives liability:				
Energy derivatives	$ —	$ 1,465	$ —	$ 1,465
Total energy derivatives liability	—	1,465	—	1,465
Contingent value rights liabilities:				
Contingent value rights	41,427	—	—	41,427
GUC contingent value rights	—	—	3,174	3,174
Total contingent value rights liabilities	41,427	—	3,174	44,601
Warrants liability:				
Warrants	327,465	—	—	327,465
Total warrants liability	327,465	—	—	327,465
Total liabilities measured at fair value on a recurring basis	$ 368,892	$ —	$ 3,174	$ 372,066

Level 2 Recurring Fair Value Measurements

The following table summarizes the fair value of the energy forward purchase contract on the Company’s Consolidated Balance Sheets (in thousands):

		Fair Value (Level 2)	
	Financial statement line item	March 31, 2024	December 31, 2023
Energy forward purchase contract	Accrued expenses and other current liabilities	$ 1,465	$ 2,262

The Company recorded the following gains/(losses) related to the energy forward purchase contract on the Company’s Consolidated Statements of Operations (in thousands):

		Three Months Ended March 31,	
	Financial statement line item	2024	2023
Energy forward purchase contract	Change in fair value of energy derivatives	$ (2,218)	$ —

Level 3 Recurring Fair Value Measurements

The following presents a rollforward of the activity for the GUC CVRs liability measured at fair value on a recurring basis using Level 3 inputs as of March 31, 2024 (in thousands):

		GUC CVRs (Level 3)
Balance at December 31, 2023	$	—
Issuances		3,950
Unrealized gains		(776)
Balance at March 31, 2024	$	3,174

The CVRs and warrants had no balance at December 31, 2023, on the Effective Date they were measured using Level 3 inputs as no market existed for them at that time. Since the Effective Date active markets have developed for those instruments and the Company uses Level 1 quoted market prices for their valuation at March 31, 2024.

All transfers into and out of Level 3 are assumed to occur at the beginning of the quarterly reporting period in which they occur. As of December 31, 2023, there were no Level 3 financial instruments.

The fair value of the GUC CVRs was estimated using simulated Company stock price paths in a Monte Carlo simulation model. The inputs into the simulation model are similar to those used in Black-Scholes option models. They include the Company's stock price and dividend yield, risk-free rate, term and estimated volatility. The estimated volatility is considered to be a significant unobservable input into the simulation model. At March 31, 2024, the valuation technique has not changed during the period since the Effective Date.

The following presents significant Level 3 unobservable inputs used to measure the fair value of GUC CVRs as of March 31, 2024 (dollars in thousands):

	Fair value		Unobservable Input	Measure
GUC contingent value rights	$	3,174	Estimated Volatility	120.0 %

There is inherent uncertainty in an estimate of fair value from the use of significant unobservable inputs. An increase in the estimated volatility used in the model would be expected to increase the fair value of the GUC CVRs.

Nonrecurring fair value measurements

The Company's non-financial assets, including property, plant and equipment, and intangible assets are measured at estimated fair value on a nonrecurring basis. These assets are adjusted to fair value only when an impairment is recognized, or the underlying asset is held for sale.

No non-financial assets were classified as Level 3 as of March 31, 2024 or December 31, 2023.

Fair value of financial instruments

The Company's financial instruments, that are not subject to recurring fair value measurements, include cash and cash equivalents, restricted cash, accounts receivable, net, accounts payable, leases, notes payable and certain accrued expenses and other liabilities. Except for the Convertible Notes, the carrying amount of these financial instruments materially approximate their fair values. At March 31, 2024 the fair value of the Convertible Notes using Level 1 active market price was $230.4 million.

9. COMMITMENTS AND CONTINGENCIES

Commitments

In October 2023, the Company entered into a purchase agreement to acquire S21 miners with a combined exahash of 2.52 or approximately 12,900 miners from Bitmain for approximately $50.4 million, of which $28.2 million was paid as of March 31, 2024, $15.1 million was satisfied with the use of coupons, and $7.1 million was included in Accrued expenses and other current liabilities on the Company's Consolidated Balance Sheets. As of March 31, 2024, the Company had received approximately 4,790 miners. The remaining miners were received in April 2024.

Legal Proceedings—The Company is subject to legal proceedings arising in the ordinary course of business. The Company accrues losses for a legal proceeding when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to reasonably estimate the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from amounts accrued and could materially adversely affect the Company's business, cash flows, results of operations, financial condition and prospects. Unless otherwise indicated, the Company is unable to estimate reasonably possible losses in excess of any amounts accrued.

Effect Purported Shareholder Class Action ("Pang")

On November 14, 2022, Plaintiff Mei Pang filed a purported class-action complaint against Core Scientific, Inc., its former chief executive officer, Michael Levitt, and others in the United States District Court, Western District (Austin) of Automatic Stay

Subject to certain exceptions under the Bankruptcy Code, the filing of Texas asserting that the Company Parties' violated the Securities and Exchange Act by allegedly failing to disclose to investors that – among other things – the Company was vulnerable to litigation given its decision to pass power costs to its customers, that certain clients had breached their contracts, and that this impacted the Company's profitability and ability to continue as a going concern. The complaint seeks monetary damages. Core filed a notice of suggestion of bankruptcy stating that its petition for bankruptcy—filed on December 21, 2022—operates as a stay to the continuation of this matter. Plaintiff subsequently withdrew its claims against Core.

On April 14, 2023, the Court appointed lead plaintiff for the purported class in Pang, individually and on behalf of a class of claimants, filed proofs of claim against the Company in its Chapter 11 Cases automatically stayed in the continuation United States Bankruptcy Court, Southern District (Houston) of most legal proceedings or Texas based upon the filing of other actions against or on behalf of the Debtors or their property to recover on, collect or secure a claim arising prior allegations set forth in Pangand Core filed an objection to the Petition Date or to exercise control over property proofs of the Debtors' bankruptcy estates, unless and until the Bankruptcy Court modifies or lifts the automatic stay as to any such claim. Notwithstanding the general application of the automatic stay described above, governmental authorities may determine to continue actions brought under their police and regulatory powers.

Celsius filed the Celsius Chapter 11 Cases in On December 7, 2023, the United States Bankruptcy Court for the Southern District of New York Texas in Houston, sustained the Company's objection to the filed class proof of claim without prejudice to re-file a proof of claim on an individual basis by December 20, 2023; and denied plaintiff's Motion for Class Treatment under Fed. R. Bankr. P. 7023. No individual proof of claim was filed by any of the class representatives of the purported class action by December 20, 2023, and a separately filed objection to confirmation of Debtors' Fourth Amended Chapter 11 Plan and Disclosure Statement was overruled by the Bankruptcy Code. Celsius was one Court on January 16, 2024. On January 29, 2024, plaintiff filed a notice of appeal of the order confirming the Company's largest host-mining customers in July 2022. Prior Plan of Reorganization.

Following Core's motion to the Celsius Chapter 11 Cases, Celsius paid the Company certain PPT Charges invoiced to Celsius pursuant to the Master Services Agreements between Celsius and the Company (the "Celsius Contracts"). After commencing the Celsius Chapter 11 Cases, Celsius refused to pay all PPT Charges the Company invoiced to Celsius; Celsius and the Company filed competing motions, pleadings, and proofs of claims and engaged in protracted litigation, discovery, and mediation.

On September 14, 2023, the Debtors and Celsius entered into a PSA that provides in addition to a full mutual release of claims asserted against each party dismiss in the respective bankruptcy cases District Court case, the Court dismissed without prejudice the 10(b) claim in its entirety for failure to plead scienter and loss causation and all but a cash payment by Celsius to the Company of $14.0 million single statement under Section 11 and a full and final release of all claims of Celsius against the Debtors related to the Celsius Contracts, in exchange for the Debtors, (i) sale to Celsius of the Debtor's Cedarvale Facility and certain related assets, (ii) grant to Celsius of a perpetual, non-transferable (except as described in Section 14 of the PSA), non-exclusive limited license Exchange Act. The Court also held that none of the Defendants other than Michael Levitt were control persons under Section 15 (even though Mr. Levitt was not even named as a Defendant under Section 15). Core filed a motion for reconsideration of the Court's failure to use identified Company intellectual property solely as dismiss the remaining Section 11 claim and filed an answer to the extent necessary to (x) finish construction Plaintiff's remaining claim.

On April 22, 2024, the Court granted the Company's motion for reconsideration and development of dismissed without prejudice all remaining claims contained in the Cedarvale Facility, (y) develop and construct other mining facilities plaintiff's complaint.

on other properties owned Purported Shareholder Class Action ("Ihle")

On July 24, 2023, Plaintiff Brad Ihle filed a purported class action complaint against certain officers and directors of Power & Digital Infrastructure Acquisition Corp. (the former name of the current corporate entity operating our business, or leased by Celsius similar "XPDI") and XMS Sponsor LLC et al, in type the Court of Chancery State of Delaware. The complaint alleges breach of fiduciary duties arising out of the merger of XPDI and scope the entity that conducted our business operations prior to the Cedarvale Facility, merger ("Legacy Core") and (z) operate all the marketing and solicitation of shareholders pursuant to that merger agreement dated July 20, 2021. Certain of the foregoing, (iii) assumption defendants have notified the Company of their intention to seek defense and assignment indemnification in this matter pursuant to Celsius Delaware law and the Company's bylaws.

Employment Claim

On September 30, 2022, Harlin Dean, a former executive of certain executory contracts,. In connection Blockcap, Inc. (n/k/a Core Scientific Acquired Mining, LLC) sent a demand letter to the Company, seeking approximately $9.8 million. Along with the PSA demand letter, Mr. Dean enclosed a complaint that had been filed in the parties released 419th Judicial District Court, Travis County, Texas, which asserted the following causes of action: (1) breach of employment agreement; (2) quantum meruit; (3) promissory estoppel; (4) conversion; (5) declaratory relief; (6) equitable relief/specific performance; (7) imposition of constructive trust; (8) accounting; and (iv) unequivocally release claims against Celsius asserted by (9) attorneys' fees and costs. According to Mr. Dean, the Company in connection with failed to honor the Celsius terms of his employment agreement upon his resignation.

Following the Company's filing of the Chapter 11 Cases, and the Company's Chapter 11 Cases. On November 2, 2023, the Company received the payment Mr. Dean filed proofs of $14.0 million from Celsius in connection with the PSA.

In November 2022, Sphere 3D Corp. filed a demand for arbitration with JAMS alleging the existence and breach of a contract for hosting services. The arbitration demand alleges that the Company has failed to provide contracted for services and to return prepayments allegedly made by Sphere 3D for such services. The arbitration demand was stayed by the filing of the Company Parties' Chapter 11 Cases. Refer to the discussion contained within this footnote under the subtitle "Effect of Automatic Stay."

In April 2023, Sphere 3D Corp. filed a proof of claim against the Debtors in the Chapter 11 Cases alleging the Company breached Mr. Dean's employment agreement and various equity award agreements. Mr. Dean seeks a claim for total recovery of approximately $39.5 million allegedly pursuant to a contract for services as to which the Debtors were allegedly a party and failed to perform and other claims related thereto. $8 million. The Debtors have objected filed an objection to Sphere 3D Corp.'s Mr. Dean's proofs of claim on September 19, 2023. Mr. Dean filed a reply in support of his claim and moved for summary judgment on October 19. Adjudication of the validity and value of Mr. Dean's proof of claim and intends is pending. As a general unsecured creditor under the Plan of Reorganization, any amount determined to contest the entirety be owed to plaintiff will be paid in common shares of the Company as provided in the Plan of Reorganization.

Contract Claims

GEM Mining 1, LLC, GEM Mining 2, LLC, GEM Mining 2B, LLC, and GEM Mining 4, LLC (together "GEM") have filed proofs of claim in the Chapter 11 Cases. A hearing Cases alleging the Company breached its hosting agreements with GEM and are seeking to recover approximately $4.1 million. The Debtors filed an initial objection to GEM's proofs of claim on May 4, 2023, and filed a supplemental objection on May 6, 2023. GEM filed a response in opposition to Debtors' objections on September 6, 2023. Additionally, GEM 1 and GEM 4 filed proofs of claim in the matter is expected during Chapter 11 Case asserting approximately $8 million in rejection damages. The Debtors are currently preparing an objection to these claims along with a reply to GEM's response to the first quarter Debtors' earlier filed objections. As a general unsecured creditor under the Plan of 2024. Reorganization, any amount determined to be owed to plaintiff will be paid in common shares of the Company as provided in the Plan of Reorganization.

In November 2022, McCarthy Building Companies, Inc. filed a complaint against the Company in the United States District Court for the Eastern District of Texas, alleging breach of contract for failing to pay when due certain payments allegedly owing under a contract for construction entered into between the parties. The case has been stayed as a result of the Company's filing of a petition for relief under chapter 11 of the United States Bankruptcy Code.

In November 2022, plaintiff Mei Peng filed a putative class action (the "Putative Class Action") in the United States District Court, Western District of Texas, Austin Division, asserting that the Company violated the Securities Exchange Act of 1934, as amended, by failing to disclose to investors, among other things, that the Company was vulnerable to litigation, that certain clients had breached their agreements, and that this impacted the Company's profitability and ability to continue as a going concern. On May 5, 2023 January 18, 2024, plaintiff filed an amended complaint removing the Company as a defendant and asserting that certain officers, directors and former officers and directors of the Company violated the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended, as a result of allegedly false and misleading statements regarding the business of the Company. In April 2023, the lead plaintiff in the matter filed a proof of claim related to the Putative Class Action filed against the Debtors in the Chapter 11 Cases and in August 2023 filed an amended proof of claim to reflect an amendment to the Putative Class Action reserving the right to add Core Scientific as a defendant following the conclusion of the Chapter 11 Cases. In September the lead plaintiff filed a motion with the Bankruptcy Court requesting entered the grant McCarthy Order approving the parties' agreement to settle all claims and release all liens of (i) class treatment, (ii) certification of the class for purposes of its class proof of claim, and (iii) other relief. The Debtors timely filed its objection and support objecting to the relief requested and the stated basis for the relief requested.

In September 2023 Harlin Dean filed a proof of claim McCarthy against the Debtors in the Chapter 11 Cases seeking to recover approximately $8 million in severance pay and hypothetical proceeds from the sale of Company stock allegedly due following his resignation from the Company in 2022. The Debtors timely filed an objection to Mr. Dean's proof of claim denying any obligation to Mr. Dean resulting from his resignation of employment and requesting disallowance of the proof of claim. In October 2023, Mr. Dean filed a Motion for Summary Judgment with respect to his claims. The Debtors intend to respond timely to the motion and vigorously contest the claims. Company.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no other material loss contingency accruals for legal matters.

Leases—See Note 7 5 — Leases for further additional information.

9. 10. STOCKHOLDERS' DEFICIT

Equity Rights Offering

On November 20, 2023, the Company commenced an equity rights offering (the "Equity Rights Offering") of common shares of the reorganized Company (the "ERO Shares") in an aggregate amount of $55 million. On the Effective Date, the Company issued 15,648,896 shares on account of the Equity Rights Offering in exchange for the cash proceeds. Also, on November 16, 2023, the Company entered into an agreement (the "Backstop Commitment Letter") with the parties named therein (the "Commitment Parties"), pursuant to which the Commitment Parties agreed to severally and not jointly backstop $37.1 million of the Equity Rights Offering (the "Backstop Commitment"), subject to the terms and conditions of the Backstop Commitment Letter. The subscription period for the ERO expired on January 5, 2024. The Equity Rights Offering was oversubscribed and the aggregate subscriptions (including over

subscriptions) exceeded the number of ERO Shares offered to be purchased as part of the Equity Rights Offering. The results of the Equity Rights Offering rendered the previously arranged Backstop Commitment unnecessary however on the Effective Date the Company issued 2,111,178 New Common Stock shares on account of the underlying backstop fee associated with the Backstop Commitment.

Emergence from Bankruptcy

As disclosed in Note 1 — Organization and Description of Business, on December 21, 2022, the Debtors filed the Chapter 11 Cases in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code.

On January 15, 2024, the Debtors filed with the Bankruptcy Court the Plan of Reorganization, and on January 16, 2024, the Bankruptcy Court entered the Confirmation Order.

On the Effective Date, the Plan of Reorganization became effective in accordance with its terms and the Debtors emerged from the Chapter 11 Cases. On the Effective Date, in connection with the effectiveness of, and pursuant to the terms of, the Plan of Reorganization and the Confirmation Order, the Company's common stock outstanding immediately before the Effective Date was canceled and is of no further force or effect, and the new organizational documents of the Company became effective, authorizing the issuance of shares of common stock, par value $0.00001 per share (the "New Common Stock"). In accordance with the foregoing, on the Effective Date, the Company, as reorganized on the Effective Date and in accordance with the Plan of Reorganization, issued the: (i) New Common Stock, (ii) Warrants, (iii) CVRs, (iv) New Secured Convertible Notes, (v) Secured

Notes and (vi) the GUC CVRs (each, as defined below). Such securities, rights, or interests were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") provided by section 1145 of the Bankruptcy Code.

On the Effective Date, all equity interests in the Company that existed immediately prior to the Effective Date were cancelled, including the Company's then-existing common stock and warrants, and the Company issued or caused to be issued the New Common Stock in accordance with the terms of the Plan of Reorganization.

On the Effective Date, pursuant to the Plan of Reorganization, the Company issued or held in reserve as issuable:

- 176,266,782 shares of New Common Stock;
- 4,725,091 shares of New Common Stock held in reserve for disputed claims;
- 180,241,211 Warrants, composed of 98,313,313 Tranche 1 Warrants and 81,927,898 Tranche 2 Warrants;
- 51,783,625 CVRs; and
- GUC CVRs.

The 4,725,091 shares of New Common Stock held in reserve for disputed claims will be distributed in settlement of previously disputed claims which become allowed by the Court. On the one year anniversary from the Effective Date, or at such earlier date as all disputed claims are considered resolved, any reserved shares not distributed in settlement of previously disputed claims which become allowed will be issued to holders of the common stock immediately prior to the Effective Date. As these shares will be issued and only the recipient is contingent, the Company accounts for these shares as outstanding in its Consolidated Balance Sheets and in the Basic and Diluted Weighted average shares outstanding in its Consolidated Statements of Operations as of the Effective Date. Shares estimated by the Company to be issued to disputed claims are included in the gain on satisfaction of the GUC claims reported in Reorganization items, net.

New Common Stock and Preferred Stock

The Company is authorized to issue 10,000,000,000 shares of New Common Stock and 2,000,000,000 shares of preferred stock (the "Preferred Stock"), each having a par value of $0.00001 per share. The rights and preferences of the New Common Stock shall at all times be subject to the rights of the Preferred Stock as may be set forth in one or more certificates of designations filed with the Secretary of State of the State of Delaware from time to time in accordance with the Delaware General Corporation Law and the Charter.

The Charter authorized the Board of Directors to provide for the issuance of a share or shares of Preferred Stock in one or more series and to fix for each such series (i) the number of shares constituting such series and the designation of such series, (ii) the voting powers (if any) of the shares of such series, (iii) the powers, preferences, and relative, participating, optional or other special rights of

the shares of each such series, and (iv) the qualifications, limitations, and restrictions thereof. The authority of the Board of Directors with respect to the Preferred Stock shall include, but not be limited to, determination of (i) the number of shares constituting any series, (ii) the dividend rate or rates on the shares of any series, (iii) the voting rights, if any, of such series and the number of votes per share, (iv) conversion privileges, (v) whether the shares of any series shall be redeemable, (vi) whether any series shall have a sinking fund for the redemption or purchase of shares of such series, (vii) the rights of the shares in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company and (viii) any other powers, preferences, rights, qualifications, limitations and restrictions of any series.

Management Incentive Plan

In accordance with the Plan of Reorganization, the Board of Directors adopted an equity-based management incentive plan (the "Management Incentive Plan"), under which up to ten percent of the New Common Stock issued and outstanding, on a fully diluted basis, on the date of the Effective Date may be issued to members of the Company's management. The Confirmation Order authorized and approved any (i) necessary action with respect to the Management Incentive Plan and (ii) reservation for issuance or share issuances pursuant to the Management Incentive Plan.

The Board of Directors adopted the Management Incentive Plan on April 26, 2024. The participants in the Management Incentive Plan, the timing and allocations of the awards to participants, and the other terms and conditions of such awards (including, but not limited to, vesting, exercise prices, base values, hurdles, forfeiture, repurchase rights and transferability) shall be determined by the Board of Directors in its discretion.

Stock-Based Compensation

Stock-based compensation expense relates primarily to expense for restricted stock awards ("RSAs"), restricted stock units ("RSUs"), and stock options. As of September 30, 2023 March 31, 2024, we had unvested or unexercised stock-based awards outstanding representing approximately 60.7 million 2.5 million shares of our common stock, consisting of approximately 38.6 million 1.1 million RSAs and RSUs with a weighted average per share fair value of $2.74, $28.63, and options to purchase approximately 22.0 million 1.5 million shares of our common stock with a weighted average exercise price of $8.81. $81.91.

During the three and nine months ended September 30, 2023 March 31, 2024, the Company did not grant any stock options, RSUs or RSAs.

During the three and nine months ended September 30, 2023 March 31, 2024, nil and 1.9 0.8 million stock options were cancelled, respectively, and 1.3 million and 6.6 million RSAs and RSUs were forfeited, respectively.

Stock-based compensation expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, is included in the Company's Consolidated Statements of Operations as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Cost of revenue					
Cost of revenue					
Cost of revenue	Cost of revenue	$ 1,503	$ 4,366	$ 3,607	$ 23,287
Research and development	Research and development	334	5,210	1,144	20,269
Research and development					
Research and development					
Sales and marketing	Sales and marketing	517	(720)	1,561	8,870
General and administrative[1,2]		12,507	20,897	35,102	114,122
Total stock-based compensation expense[1,2]		$ 14,861	$ 29,753	$ 41,414	$ 166,548
Sales and marketing					
Sales and marketing					
General and administrative					
General and administrative					
General and administrative					
Total stock-based compensation expense[1]					
Total stock-based compensation expense[1]					
Total stock-based compensation expense[1]					

[1] Includes $(0.1) million and $0.6 million that was recorded as an adjustment to accrued expenses and other within total current liabilities during the three and nine months ended September 30, 2022, respectively.

[2] Includes $1.0 million reversal of stock-based compensation that were provided expense due to $6.1 million in severance as part of restructuring charges forfeitures incurred during the three and nine months ended September 30, 2022 March 31, 2024. Stock-based compensation expense excluding the impact of these forfeitures would have been approximately $5.1 million.

As of September 30, 2023 March 31, 2024, total unrecognized stock-based compensation expense related to unvested stock options was approximately $62.6 million, which is expected to be recognized over a weighted average time period of 2.3 years. immaterial. As of September 30, 2023 March 31, 2024, the Company had approximately $50.8 million $15.6 million of unrecognized stock-based compensation expense related to RSAs and RSUs, which is expected to be recognized over a weighted average time period of 2.3 2.1 years, and an additional $13.1 million $7.1 million of unrecognized stock-based compensation expense related to RSUs for which some or all of the requisite service had been provided under the service conditions but had performance conditions that had not yet been achieved.

10.

Core Scientific, Inc.
Notes to Unaudited Consolidated Financial Statements

11. INCOME TAXES

Current income tax expense represents the amount expected to be reported on the Company’s income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

The income tax expense and effective income tax rate for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		(in thousands, except percentages)			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
		(in thousands, except percentages)			
		(in thousands, except percentages)			
		(in thousands, except percentages)			
Income tax expense	Income tax expense	$ 114	$ 10,642	$ 347	$ 4,398
Effective income tax rate	Effective income tax rate	(0.3) %	(2.5) %	(0.7) %	(0.3) %
Effective income tax rate					
Effective income tax rate					

For the nine three months ended September 30, 2023 March 31, 2024, the Company recorded $0.3 $0.2 million of income tax expense which consisted of discrete state taxes. The Company's estimated annual effective income tax rate without consideration of discrete items is 0.0%, compared to the U.S. federal statutory rate of 21.0% due to projected changes in the valuation allowance 2.3% (16.7)%, state taxes (0.4) 0.1%, fair market value adjustments to the warrant liability (6.0)% and other items 1.6%. The Company has a full valuation allowance on its net deferred tax asset as the evidence indicates that it is not more likely than not expected to realize such asset.

For the three months ended March 31, 2023, the Company recorded $0.1 million of income tax expense. The Company's estimated annual effective income tax rate was (36.6)%, compared to the U.S. federal statutory rate of 21.0% due to a change in the valuation allowance 43.8%, state taxes (7.1)%, non-deductible transaction costs (22.8) (58.8)% and other items (0.1)%. The Company has a full valuation allowance on its net deferred tax asset as the evidence indicates that it is not more likely than not expected to realize such asset.

For the nine months ended September 30, 2022, the Company recorded $4.4 million of income tax expense, which included a discrete tax expense of $9.1 million related to stock-based compensation and an increase in the valuation allowance on a capital loss. The Company’s estimated annual effective income tax rate was (0.3)%, compared to the U.S. federal statutory rate of 21.0% due to a goodwill impairment (12.2)%, change in valuation allowance (6.7)%, state taxes 0.8%, non-deductible interest (0.6)%, and other items (2.5)%.

11. 12. NET LOSS INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (41,146)	$ (434,792)	$ (50,794)	$ (1,711,471)
Weighted average shares outstanding - basic	382,483	354,195	378,107	318,169
Add: Dilutive share-based compensation awards	—	—	—	—
Weighted average shares outstanding - diluted	382,483	354,195	378,107	318,169

Net loss per share - basic	$	(0.11)	$	(1.23)	$	(0.13)	$	(5.38)
Net loss per share - diluted	$	(0.11)	$	(1.23)	$	(0.13)	$	(5.38)

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income (loss)	$ 210,691	(388)
Add: Interest expense related to convertible notes, net of tax	8,392	—
Diluted net income (loss)	$ 219,083	$ (388)
Denominator:		
Weighted average shares outstanding - basic	230,954	375,419
Effect of dilutive securities:		
Convertible notes	50,738	—
Restricted stock units	839	—
Weighted average shares outstanding - diluted	282,531	375,419
Net income (loss) per share - basic	$ 0.91	$ —
Net income (loss) per share - diluted	$ 0.78	$ —

Core Scientific, Inc.
Notes to Unaudited Consolidated Financial Statements

Potentially dilutive securities include securities not included in the calculation of diluted net loss income (loss) per share because to do so would be anti-dilutive and contingently issuable shares and warrants for which all necessary conditions for issuance had not been satisfied by the end of the period. anti-dilutive. Potentially dilutive securities are as follows (in common stock equivalent shares, in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Stock options	Stock options	22,025	27,024	22,025	27,024
Warrants		14,892	18,311	14,892	18,311
Stock options					
Stock options					
Tranche 1 Warrants					
Tranche 1 Warrants					
Tranche 1 Warrants					
Restricted stock and restricted stock units	Restricted stock and restricted stock units	38,646	53,996	38,646	53,996
Restricted stock and restricted stock units					
Restricted stock and restricted stock units					
Convertible Notes					
Convertible Notes					
Convertible Notes	Convertible Notes	69,998	68,126	69,998	68,126
SPAC Vesting Shares	SPAC Vesting Shares	1,725	1,725	1,725	1,725
SPAC Vesting Shares					
SPAC Vesting Shares					
Total potentially dilutive securities	Total potentially dilutive securities	147,286	169,182	147,286	169,182
Total potentially dilutive securities					
Total potentially dilutive securities					

12. 13. SEGMENT REPORTING

The Company's operating segments are aggregated into reportable segments only if they exhibit similar economic characteristics and have similar business activities.

The Company has two operating segments: "Hosting", which consists primarily of its blockchain infrastructure and third-party hosting business; and "Mining", consisting of digital asset mining for its own account. The blockchain account; and "Hosting", which consists primarily of its digital infrastructure and third-party hosting business generates revenue through the sale of consumption-based contracts for its hosting services which are recurring in nature. During 2022, our "Hosting" segment also included sales of digital asset mining equipment to customers and was referred to as "Hosting and Equipment Sales". specialized GPU cloud compute customers. The Mining segment generates revenue from operating owned computer equipment as part of a pool of users that process transactions conducted on one or more blockchain networks. In exchange for these services, the Company receives digital assets. The hosting business generates revenue through the sale of consumption-based contracts for its hosting services which are recurring in nature.

The primary financial measures used by the chief operating decision maker ("CODM") to evaluate performance and allocate resources are revenue and gross profit. The CODM does not evaluate performance or allocate resources based on segment asset or liability information; accordingly, the Company has not presented a measure of assets by segment. The segments' accounting policies are the same as those described in the summary of significant accounting policies. The Company excludes certain operating expenses and other expenses from the allocations to operating segments.

The following table presents revenue and gross profit by reportable segment for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Hosting Segment				
Revenue:				
Hosting revenue	$ 29,848	$ 44,916	$ 82,307	$ 117,066
Equipment sales	—	37,161	—	78,660
Total revenue	29,848	82,077	82,307	195,726
Cost of revenue:				
Cost of hosting services	24,882	44,975	64,187	119,850
Cost of equipment sales	—	27,917	—	63,993
Total cost of revenue	24,882	72,892	64,187	183,843
Gross profit	$ 4,966	$ 9,185	$ 18,120	$ 11,883
Mining Segment				
Revenue:				
Digital asset mining income	$ 83,056	$ 80,495	$ 278,164	$ 323,337
Total revenue	83,056	80,495	278,164	323,337
Cost of revenue:				
Cost of digital asset mining	72,603	116,756	212,125	279,576
Total cost of revenue	72,603	116,756	212,125	279,576
Gross profit (loss)	$ 10,453	$ (36,261)	$ 66,039	$ 43,761
Consolidated				
Consolidated total revenue	$ 112,904	$ 162,572	$ 360,471	$ 519,063
Consolidated cost of revenue	$ 97,485	$ 189,648	$ 276,312	$ 463,419
Consolidated gross profit (loss)	$ 15,419	$ (27,076)	$ 84,159	$ 55,644

	Three Months Ended March 31,	
	2024	2023
Mining Segment	(in thousands, except percentages)	
Digital asset mining revenue	$ 149,959	$ 98,026
Cost of digital asset mining	81,564	72,676
Mining gross profit	$ 68,395	$ 25,350
Mining gross margin	46 %	26 %

Hosting Segment				
Hosting revenue	$	29,332	$	22,629
Cost of hosting services		20,081		16,198
Hosting gross profit	$	9,251	$	6,431
Hosting gross margin		32 %		28 %
Consolidated				
	$	179,291	$	120,655
Consolidated cost of revenue	$	101,645	$	88,874
Consolidated gross profit	$	77,646	$	31,781
Consolidated gross margin		43 %		26 %

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, cost of revenue included depreciation expense of $27.5 million and $19.9 million, respectively for the Mining segment. For the three months ended March 31, 2024 and 2023, cost of revenue included depreciation expense of $1.9 million $1.3 million and $3.3 million $0.2 million, respectively for the Hosting segment. For the three months ended September 30, 2023 and 2022, cost of revenue included depreciation expense of $22.0 million and $61.1 million, respectively for the Mining segment.

For the nine months ended September 30, 2023 and 2022, cost of revenue included depreciation expense of $3.7 million and $8.2 million, respectively for the Hosting segment. For the nine months ended September 30, 2023 and 2022, cost of revenue included depreciation expense of $60.8 million and $146.8 million, respectively for the Mining segment.

Concentrations of Revenue and Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Credit risk with respect to accounts receivable is concentrated with a small number of customers. The Company places its cash and cash equivalents with major financial institutions, which management assesses to be of high credit quality, in order to limit the exposure to credit risk. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, all of the Company's fixed assets were located in the United States. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, all of the Company's revenue was generated in the United States. For the three and nine months ended September 30, 2023, 74% March 31, 2024 and 77% 2023, 84% and 81%, respectively, of the Company's total revenue was generated from digital asset mining of bitcoin from one customer, which is subject to extreme price volatility. As of September 30, 2023, substantially all of our digital assets were held by one third-party digital asset service. As of December 31, 2022, substantially all of our digital assets were held by two third-party digital asset services.

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Notes to Unaudited Consolidated Financial Statements

For the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022, 2023, the concentration of customers comprising 10% or more of the Company's total Mining and Hosting segment revenue are were as follows:

	Three Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
	Percent of total revenue:		Percent of Hosting segment revenue:	
Customer				
E (related party)[1]	N/A	23 %	N/A	46 %
F[2]	12 %	N/A	45 %	N/A

	Three Months Ended March 31,		Three Months Ended March 31,	
	2024	2023	2024	2023
	Percent of Mining segment revenue:		Percent of Hosting segment revenue:	
Customer				
G	100 %	100 %	N/A	N/A
F	N/A	N/A	52 %	N/A
H	N/A	N/A	25 %	N/A
I	N/A	N/A	10 %	N/A

	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Percent of total revenue:		Percent of Hosting segment revenue:	
Customer				
E (related party)[1]	N/A	16 %	N/A	42 %
F[2]	11 %	N/A	48 %	N/A

[1] This customer was labeled as Customer A in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. The label was updated Core Scientific, Inc.

Notes to conform to the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Unaudited Consolidated Financial Statements

[2] This customer was labeled as Customer D in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

A reconciliation of the reportable segment gross profit to loss before income taxes included in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reportable segment gross profit (loss)	$ 15,419	$ (27,076)	$ 84,159	$ 55,644
Gain from sales of digital assets	363	11,036	2,358	25,007
Impairment of digital assets	(681)	(7,986)	(2,864)	(212,184)
Impairment of goodwill and other intangibles	—	(268,512)	—	(1,059,265)
Impairment of property, plant and equipment	—	(59,259)	—	(59,259)
Losses on exchange or disposal of property, plant and equipment	(340)	—	(514)	(13,057)
Operating expenses:				
Research and development	2,253	6,192	5,308	24,305
Sales and marketing	1,041	39	3,133	11,675
General and administrative	23,511	43,346	69,671	174,380
Total operating expenses	26,805	49,577	78,112	210,360
Operating (loss) income	(12,044)	(401,374)	5,027	(1,473,474)
Non-operating expenses, net:				
Gain on debt extinguishment	(374)	—	(21,135)	—
Interest expense, net	2,196	25,942	2,317	74,734
Fair value adjustment on convertible notes	—	(4,123)	—	186,853
Fair value adjustment on derivative warrant liabilities	—	(521)	—	(32,985)
Reorganization items, net	28,256	—	78,270	—
Other non-operating (income) expenses, net	(1,090)	1,478	(3,978)	4,997
Total non-operating expenses, net	28,988	22,776	55,474	233,599
Loss before income taxes	$ (41,032)	$ (424,150)	$ (50,447)	$ (1,707,073)

	Three Months Ended March 31,	
	2024	2023
Reportable segment gross profit	$ 77,646	$ 31,781
Gain from sales of digital assets	543	1,064
Impairment of digital assets	—	(1,056)
Change in fair value of energy derivatives	(2,218)	—
Losses on disposal of property, plant and equipment	(3,820)	—
Operating expenses:		
Research and development	1,799	1,415
Sales and marketing	982	1,008
General and administrative	14,143	21,764
Total operating expenses	16,924	24,187
Operating income	55,227	7,602

Non-operating (income) expenses, net:		
Loss (gain) on debt extinguishment	50	(20,761)
Interest expense, net	14,087	157
Reorganization items, net	(111,439)	31,559
Change in fair value of warrant and contingent value rights	(60,114)	—
Other non-operating expense (income), net	1,746	(3,069)
Total non-operating (income) expenses, net	(155,670)	7,886
Income (loss) before income taxes	$ 210,897	$ (284)

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Notes to Unaudited Consolidated Financial Statements

13. 14. RELATED-PARTY TRANSACTIONS

In the ordinary course of business, the Company from time to time has entered into various transactions with related parties.

The Company has had agreements to provide hosting services to various entities that are managed and invested in by individuals that are who were directors and executives of Core Scientific during fiscal year 2023. For the Company. three months ended March 31, 2024, there were no related-party transactions. For the three and nine months ended September 30, 2023,March 31, 2023, the Company recognized hosting revenue of $3.7 million from the contracts with these entities of related-parties.$2.8 million and $10.1 million, respectively. For the three and nine months ended September 30, 2022, the Company recognized hosting revenue from the contracts with these entities of $9.2 million and $22.7 million, respectively.

In addition, for the three and nine months ended September 30, 2023, there was no equipment sales revenue recognized to these same various entities. For the three and nine months ended September 30, 2022, there was equipment sales revenue recognized of $29.7 million and $67.3 million to these same various entities. A nominal amount was receivable from these entities as of September 30, 2023 and December 31, 2022.

The Company reimburses certain officers and directors of the Company for use of a personal aircraft for flights taken on Company business. For the three and nine months endedSeptember 30, 2023, the Company did not incur personal aircraft reimbursements. For the three and nine months ended September 30, 2022, the Company incurred reimbursements of $0.7 million and $1.8 million, respectively. As of September 30, 2023 and December 31, 2022, there were no reimbursements payable.

14. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the review of the Company’s consolidated financial statements for the three and six months ended June 30, 2023, the Company identified an error in in which cost of revenue from the three months ended June 30, 2023 was recorded during the three months ended March 31, 2023. The error resulted in an overstatement in cost of revenue for the three months ended March 31, 2023. This error also resulted in an overstatement of accrued expenses and other current liabilities as of March 31, 2023. Based on management’s evaluation of the SEC Staff’s Accounting Bulletins Nos. 99 (“SAB 99”) and 108 (“SAB 108”) and interpretations therewith, the Company concluded that the aforementioned errors were not material to the Company’s previously filed March 31, 2023, consolidated financial statements. This is further supported by the fact that the error would not likely have materially impacted a reasonable investor’s opinion of the Company’s financial condition and results of operations.

The following table presents the effect of the revision on the Company’s Consolidated Balance Sheets (in thousands):

	March 31, 2023		
	As Corrected	As Filed	Change
Liabilities and Stockholders’ Deficit			
Current Liabilities:			
Accrued expenses and other current liabilities	$ 47,299	$ 58,596	$ (11,297)
Total Current Liabilities	203,449	214,746	(11,297)
Total Liabilities	1,157,480	1,168,777	(11,297)
Stockholders’ Deficit:			
Accumulated deficit	(2,174,138)	(2,185,435)	11,297
Total Stockholders’ Deficit	$ (397,461)	$ (408,758)	$ 11,297

Core Scientific, Inc.

(Debtor-in-Possession)
Notes to Unaudited Consolidated Financial Statements

The following table presents the effect of the revision on the Company's Consolidated Statement of Operations for the three months ended March 31, 2023 (in thousands):

	Three Months Ended March 31, 2023		
	As Corrected	As Filed	Change
Cost of revenue:			
Cost of hosting services	$ 16,198	$ 18,826	$ (2,628)
Cost of digital asset mining	72,676	81,345	(8,669)
Total cost of revenue	88,874	100,171	(11,297)
Gross profit	31,781	20,484	11,297
Operating income (loss)	7,602	(3,695)	11,297
Loss before income taxes	(284)	(11,581)	11,297
Net loss	(388)	(11,685)	11,297
Net loss per share:			
Basic	$ —	$ (0.03)	$ 0.03
Diluted	$ —	$ (0.03)	$ 0.03
Weighted average shares outstanding:			
Basic	375,419	375,419	—
Diluted	375,419	375,419	—

The following table presents the effect of the revision on the Company's Consolidated Statements of Changes in Stockholders' Deficit (in thousands):

	Three Months Ended March 31, 2023	
	Accumulated Deficit	Total Stockholders' Deficit
As corrected - Net loss	$ (388)	$ (388)
As filed - Net loss	$ (11,685)	$ (11,685)
Change - Net loss	$ 11,297	$ 11,297
As corrected - Balance at March 31, 2023	$ (2,174,138)	$ (397,461)
As filed - Balance at March 31, 2023	$ (2,185,435)	$ (408,758)
Change - Balance at March 31, 2023	$ 11,297	$ 11,297

Core Scientific, Inc.
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Notes to Unaudited Consolidated Financial Statements

The following table presents the effect of the revision on the Company's Consolidated Statements of Cash Flow (in thousands):

	Three Months Ended March 31, 2023		
	As Corrected	As Filed	Change
Cash flows from Operating Activities:			
Net loss	$ (388)	$ (11,685)	$ 11,297
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Accrued expenses and other	(906)	10,391	(11,297)
Net cash provided by (used in) operating activities	$ 19,942	$ 19,942	$ —
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 17,052	$ 17,052	$ —
Cash, cash equivalents and restricted cash—beginning of period	52,240	52,240	—

Cash, cash equivalents and restricted cash—end of period	$ 69,292	$ 69,292	$ —

15. SUBSEQUENT EVENTS

Bitmain Purchase Agreement

Subsequent to September 2023, the Company executed a purchase agreement with Bitmain for the acquisition of 12,600 Antminer S21 model miners for use in the Company's operations, for a total purchase price of approximately $50.4 million, of which $0.6 million was paid as a deposit as of September 30, 2023. All miners are expected to be received and deployed by the third quarter of 2024.

Chapter 11

On October 2, 2023, the Bankruptcy Court entered the J.W. Didado Order approving the parties agreement to settle all claims of Didado against the Debtors. For further discussion of this settlement, refer to Note 3 — Chapter 11 Filing and Other Related Matters.

On October 30, 2023, the Debtors reached an agreement in principle (the "Restructuring Term Sheet") with the Ad Hoc Noteholder Group and the Equity Committee regarding the terms of a chapter 11 plan of reorganization, subject to the finalization of the Debtors' Third Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement, and the execution of a restructuring support agreement (the "Restructuring Support Agreement") and other definitive documentation, which the Debtors expect to enter into with the Ad Hoc Noteholder Group and the Equity Committee in the coming days. The Restructuring Support Agreement, if and when executed by the Debtors, the Ad Hoc Noteholder Group and the Equity Committee, is expected to include terms consistent with those terms set forth in the Restructuring Term Sheet.

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

Unless the context otherwise requires, all references in this section to "we," "us," "our," the "Company" "Company," "Core Scientific," or "Core Scientific" "Core" refer to Core Scientific, Inc. and its subsidiaries.

The following discussion Management's Discussion and analysis provides information which we believe Analysis of Financial Condition and Results of Operations ("MD&A") is relevant intended to an assessment and promote understanding of our the results of operations and financial condition. This discussion MD&A is provided as a supplement to, and analysis should be read together in conjunction with, the our unaudited consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q. In addition the accompanying Notes to historical financial information, this discussion and analysis contains forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. See the sections entitled "–Forward-Looking Statements" and Part II, Item 1A. "Risk Factors" elsewhere in this Report. Actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part Unaudited Financial Statements (Part I, Item 1A. "Risk Factors" 1 of this Form 10-Q) as well as the Company's financial and other information included in our Annual Report on Form 10-K for the fiscal year 2022. ended December 31, 2023, filed with the Securities and Exchange Commission on March 13, 2024. This section generally discusses the results of operations for the quarter ended March 31, 2024 compared to March 31, 2023.

As discussed in the section titled "Cautionary Note Regarding Forward-Looking Statements,

Certain " the following discussion and analysis contains forward-looking statements in this Quarterly Report on Form 10-Q may constitute "forward-looking statements" for purposes of the federal securities laws. Forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, statements regarding those identified below, and those discussed in the section titled "Risk Factors" under Part I, Item 1A in our and our management team's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Quarterly Annual Report on Form 10-Q may include statements about our ability to:

- implement a Chapter 11 plan of reorganization;
- successfully emerge from 10-K for the Chapter 11 Cases and generate sufficient liquidity from the restructuring to meet our obligations and operating needs;
- have shares of our common stock listed on the Nasdaq or another national securities exchange upon emergence from the Chapter 11 Cases;
- effectivelyrespondto generaleconomicand businessconditions,includingthepriceof bitcoin;
- obtainadditionalcapital,whetherequityor debt, or exist or remain as a going concern;
- enhancefutureoperatingand financialresults;
- successfully execute expansion plans;
- attractand retainemployees,officersor directors;
- anticipaterapidchangesin laws, regulationsand technology;
- execute its business strategy, including enhancement of the profitability of services provided, including profitably mine digital assets;
- anticipate the uncertainties inherent in the development of new business strategies;
- anticipate overall demand of blockchain technology or blockchain hosting resources;

- increase brand awareness;
- upgrade and maintain effective business controls and information technology systems;
- acquire and protect intellectual property;
- comply with laws and regulations applicable to its business, including tax laws and laws and regulations related to data privacy and the protection of the environment;
- purchase and develop additional sources of low-cost renewable sources of energy:
- stay abreast of modified or new laws and regulations applicable to its business or withstand the impact of any new laws and regulations related to its industry;
- anticipate the impact of, and response to, new accounting standards;
- anticipate the significance and timing of contractual obligations;
- maintain key strategic relationships with partners and distributors;
- maintain and operate our key facilities:
- respond to uncertainties associated with product and service development and market acceptance;
- anticipate the impact of changes in U.S. federal income tax laws, including the impact on deferred tax assets; and
- successfully defend litigation, including matters in the Chapter 11 Cases.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and the documents we reference in this Quarterly Report on Form 10-Q, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

You should read this Quarterly Report on Form 10-Q year ended December 31, 2023, filed with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Securities and Exchange Commission on March 13, 2024.
In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and such statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

Overview

Core Scientific is a best-in-class large-scale operator of dedicated, purpose-built facilities for digital asset mining. mining and a premier provider of digital infrastructure, software solutions and services to assist our customers in transforming energy into high-value compute. We mine digital assets employ our own large fleet of computers (“miners”), primarily manufactured by Bitmain Technologies Limited (“Bitmain”), to produce bitcoin for our own account and provide colocation hosting services for other large-scale miners large bitcoin mining and Graphics Processing Unit (“GPU”) cloud compute customers at our eight seven operational data centers in Georgia (2), Kentucky (1), North Carolina (2) (1), North Dakota (1) and Texas (2). Currently, we We derive the majority of our revenue from self-mining bitcoin. earning bitcoin for our own account (“self-mining”). We began digital asset mining at scale in 2018 and in 2020 became one of the largest North American providers of colocation hosting services primarily for third-party mining customers. We are one of the largest blockchain infrastructure, digital asset mining and colocation hosting provider companies in North America, with had an average hourly operating power demand of approximately 586 MW 660 megawatts (“MW”) for the three months ending September 30, 2023 ended March 31, 2024. As of September 30, 2023, we We had secured approximately 1,500 1,198 MW of contracted power capacity at our sites including 500 as of March 31, 2024. We also owned and managed the largest infrastructure asset base of publicly listed miners in North America of 745 MW of power allocated and improved our average self-mining fleet energy efficiency to the Muskogee, Oklahoma data center, which remains substantially undeveloped. 26.85 joules per terahash.

Our total revenue was $112.9 million $179.3 million and $162.6 million $120.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. We had operating losses income of $12.0 million $55.2 million and $401.4 million $7.6 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. We had net losses income of $41.1 million $210.7 million and $434.8 million net loss of $0.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Our adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA EBITDA”) was $27.9 million $88.0 million and $17.9 million $40.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Adjusted EBITDA is a non-GAAP financial measure. See “*Key Business Metrics and Non-GAAP Financial Measure*” below for our definition of, and additional information related to Adjusted EBITDA.

Our total revenue was $360.5 million and $519.1 million for the nine months ended September 30, 2023 and 2022, respectively. We had operating income of $5.0 million and an operating loss of $1.5 billion for the nine months ended September 30, 2023 and 2022, respectively. We had net losses of $50.8 million and $1.7 billion for the nine months ended September 30, 2023 and 2022, respectively. Our Adjusted EBITDA was $113.0 million and $170.1 million for the nine months ended September 30, 2023 and 2022, respectively. Adjusted EBITDA is a non-GAAP financial measure.

Recent Developments

Chapter 11 Filing and Other Related Matters

Chapter 11 Emergence from Bankruptcy

On December 21, 2022 (the “Petition Date”) January 15, 2024, the “Company Company and certain of its affiliates (collectively, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) in with the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”) seeking relief under the Fourth Amended Joint Chapter 11 Plan of the United States Code Core Scientific, Inc. and its Affiliated Debtors (with Technical Modifications) (the “Bankruptcy Code” “Plan of Reorganization”). The Chapter 11 Cases are jointly administered under Case No. 22-90341. The Debtors continue to operate their business and manage their properties as “debtors-in-possession” (“DIP”) under the jurisdiction of On January 16, 2024, the Bankruptcy Court entered an order confirming the Plan of Reorganization. On January 23, 2024 (the “Effective Date”), the conditions to the effectiveness of the Plan of Reorganization were satisfied or waived and the Company emerged from bankruptcy.

On the Effective Date, a new Board of Directors was constituted and the Company, in accordance with the applicable provisions Plan of the Bankruptcy Code Reorganization satisfied and orders of the Bankruptcy Court. The Debtors filed various “first day” motions with the Bankruptcy Court requesting customary relief, which were generally approved by the Bankruptcy Court on December 22, 2022, that have enabled the Company to operate extinguished claims in the ordinary course while under Chapter 11 protection. For detailed discussion about the Chapter 11 Cases, cases through the issuance of (i) new common stock (“New Common Stock”), (ii) new warrants (“New Warrants”), (iii) contingent value rights (“CVRs”), (iv) new secured convertible notes due 2029 (“New Secured Convertible Notes”), and (v) new secured notes due 2028 (“New Secured Notes”). For more detailed information regarding our emergence from bankruptcy, refer to Note Notes 3 — Chapter 11 Filing and Emergence from Bankruptcy, 6 — Convertible and Other Related Matters Notes Payable, 7 — Contingent Value Rights and Warrant Liabilities and 10 — Stockholders' Deficit to our unaudited consolidated financial statements in Item 1 of Part I of this report.

On June 20, 2023 the Debtors filed with the Bankruptcy Court a proposed Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related proposed form of Disclosure Statement; (ii) Quarterly Report on August 8, 2023, the Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement; and (iii) on September 7, 2023, the Second Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates (the “Plan”) and a related Disclosure Statement (the “Disclosure Statement”).

On September 19, 2023, the Debtors, the ad hoc group of the Debtors’ secured convertible notes holders (the “Ad Hoc Noteholder Group”) and the equity committee (the “Equity Committee”) reached an agreement in principle with respect to the economic terms of the Plan (the “Mediated Settlement”). The Debtors, the Ad Hoc Noteholder Group and the Equity Committee will continue to work and negotiate in good faith to document the Mediated Settlement, resolve certain open issues and revise the Plan and Disclosure Statement to incorporate the terms of the Mediated Settlement. Form 10-Q.

Original DIP Credit Agreement and Restructuring Support Agreement

In connection with the Chapter 11 Cases, the Debtors entered into a Senior Secured Super-Priority Debtor-in-Possession Loan and Security Agreement, dated as of December 22, 2022 (the “Original DIP Credit Agreement”), with Wilmington Savings Fund Society, FSB, as administrative agent, and the lenders from time-to-time party thereto (collectively, the “Original DIP Lenders”). The Original DIP Lenders are also holders or affiliates, partners or investors of holders under the Company’s notes sold pursuant to (i) the Secured Convertible Note Purchase Agreement, dated as of April 19, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), by and among Core Scientific, Inc. (as successor of Core Scientific Holding Co.), the guarantors party thereto from time to time, U.S. Bank National Association, as note agent and collateral agent, and the purchasers of the notes issued thereunder (the “Secured Convertible Notes”), and (ii) the Convertible Note Purchase Agreement, dated as of August 20, 2021, (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), by and among Core Scientific, Inc. (as successor of Core Scientific Holding Co.), the guarantors party thereto from time to time, U.S. Bank National Association, as note agent and collateral agent, and the purchasers of the notes issued thereunder (the “Other Convertible Notes,” and together with the Secured Convertible Notes, the “Convertible Notes”).

Also in connection with the filing of the Chapter 11 Cases, the Company entered into a restructuring support agreement (together with all exhibits and schedules thereto, the “Restructuring Support Agreement”) with the ad hoc group of noteholders, representing more than 70% of the holders of the Convertible Notes (the “Ad Hoc Noteholder Group”) pursuant to which the Ad Hoc Noteholder Group agreed to provide commitments for a debtor-in-possession facility (the “Original DIP Facility”) of more than $57 million and agreed to support the syndication of up to an additional $18 million in new money DIP (defined below) facility loans to all holders of Convertible Notes. The Company terminated the Restructuring Support Agreement pursuant to a “fiduciary out” which permitted the Company to pursue better alternatives.

Replacement DIP Credit Agreement Halving

On February 2, 2023 April 19, 2024, bitcoin underwent its fourth halving event at block 840,000, when the Bankruptcy Court entered an interim order (the “Replacement Interim DIP Order”) authorizing, among other things, reward was reduced to its current level of 3.125 bitcoin per block from the Debtors to obtain senior secured non-priming super-priority replacement post-petition financing (the “Replacement DIP Facility”). On February 27, 2023, previous level of 6.25 bitcoin per block. During a halving, we expect that it could have a negative impact on our revenue as the Debtors entered into a Senior Secured Super-Priority Replacement Debtor-in-Possession Loan and Security Agreement governing the Replacement DIP Facility (the “Replacement DIP Credit Agreement”), with B. Riley Commercial Capital, LLC, as administrative agent (the “Administrative Agent”), and the lenders from time to time party thereto (collectively, the “Replacement DIP Lender”). Proceeds of the Replacement DIP Facility were used to, among other things, repay amounts outstanding under the Original DIP Facility, including payment of all fees and expenses required to be paid under the terms of the Original DIP Facility. These funds, along with ongoing cash generated from operations, were anticipated to provide the necessary financing to effectuate the planned restructuring, facilitate the emergence from Chapter 11, and cover the fees and expenses of legal and financial advisors.

The Replacement DIP Facility, among other things, provides reward for a non-amortizing super-priority senior secured term loan facility in an aggregate principal amount not to exceed $70 million. Under the Replacement DIP Facility, (i) $35 million was made available following Bankruptcy Court approval of the Interim DIP Order and (ii) $35 million was made available following Bankruptcy Court approval of the Final DIP Order. Loans under the Replacement DIP Facility will bear interest at a rate of 10%, which each bitcoin mined will be payable in kind in arrears reduced. However, the impact of halving on the first day of each calendar month. The Administrative Agent received an upfront payment equal to 3.5% of the aggregate commitments under the Replacement DIP Facility on February 3, 2023, payable in kind, and the Replacement DIP Lender will receive an exit premium equal to 5% of the amount of the loans being repaid, reduced or satisfied, payable in cash. The Replacement DIP Credit Agreement includes representations and warranties, covenants applicable to the Debtors, and events of default. If an event of default under the Replacement DIP Credit Agreement occurs, the Administrative Agent revenue may among other things, permanently reduce any remaining commitments and declare the outstanding obligations under the Replacement DIP Credit Agreement to be immediately due and payable.

The maturity date of the Replacement DIP Credit Agreement is December 22, 2023, which can be extended, under certain conditions, offset by an additional three months to March 22, 2024. The Replacement DIP Credit Agreement will also terminate on the date that is the earliest of the following (i) the effective date of the Plan with respect to the Borrowers (as defined a rise in the Replacement DIP Credit Agreement) or any other Debtor; (ii) price of bitcoin due to fewer miners after the consummation of any sale or other disposition of all or substantially all of the assets of the Debtors pursuant to section 363 of the Bankruptcy Code; (iii) the date of the acceleration of the Loans and the termination of the Commitments (whether automatically, or upon any Event of Default or as otherwise provided in the Replacement DIP Credit Agreement); and (iv) conversion of the Chapter 11 Cases into cases under chapter 7 of the Bankruptcy Code.

On March 1, 2023, the Bankruptcy Court entered an order approving the Replacement DIP Facility on a final basis and the terms under which the Debtors are authorized to use the cash collateral of the holders of their convertible notes (the "Final DIP Order").

The Bankruptcy Court has appointed two official committees: the Official Committee of Unsecured Creditors (the "Creditors' Committee"), which represents general unsecured creditors, and the Official Committee of Equity Security Holders (the "Equity Committee"), which represents equity security holders. These committees have the right to be heard on all matters that come before the Bankruptcy Court and have important roles in the Chapter 11 Cases. The Debtors are required to bear certain costs and expenses of the committees, including those of their counsel and financial advisors, in each case subject to a limited budget.

NYDIG Settlement

On February 26, 2023, the Bankruptcy Court entered an order (the "NYDIG Order"), whereby the Debtors and NYDIG agree that the Debtors would transfer the miners serving as collateral under the NYDIG Loan back to NYDIG over a period of several months in exchange for the full extinguishment of the NYDIG Loan. The final shipment of miners that served as collateral under the NYDIG loan occurred during the quarter ended March 31, 2023, after which the NYDIG Loan was extinguished in full and the Company recorded a $20.8 million Gain on extinguishment of debt in the Company's Consolidated Statements of Operations.

Priority Power Settlement

On March 20, 2023, the Bankruptcy Court entered an order (the "Priority Power Order"), whereby the Debtors and Priority Power agree that the Debtors would transfer equipment to Priority Power and assume an Energy Management and Consulting Services Agreement and other new agreements. Priority Power was determined to have a single aggregate allowed claim of $20.8 million which was secured by a perfected mechanic's lien. The claim was deemed paid and fully satisfied by transfer of specific equipment from the Debtors to Priority Power on the date of the Priority Power Order, thereby releasing all Priority Power liens. The satisfaction of the obligation and transfer of the equipment is a noncash transaction which resulted in a gain of $4.9 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023.

City of Denton Lease Settlement

On August 16, 2023, the Bankruptcy Court entered an order (the "City of Denton Order"), approving the parties agreement to settle all claims of City of Denton and Denton Municipal Electric ("Denton") against the Debtors and releasing any and all liens related to the Debtor's lease of the Denton facility in exchange for Debtors execution lease cure costs totaling $1.5 million. The satisfaction of the settlement resulted in a loss of $1.5 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023.

Huband-Mantor Construction Settlement

On August 18, 2023, the Bankruptcy Court entered an order (the "HMC Order"), approving the parties agreement to settle all claims of HMC and its subcontractors against the Debtors and releasing any and all liens in favor of HMC and its subcontractors in exchange for Debtors payment of $2 million and the Debtors execution of a promissory note in favor of HMC in the principal amount of $15.5 million. The promissory note is secured by a mortgage of the Debtors Cottonwood 1 facility in Texas. The satisfaction of the settlement resulted in a loss of $8.3 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023. For more information on the promissory note, refer to Note 5 — Notes Payable to our unaudited consolidated financial statements in Item 1 of Part I of this report.

Celsius Mining LLC Settlement

On September 14, 2023, the Debtors and Celsius entered into a purchase and sale agreement (the "PSA") that provides in addition to a full mutual release of claims asserted against each party in the respective bankruptcy cases for a cash payment by Celsius to the Company of $14.0 million and a full and final release of all claims of Celsius against the Debtors related to the Celsius Contracts, in exchange for the Debtors, (i) sale to Celsius of the Debtor's Ward County, Texas bitcoin mining data center site (the "Cedarvale Facility") and certain related assets, (ii) grant to Celsius of a perpetual, non-transferable (except as described in Section 14 of the PSA), non-exclusive limited license to use identified Company intellectual property solely as and to the extent necessary to (x) finish construction and development of the Cedarvale Facility, (y) develop and construct other mining facilities on other properties owned or leased by Celsius similar in type and scope to the Cedarvale Facility, and (z) operate all of the foregoing, (iii) assumption and assignment to Celsius of certain executory contracts. In connection with the PSA the parties released and (iv) unequivocally release claims against Celsius asserted by the Company in connection with the Celsius Chapter 11 Cases and the Company's Chapter 11 Cases. On November 2, 2023, the Company received the payment of $14.0 million from Celsius in connection with the PSA.

As of September 30, 2023, there were $36.1 million of assets held for sale on the Company's Consolidated Balance Sheets related to the sale of the Cedarvale Facility. Refer to Note 8 — Commitments and Contingencies to our unaudited consolidated financial statements in Item 1 of Part I of this report for further discussion of the sale.

ACM ELF ST LLC Lease Settlement

In September 2023, the Company entered into a $7.2 million equipment finance agreement with ACM ELF ST LLC in settlement and satisfaction of a previous equipment finance agreement which resulted in a gain of $5.0 million recorded to Reorganization items, net in the Consolidated Statements of Operations for the three months ended September 30, 2023. See Note 5 — Notes Payable to our unaudited consolidated financial statements in Item 1 of Part I of this report for further discussion ofthe promissory note.

J.W. Didado Electric, LLC Settlement

On October 2, 2023, the Bankruptcy Court entered an order approving the parties agreement to settle all claims of W. Didado Electric, LLC ("Didado") against the Debtors and releasing any and all liens related to the Debtor's Muskogee datacenter in exchange for Debtors execution of an unsecured promissory note in favor of Didado in the principal amount of $13 million to be paid over 36 months upon emergence of bankruptcy. halving event.

Our Business Model

Company Business Overview

Core Scientific is As a best-in-class, large-scale operator bitcoin digital asset miner, provider of purpose-built facilities blockchain solutions and leader in transforming energy into high-value compute with high efficiency at scale, we believe that we are well positioned to serve customers in a rapidly expanding market for digital asset mining. Our operations are currently conducted mining and blockchain solutions. We believe that the adoption and mainstream use of bitcoin and the blockchain technology on which it is based has accelerated the demand for bitcoin and other digital currencies. Further, as noted in the United States at state-of-the-art facilities specifically designed and constructed "Strategic Investments" section below, we believe that opportunities for housing advanced mining equipment. The Company's primary business is self-mining and hosting third-party equipment used growth exist in mining of digital asset coins and tokens, including bitcoin.

Since July 2018, we have operated for ourselves and on behalf various applications of our customers and related parties, miners of varying models, types, and manufacturers, but primarily miners of bitcoin manufactured by Bitmain Technologies, Ltd ("Bitmain"). We have accumulated significant expertise in the installation, operation, optimization, and repair of digital mining equipment. We have expanded our self-mining operation to take advantage of the enhanced revenue opportunities of self-mining and opportunity to benefit from higher bitcoin prices.

Our hosting colocation business provides a full suite of services to digital asset mining customers. We provide deployment, monitoring, troubleshooting, optimization and maintenance of our customer's digital asset mining equipment and provide necessary electrical power and repair and other infrastructure services necessary to operate, maintain and efficiently mine digital assets.

Our business strategy is to grow our revenue and profitability by increasing the capacity and efficiency of our self-mining fleet and entering into strategic, revenue-enhancing colocation opportunities with third parties. We intend to develop the infrastructure necessary to support business growth and profitability and capture adjacent opportunities that leverage our mining infrastructure, expertise and capabilities.

Our proprietary data centers in Georgia, Kentucky, North Carolina, North Dakota for third party customers focused on cloud computing as well as machine learning and Texas are purpose-built facilities optimized for the unique requirements of high density blockchain computer servers. We are artificial intelligence.

As one of the largest blockchain owner operators of infrastructure for digital asset mining and colocation hosting provider companies in North America, we focus primarily on mining bitcoin and selling the bitcoin generated for cash and activities directly related to growing our mining capabilities (increasing the number of bitcoin mined) and enhancing efficiencies in our operations (reducing our cost to mine).Our rapidly growing digital asset mining operation is focused on the generation of digital assets by solving complex cryptographic algorithms to validate transactions on specific digital asset network blockchains, which is commonly referred to as "mining." Our digital asset self-mining activity competes with myriad mining operations throughout the world to complete new blocks in the blockchain and earn the reward in the form of an average hourly operating power demand established unit of approximately 586 MW a digital asset. The terms of our debt agreements currently require that we sell our digital assets as we receive them, and we typically use the proceeds to fund our growth strategies or for the three months ended September 30, 2023. As of September 30, 2023, we had approximately 1,500 MW of contracted power capacity at our sites, including 500 MW of power allocated to the Muskogee, Oklahoma data center which remains substantially undeveloped. general corporate purposes.

Our existing, completed facilities leverage lever our specialized construction proficiency by employing high-density, low-cost engineering and power designs. Our proprietary thermodynamic system manages heat and airflow to deliver best-in-class uptime and, ultimately, increasing mining rewards to us and our customers. We continually evaluate our mining performance, including our ability to access additional megawatts of electric power and to expand our total self-mining and customer and related party hosting hash rates. We may explore In addition to exploring additional mining facilities and mining arrangements, we may also explore additional uses of our current and future data centers to take advantage of high value compute in connection with our short-, medium- and long-term strategic planning.

Strategic Investments

Our business strategy is to grow our revenue and profitability by increasing the capacity and efficiency of our self-mining fleet and by enhancing our third-party hosting business. We intend to strategically develop the infrastructure necessary to support business growth and profitability and pursue adjacent high-value compute opportunities that lever our mining expertise and capabilities. For example, in February 2024, we entered into a multi-year lease agreement for a data center in Austin, Texas with a current operating capacity of 12 MW (the "Austin Lease") within which to perform colocation hosting services for CoreWeave, Inc. to supply up to 16 MW of data center infrastructure to support its GPU cloud compute workloads. We expect this facility to be operational in the second fiscal quarter of 2024.

We believe our expertise in digital asset mining can be applied favorably to the design, development and operation of large-scale data centers configured to optimize the performance of specialized computers for other specific, high-value applications such as cloud computing, as well as machine learning and artificial intelligence. We intend to look for opportunities to expand our business into these areas using our knowledge, expertise and existing infrastructure where favorable market opportunities exist.

Segments

We have two operating segments: "Hosting" which consists primarily "Mining," consisting of bitcoin self-mining, and "Hosting," consisting of our blockchain infrastructure and third-party hosting business, and "Mining" consisting of digital asset mining for our own account. The blockchain hosting business generates revenue through the sale of consumption-based contracts for our hosting services which are recurring in nature. During 2022, our "Hosting" segment also included sales of mining equipment to customers, and was referred to as "Hosting and Equipment Sales". The business. Our Mining operation segment generates revenue from operating owned computer equipment our own mining computers as part of a pool of users that process transactions conducted on one or more blockchain networks. In exchange for these services, this activity, we receive digital assets. assets in the form of bitcoin. Our Hosting operation segment generates revenue through the sale of electricity-based consumption contracts for our hosting services, which are recurring in nature.

Mining Equipment

We own and host specialized computers ("miners") configured for the purpose of validating transactions on multiple digital asset network blockchains (referred to as, "mining"), predominantly the bitcoin Bitcoin network. Substantially all of the miners we own and host were manufactured by Bitmain and incorporate application-specific integrated circuit ("ASIC") chips specialized to solve blocks on the bitcoin blockchains using the 256-bit secure hashing algorithm ("SHA-256") in return for bitcoin digital asset rewards.

We have entered into and facilitated agreements with mining equipment manufacturers vendors to supply mining equipment for our digital asset mining operations. The majority of our purchases are made on multi-month contracts with installment payments due in advance of scheduled deliveries. Delivery schedules have ranged from one month to 12 months. We currently have As of December 31, 2023, we had two active purchase agreements with Bitmain. The first agreement is was for the acquisition of 27,000 Antminer S19J XP miners to be with a combined exahash of 4.08 or 28,400 miners, all of which have been delivered during the fourth quarter as of 2023. March 31, 2024. The second agreement is was for the acquisition of 12,600 Antminer S21 miners to be delivered during with a combined exahash of 2.52 or approximately 12,900 miners. As of March 31, 2024, the first half of Company had received approximately 4,790 miners. The remaining miners were received in April 2024. As of September 30, 2023, the reporting date of this Quarterly Report on Form 10-Q, we are current have completed all 2024 payments due on our payment commitments under both agreements.

As of September 30, 2023, we had deployed approximately 206,200 bitcoin miners which number consists of approximately 144,300 self-miners and approximately 61,900 hosted miners, which represented 15.0 EH/s and 7.3 EH/s ordered for self-miners and hosted miners, respectively. deployment this year.

The tables below summarize the total number of self- and hosted miners in operation as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (miners in thousands):

		Bitcoin Miners in Operation as of September 30, 2023	
Mining Equipment	Mining Equipment	Hash rate (EH/s)	Number of Miners
Self-miners	Self-miners	15.0	144.3
Hosted miners	Hosted miners	7.3	61.9
Total mining equipment	Total mining equipment	22.3	206.2

Bitcoin Miners in Operation as of March 31, 2024	Bitcoin Miners in Operation as of March 31, 2024	
Mining Equipment	Hash rate (EH/s)	Number of Miners

	Bitcoin Miners in Operation as of December 31, 2022	
Mining Equipment	Hash rate (EH/s)	Number of Miners
Self-miners	15.7	153.0
Hosted miners	8.0	81.0
Total mining equipment	23.7	234.0

During the fourth quarter of December 31, 2022, the hosting contracts for 24 customers, (including two related-party customers) were terminated. The previously hosted ASIC servers were removed from our data center facilities and returned to the customers.

	Bitcoin Miners in Operation as of December 31, 2023	
Mining Equipment	Hash rate (EH/s)	Number of Miners
Self-miners	16.9	158.0
Hosted miners	6.3	51.1
Total mining equipment	23.2	209.1

Summary of Digital Asset Activity

Activity related to our digital asset balances for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were as follows (in thousands):

		September 30, 2023	**September 30, 2022**
	March 31, 2024	**March 31, 2024**	**March 31, 2023**
Digital assets, beginning of period	Digital assets, beginning of period	$ 724	$234,298

Digital asset mining revenue, net of receivables*		278,100	323,337
Cumulative effect of ASU 2023-08, adopted January 1, 2024[1]			
Digital assets, beginning of period, as adjusted			
Digital asset mining revenue, net of receivables[2]			
Mining proceeds from shared hosting	Mining proceeds from shared hosting	10,321	—
Proceeds from sales of digital assets	Proceeds from sales of digital assets	(287,769)	(350,795)
Gain from sales of digital assets		2,351	25,007
Realized gain from sale of digital assets			
Impairment of digital assets	Impairment of digital assets	(2,864)	(212,184)
Payment of board fee	Payment of board fee	(304)	—
Other			
Digital assets, end of period	Digital assets, end of period	$ 559	$ 19,663

[*][1] Reflects the impact of the Company's adoption of Accounting Standards Update ("ASU") 2023-08, *Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* ("ASU 2023-08") effective January 1, 2024.

[2]As of September 30, 2023 March 31, 2024 and March 31, 2023, there was $0.9 million $2.0 million and $1.2 million, respectively, of digital asset receivable included in prepaid expenses and other current assets on the consolidated balance sheets.

Performance Metrics

Hash Rate

Miners perform computational operations in support of digital asset blockchains measured in "hash rate" or "hashes per second." A "hash" is the computation run by mining hardware in support of the blockchain; therefore, a miner's "hash rate" refers to the rate at which it is capable of solving such computations. The original equipment used originally employed for mining bitcoin utilized used the Central Processing Unit ("CPU") of a computer to mine various forms of digital assets. Due to performance limitations, CPU mining was rapidly replaced by the Graphics Processing Unit ("GPU"), GPU, which offers significant performance advantages over CPUs. General purpose chipsets like CPUs and GPUs have since been replaced as the standard in the mining industry by ASIC chips such as those found in the miners we and our customers use to mine bitcoin. bitcoin (although they continue to have uses in other industries). These ASIC chips are designed specifically to maximize the rate of hashing operations.

Network Hash Rate

In digital asset mining, hash rate is a measure of the processing speed at which a mining computer operates in its attempt to secure a specific digital asset. A participant in a blockchain network's mining function has a hash rate equivalent to the total of all its miners seeking to mine a specific digital asset. System-wide, the total network hash rate reflects the sum total of all miners seeking to mine each specific type of digital asset. A participant's higher total hash rate relative to the system-wide total hash rate generally results in a corresponding higher success rate in digital asset rewards over time as compared to mining participants with relatively lower total hash rates.

However, as the relative market price for a digital asset, such as bitcoin, increases, more users are incentivized to mine for that digital asset, which increases the network's overall hash rate. As a result, a mining participant must increase its total hash rate in order to maintain its relative possibility of solving a block on the network blockchain. Achieving greater hash rate power by deploying increasingly sophisticated miners in ever greater quantities has become one of the bitcoin mining industry's great sources of competition. Our goal is to deploy a powerful fleet of self- and hosted-miners, while operating as energy-efficiently as possible.

Key Factors Affecting Our Financial Performance

Market Price of Digital Assets

Our business is heavily dependent on the spot price of bitcoin, as well as other digital assets. The prices of digital assets, specifically bitcoin, have experienced substantial volatility, which may reflect "bubble" type volatility, meaning that high or low prices may have little or no relationship to identifiable market forces, may be subject to rapidly changing investor sentiment, and may be influenced by factors such as technology, regulatory void or changes, fraudulent actors, manipulation, and media reporting. Bitcoin (as well as other digital assets) may have value based on various factors, including their acceptance as a means of exchange by consumers and others, scarcity, and market demand.

Our financial performance and continued growth depend in large part on our ability to mine for digital assets profitably and to attract customers for our hosting services. Increases in power costs, inability to mine digital assets efficiently and to sell digital assets at favorable prices will reduce our operating margins, impact our ability to attract customers for our services, may harm our growth prospects and could have a material adverse effect on our business, financial condition and results of operations. Over time, we have observed a positive trend in the total market capitalization of digital assets, which suggests increased adoption. However, historical trends are not indicative of future adoption, and it is possible that the adoption of digital assets and blockchain technology may slow, take longer to develop, or never be broadly adopted, which would negatively impact our business and operating results.

Network Hash Rate

Our business is not only impacted by the volatility in digital asset prices, but also by increases in the competition for digital asset production. For bitcoin, this increased competition is described as the network hash rate resulting from the growth in the overall quantity and quality of miners working to solve blocks on the bitcoin blockchain, and the difficulty index associated with the secure hashing algorithm employed in solving the blocks.

Difficulty

The increase in bitcoin's network hash rate results in a regular increase in the cryptographic complexity associated with solving blocks on its blockchain, or its difficulty. Increased difficulty reduces the mining proceeds of the equipment proportionally and eventually requires bitcoin miners to upgrade their mining equipment to remain profitable and compete effectively with other miners. Similarly, a decline in network hash rate results in a decrease in difficulty, increasing mining proceeds and profitability.

Transaction Fees

Bitcoin miners receive a transaction fee in the form of a portion of bitcoin for validating transactions on the Bitcoin network. The transaction fee can vary in value over time, with higher fees prioritizing certain transactions over those with lower fees. An increase in Bitcoin network transactions could represent a more significant component of miner revenue if their value increases over time.

The table below provides a summary of the impact to revenue from the increase or decrease in the market price of bitcoin, difficulty and our hash rate. The impact to revenue in each scenario assumes only one driver increases or decreases and all others are held constant.

	Impact to Revenue	
Driver	Increase in Driver	Decrease in Driver
Market Price of Bitcoin	Favorable	Unfavorable
Core Scientific Hash Rate	Favorable	Unfavorable
Difficulty	Unfavorable	Favorable
Core Scientific Hash Rate Transaction Fees	Favorable	Unfavorable

Halving

Further affecting the industry, and particularly for the bitcoin blockchain, the digital asset reward for solving a block is subject to periodic incremental halvening. Halvening halving. Halving is a process designed to control the overall supply and reduce the risk of inflation in digital assets using a proof of work proof-of-work consensus algorithm. At a predetermined block, the mining reward is reduced by half, hence the term "halvening. "halving." A reduction in the number of bitcoins rewarded per block would result in a reduction of revenue to those mining bitcoin, barring any increase in the spot price of bitcoin or decrease in Bitcoin network hash rate or difficulty. Historically, the network hash rate has tended to decline, for a period of time, post-halving as less efficient mining servers become less profitable to operate and their operators discontinue or limit their use.

For bitcoin, our most significant digital asset to which the vast majority of our mining power is devoted, the reward was initially set at 50 bitcoin currency rewards per block. The bitcoin blockchain has undergone halvening three halving four times since its inception, as follows: (1) on November 28, 2012, at block 210,000; (2) on July 9, 2016 at block 420,000; and (3) on May 11, 2020 at block 630,000, when the reward was reduced to 6.25 bitcoin per block; and (4) on April 19, 2024 at block 840,000, when the reward was reduced to its current level of 6.25 3.125 bitcoin per block. The next halvening halving for the bitcoin blockchain is anticipated to occur in early 2024 2028 at block

840,000. 1,050,000. This process will repeat until the total amount of bitcoin currency rewards issued reaches 21 million and the theoretical supply of new bitcoin is exhausted, which is expected to occur around the year 2140. Many factors influence the price of bitcoin and the other digital assets we may mine for, and potential increases or decreases in prices in advance of or following a future halvening halving are unknown.

Electricity Costs

Electricity cost is the major operating cost for the mining fleet, as well as for the hosting services provided to customers and related parties. The cost and availability of electricity are affected primarily by changes in seasonal demand, with peak demand during the summer months driving higher costs and increased curtailments to support grid operators. Severe winter weather can increase the cost of electricity and the frequency of curtailments when it results in a reduction in available wind and solar generated electricity, an increase in demand for electrical energy generally or damage to power transmission infrastructure that reduces the grid's ability to deliver power. Geopolitical and macroeconomic factors, such as overseas military or economic conflict between states, can adversely affect electricity costs by raising the cost of power generation inputs such as natural gas. Locally, factors such as animal incursion, sabotage and other Other events out of our control can also impact electricity costs and availability. In certain power markets, financial hedging can be employed to protect buyers from the financial impact of significant increases in power prices.

Equipment Costs

The long-term trend of increasing digital assets market value has increased demand for the newest, most efficient miners and has at times resulted in scarcity in the supply of, and thereby a resulting increase in the price of, those miners. The recent decline Increases in the market value of digital assets has resulted increases the demand for new miners, which can result in an a scarcity in the supply of, and increases in the price of, those miners. Declines in the market value of digital assets can result in excess supply of miners and a general decline in their price. prices. As a result, the cost of new machines miners can be unpredictable and could be significantly higher different than our historical cost for new miners.

Our Customers

In addition to factors underlying our self-mining mining business growth and profitability, our success greatly depends on our ability to retain and develop opportunities with our existing customers and to attract new customers. On July 30, 2021, we acquired an existing hosting customer, Blockcap, Inc. ("Blockcap"), and thereby increased our self-mining operations.

Our business environment is constantly evolving, and digital asset miners can range from a declining number of individual enthusiasts to a growing number of professional mining operations with dedicated data centers. The Company competes with other enterprises that focus all or a portion of their activities on mining activities at scale. We face significant competition in every aspect of our business, including, but not limited to, the acquisition of new miners, the ability to raise capital, obtaining low-cost electricity, obtaining access to energy sites with reliable sources of power, and evaluating new technology developments in the industry.

At present, Presently, the information concerning the activities of these enterprises may not be readily available as the vast majority of the participants in this sector do not publish information publicly, or the information may be unreliable. Published sources of information include "bitcoin.org" and "blockchain.info"; "blockchain.info;" however, the reliability of that information and its continued availability cannot be assured.

We believe, based Based on available data we believe that, despite the significant decrease in market prices for bitcoin and other major digital assets during 2022, an increase in the scale and sophistication of competition in the digital asset mining industry has continued increasing to increase network hash rate, with new entrants and existing competitors increasing the number of miners mining for bitcoin.

Despite this trend, we believe we have continued to maintain a competitive hash rate capacity among both public and private bitcoin miners. However, to remain competitive in our evolving industry, both against new entrants into the market and existing competitors, we anticipate that we will need to continue to expand our existing miner fleet by purchasing new and available used miners, as well as innovating to develop and implement new technologies and mining solutions.

We believe that our integrated blockchain service services portfolio, as well as our differentiated customer experience and technology, are keys to retaining and growing revenue from existing customers and to acquiring new customers. For example, we believe our significant build-out and ready power along combined with our Minder™ fleet management software layer represent meaningful competitive advantages favorable to our business.

Differentiation, Innovation and Expansion of Our Platform

Our investments in research and development drive differentiation of our service offerings, core technology innovation and our ability to bring new products to market.

We believe that we differentiate ourselves by offering premium products and services, including our ability to manage our electricity sourcing, construct proprietary passive cooled data centers. Our existing, completed facilities lever our specialized construction proficiency by employing high-density, low-cost engineering and power designs. Our proprietary thermodynamic system manages heat and airflow to deliver best-in-class uptime and, ultimately, increases mining rewards to us and our customers. Our facilities are designed to maximize not only mining equipment efficiency but mining equipment life. We have accumulated expertise in the installation, operation, optimization and repair of digital mining equipment. We continue to refine and develop our data center design and technology solutions to optimize our data center and mining operations with the knowledge gained from our considerable digital asset mining experience, including optimizing the location of miners in our data centers to increase profitability. Our approach to data center design enables us to deliver efficiency at scale.

We intend to continue to invest judiciously in research and development activities to extend our platform management and software solutions in order to manage our mining fleet more efficiently and productively.

Regulation

Due to the relatively short history of digital assets, and their emergence as a new asset class, government regulation of blockchain and digital assets is constantly evolving, with increased interest expressed by U.S. and internal regulators. In October 2020, the Cyber-Digital Task Force of the U.S. Department of Justice published a report entitled "Cryptocurrency: An Enforcement Framework" that detailed the Department's view with respect to digital assets and the tools at the Department's disposal to deal with threats posed by digital assets. In February 2021, representatives of the government of Inner Mongolia, China announced plans to ban digital asset mining within the province due to the energy and rare earth mineral demands of the industry. In March 2021, the nominee for Chair of the SEC expressed the need for investor protection along with promotion of innovation in the digital asset space. In March 2022, President Biden signed an Executive Order outlining an "whole-of-government" approach to addressing the risks and harnessing the potential benefits of digital assets and its underlying technology. The executive order lays out a national policy for digital assets over six highlighted priorities. In January 2023, the U.S. House of Representatives created a new congressional subcommittee focused on digital assets, the Subcommittee of Digital Assets, Financial Technology and Inclusion, operating under the House Financial Services Committee.

In addition to the activities of the United States federal government and its various agencies and regulatory bodies, government regulation of blockchain and digital assets is also under active consideration by similar entities in other countries and transnational organizations, such as the European Union. State and local regulations within the United States also may apply to our activities and other activities in which we may participate in the future. Other governmental or semi-governmental regulatory bodies have shown an interest in regulating or investigating companies engaged in blockchain or digital asset businesses. For instance, the SEC has taken an active role in regulating the use of public offerings of proprietary coins (so-called "initial coin offerings") and has made statements and official promulgations as to the status of certain digital assets as "securities" subject to regulation by the SEC.

Key Business Metrics and Non-GAAP Financial Measures

In addition to our financial results, we use the following business metrics and non-GAAP financial measures to evaluate our business, measure our performance, identify trends affecting our business, and make strategic decisions. For a definition of these key business metrics, see the sections titled "Self-Mining Hash Rate" and "Adjusted EBITDA" (below).

	September 30,	
	2023	2022
Self-Mining Hash rate (Exahash per second)	15.0	13.0

	March 31,	
	2024	2023
Self-Mining Hash rate (Exahash per second)	19.3	16.1

	Three Months Ended March 31,	
	2024	2023
Adjusted EBITDA (in millions)	$ 88.0	$ 40.3

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA (in millions)	$ 27.9	$ 17.9	$ 113.0	$ 170.1

Self-Mining Hash Rate

We operate mining hardware which performs computational operations in support of the blockchain measured in "hash rate" or "hashes per second." A "hash" is the computation run by mining hardware in support of the blockchain; therefore, a miner's "hash rate" refers to the rate at which the hardware is capable of solving such computations. Our hash rate represents the hash rate of our miners as a proportion of the total bitcoin network hash rate and drives the number of digital asset rewards that will be earned by our fleet. We calculate and report our hash rate in exahash per second ("EH/s"). One exahash equals one quintillion hashes per second.

We measure the hash rate produced by our mining fleet through our management software Minder™, which consolidates the reported hash rate from each miner. The method by which we measure our hash rate may differ from how other operators present such a measure.

Our self-mining hash rate was 15.0 19.3 EH/s and 13.0 16.1 EH/s as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively representing a 15% 20% increase year over year.

Our combined self-mining and customer and related party hosting hash rate declined 1% increased 17%, to 22.3 25.5 EH/s as of September 30, 2023 March 31, 2024, from 22.5 21.8 EH/s as of September 30, 2022 March 31, 2023.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined as our net income or (loss), adjusted to eliminate the effect of (i) interest income, interest expense, and other income (expense), net; (ii) provision for income taxes; (iii) depreciation and amortization; (iv) stock-based compensation expense; (v) gain on sale of intangible assets; (vi) Reorganization items, net; (vi) unrealized changes in fair value of energy derivatives; (vii) change in the fair value of warrant and (vii) contingent value rights and (viii) certain additional non-cash or non-recurring items, which that do not reflect the performance of our ongoing business operations. For additional information, including the reconciliation of net income (loss) to Adjusted EBITDA, please refer to the table below. We believe Adjusted EBITDA is an important measure because it allows management, investors, and our board Board of directors Directors to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making the adjustments described above. In addition, it provides useful information to investors and others in understanding and evaluating our results of operations, as well as provides a useful measure for period-to-period comparisons of our business, as it removes the effect of net interest expense, taxes, certain non-cash items, variable charges, and timing differences. Moreover, we have included Adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measurement used by our management internally to make operating decisions, including those related to operating expenses, evaluate performance, and perform strategic and financial planning.

The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature or because the amount and timing of these items is unpredictable, are not driven by core related to the current results of our core business operations and which renders evaluation of our current performance, comparisons with prior of performance between periods and comparisons of our current performance with our competitors less meaningful. However, you should be aware that when evaluating Adjusted EBITDA, we may incur future expenses similar to those excluded when calculating this measure. Our presentation of this measure should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. Further, this non-GAAP financial measure should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). We compensate for these limitations by relying primarily on GAAP results and using Adjusted EBITDA on a supplemental basis. Our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies because not all companies calculate this measure in the same fashion. You should review the reconciliation of net loss income (loss) to Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table presents a reconciliation of net loss income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA				
Net loss	$ (41,146)	$ (434,792)	$ (50,794)	$ (1,711,471)
Adjustments:				
Interest expense, net	2,196	25,942	2,317	74,734
Income tax expense	114	10,642	347	4,398
Depreciation and amortization	24,233	64,570	64,800	156,544
Amortization of operating lease right-of-use assets	234	317	703	424
Gain on debt extinguishment	(374)	—	(21,135)	—
Stock-based compensation expense	14,861	29,753	41,414	166,548
Fair value adjustment on derivative warrant liabilities	—	(521)	—	(32,985)
Fair value adjustment on convertible notes	—	(4,123)	—	186,853
Gain from sales of digital assets	(363)	(11,036)	(2,358)	(25,007)
Impairment of digital assets	681	7,986	2,864	212,184
Impairment of goodwill and other intangibles	—	268,512	—	1,059,265
Impairment of property, plant and equipment	—	59,259	—	59,259
Losses on exchange or disposal of property, plant and equipment	340	—	514	13,057
Gain on sale of intangible assets	—	—	—	(5,904)
Cash restructuring charges	—	(125)	—	1,320
Reorganization items, net	28,256	—	78,270	—
Fair value adjustment on acquired vendor liability	—	68	—	9,498
Equity line of credit expenses	—	1,431	—	1,431
Other items	(1,090)	(21)	(3,978)	(27)
Adjusted EBITDA	$ 27,942	$ 17,862	$ 112,964	$ 170,121

	Three Months Ended March 31,	
	2024	2023[1]
Adjusted EBITDA		
Net income (loss)	$ 210,691	$ (388)
Adjustments:		
Interest expense, net	14,087	157
Income tax expense	206	104
Depreciation and amortization	28,996	20,094
Stock-based compensation expense	(1,060)	12,273
Unrealized fair value adjustment on energy derivatives	(797)	—
Losses on disposal of property, plant and equipment	3,820	—
Advisor fees	1,687	—

Loss (gain) on debt extinguishment	50	(20,761)
Reorganization items, net	(111,439)	31,559
Change in fair value of warrant and contingent value rights	(60,114)	—
Other non-operating expenses (income), net	1,746	(3,069)
Other	123	368
Adjusted EBITDA	$ 87,996	$ 40,337

[1] Certain prior year amounts have been reclassified for consistency with the current year presentation.

Components of Results of Operations

Revenue

Our revenue consists primarily of returns digital asset mining income, and fees from our hosting operations, including the sales of mining equipment to be hosted in our data centers and digital asset mining income.

- **Hosting revenue from customers and related parties.** Hosting revenue from customers and related parties is based on electricity-based consumption contracts with our customers and related parties. Most contracts are renewable, and our customers are generally billed on a fixed and recurring basis each month for the duration of their contract, which vary from one to three years in length. During the three months ended June 30, 2023, we initiated our first new customer contracts based on proceed sharing. Under these new contracts, customers pay for the cost of hosting and infrastructure and we share the proceeds that are generated. See Item 13 - "Certain Relationships and Related Transactions, and Director Independence," to our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.
- **Equipment sales to customers and related parties.** Equipment sales to customers and related parties is derived from our ability to leverage our partnerships with leading equipment manufacturers to secure equipment in advance, which is then sold to our customers and related parties. Our equipment sales are typically in connection with a hosting contract.centers.
- **Digital asset mining revenue.** We operate a digital asset mining operation using specialized computers equipped with application-specific integrated circuit ("ASIC") ASIC chips (known as "miners") to solve complex cryptographic algorithms in support of the bitcoin blockchain (in a process known as "solving a block") in exchange for digital asset rewards (primarily bitcoin). The Company participates in "mining pools" organized by "mining pool operators" in which we share our mining

  power (known as "hash rate") with the hash rate generated by other miners participating in the pool to earn digital asset rewards. The mining pool operator provides a service that coordinates the computing power of the independent mining enterprises participating in the mining pool. The pool uses software that coordinates the pool members' mining power, identifies new block rewards, records how much hash rate each participant contributes to the pool, and assigns digital asset rewards earned by the pool among its participants in proportion to the hash rate each participant contributed to the pool in connection with solving a block. Revenues from digital asset mining are impacted by volatility in bitcoin prices, as well as increases in the bitcoin blockchain's network hash rate resulting from the growth in the overall quantity and quality of miners working to solve blocks on the bitcoin blockchain and the difficulty index associated with the secure hashing algorithm employed in solving the blocks.
- **Hosting revenue from customers and related parties.** Hosting revenue from customers and related parties is based on electricity-based consumption contracts with our customers and related parties. Most contracts are renewable, and our customers are generally billed on a fixed and recurring basis each month for the duration of their contract, which vary from one to three years in length. During the second quarter of 2023, we initiated our first new digital asset mining customer contracts based on proceed sharing. Under these new contracts, customers pay for the cost of hosting and infrastructure, and we share the proceeds that are generated.

Cost of revenue

The Company's Cost cost of Hosting Services hosting services and Cost cost of Digital Asset Mining digital asset mining primarily consist of electricity costs, salaries, stock-based compensation, depreciation of property, plant and equipment used to perform hosting services and mining operations and other related costs. Cost of Equipment Sales includes costs of computer equipment sold to customers.

Gain from sales of digital assets

Gain from sales of digital assets consists consist of gain on sales of digital assets. Gains are recorded when realized upon sale(s). In determining the gain to be recognized upon sale, we calculate the difference between the sales price and carrying value of the digital assets sold immediately prior to sale

Impairment of digital assets

We initially recognize The Company adopted ASU 2023-08 effective January 1, 2024. Under ASU 2023-08 the Company is required to measure digital assets that are received as digital asset mining revenue based on the at fair value each reporting period with changes in fair value recognized in net income. Prior to the adoption of the ASU 2023-08, digital assets, when earned which were initially recognized and received. Digital assets that are purchased in an exchange of one digital asset for another digital asset are recognized measured at the fair value, of the asset received at the time of the transaction.

These assets are adjusted to fair value were remeasured only when an impairment is recognized. Impairment exists existed when the current carrying amount exceeds exceeded its current fair value. Impairment is was measured using quoted prices of the digital asset at the time its fair value is was being assessed. Quoted prices, including intraday low prices, are were collected and utilized in impairment testing and measurement on a daily basis. To the extent that an impairment loss is was recognized, the loss establishes established the new costs basis and carrying value of the digital asset.

Impairment Prior to the adoption of ASU 2023-08 effective January 1, 2024, impairment losses are were recognized in the period in which the impairment is was identified. The impaired digital assets are were written down to their fair value at the time of impairment and this new carrying value will would not be adjusted upward for any subsequent increase in fair value. See

Change in fair value of energy derivatives

The Change in fair value of energy derivatives represents changes in the fair value of the derivative liability related to the energy forward purchase contract described in more detail in "Energy Forward Purchase Contract" in Note 2 — Summary of Significant Accounting Policies in to our unaudited consolidated financial statements included elsewhere in this Quarterly Item 8 of Part II of our Annual Report on Form 10-Q 10-K for additional information.

Impairment of goodwill and other intangibles

The Company does not amortize goodwill, but tests it for impairment annually as of October 31 each the year or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair values of the reporting units are less than their carrying amounts as a basis for determining whether it is necessary to perform the quantitative goodwill impairment test. If management determines that it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, or management chooses not to perform a qualitative assessment, then the quantitative goodwill impairment test will be performed. The quantitative test compares the fair value of the reporting unit with the reporting unit's carrying amount. If the carrying amount exceeds its fair value, the excess of the carrying amount over the fair value is recognized as an impairment loss, and the resulting measurement of goodwill becomes its new cost basis. The Company's reporting units are the same as its reportable and operating segments.

The Company tests intangible assets subject to amortization whenever events or changes in circumstances have occurred that may affect the recoverability or the estimated useful lives of the intangible assets. Intangible assets may be impaired when the estimated future undiscounted cash flows are less than the carrying amount of the asset. If that comparison indicates that the intangible asset's carrying value may not be recoverable, the impairment is measured based on the difference between the carrying amount and the estimated fair value of the intangible asset. This evaluation is performed at the lowest level for which separately identifiable cash flows exist. Intangible assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

ended December 31, 2023.

Losses on exchange or disposal of property, plant and equipment

Losses on exchange or disposal of property, plant and equipment are measured as the differences between the carrying value of the property, plant and equipment exchanged or disposed of and fair value of the consideration received upon exchange or disposal. The fair value of noncash consideration received in an exchange of property, plant and equipment is determined as of contract inception.

Operating expenses

Operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Each is outlined in more detail below.

- **Research and development.** We invest in research and development to build capabilities to extend our blockchain platform management enhance the efficiency and software solutions, in order to manage effectiveness of our mining fleet more efficiently, expand within existing accounts, operations and hosting services and to gain new customers by offering differentiated blockchain hosting services. support our efforts to capture business opportunities in adjacent high-value compute markets. Research and development costs include compensation and benefits, stock-based compensation, other personnel related costs and professional fees.
- **Sales and Marketing. marketing.** Sales and Marketing marketing expenses consist of marketing expenses, trade shows and events, professional fees, compensation and benefits, stock-based compensation and other personnel-related personnel related costs.
- **General and administrative.** General and administrative expenses include compensation and benefits expenses for employees who are not part of the research and development and sales and marketing organization, professional fees, and other personnel related personnel-related expenses. Also included are stock-based compensation, professional fees, business insurance, auditor fees, bad debt, amortization of intangibles, franchise taxes, and bank fees.

Non-operating (income) expenses, net:

Non-operating expenses, net includes gain (gain) loss on debt extinguishment, interest expense, net, fair value adjustment on convertible notes, fair value adjustment on derivative warrant liabilities, reorganization items, net, fair value adjustments of warrants and contingent value rights, and other non-operating (income) expenses, net. Reorganization items, net consists of costs directly associated with the reorganization during the bankruptcy period, including professional fees (including reimbursed third-party professional fees) and other bankruptcy related costs, negotiated settlements, satisfaction of allowed claims, and debtor-in-possession finance fees.

Income tax expense

Income tax expense consists of U.S. federal state and local state income taxes. We evaluate maintain a full valuation allowance against our ability U.S. federal and state net deferred tax assets as realization of deferred tax assets is dependent upon the generation of future taxable income, the timing and amount of which are uncertain and therefore have concluded it is not more likely than not that we will realize our net deferred tax assets.

Income tax expense consists of federal and state tax expense on our operating activity, and changes to recognize our deferred tax asset and deferred tax liability.

Deferred income tax expense consists of income taxes recorded using the asset and liability method. Under this method, deferred tax assets quarterly and liabilities are recorded based on the estimated future tax effects of differences between the financial reporting and tax bases of existing assets and liabilities. These differences are measured using the enacted tax rates that are expected to be in effect when these differences are anticipated to reverse. Deferred tax assets are reduced by considering all positive and negative evidence available as proscribed by a valuation allowance to the Financial Accounting Standards Board ("FASB") under its general principles of ASC 740, *Income Taxes.*

See Note 10 — Income Taxes, in our unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.extent management believes it is not more likely than not to be realized.

Results of Operations for the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

The following table sets forth our selected Consolidated Statements of Operations for each of the periods indicated.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Period over Period Change Dollar	Period over Period Change Percentage
	(in thousands, except percentages)			
Revenue:				
Hosting revenue from customers	$ 27,020	$ 35,731	$ (8,711)	(24) %
Hosting revenue from related parties	2,828	9,185	(6,357)	(69) %
Equipment sales to customers	—	7,468	(7,468)	(100) %
Equipment sales to related parties	—	29,693	(29,693)	(100) %
Digital asset mining revenue	83,056	80,495	2,561	3 %
Total revenue	112,904	162,572	(49,668)	(31) %
Cost of revenue:				
Cost of hosting services	24,882	44,975	(20,093)	(45) %
Cost of equipment sales	—	27,917	(27,917)	(100) %
Cost of digital asset mining	72,603	116,756	(44,153)	(38) %
Total cost of revenue	97,485	189,648	(92,163)	(49) %
Gross profit (loss)	15,419	(27,076)	42,495	NM
Gain from sales of digital assets	363	11,036	(10,673)	(97) %
Impairment of digital assets	(681)	(7,986)	7,305	(91) %
Impairment of goodwill and other intangibles	—	(268,512)	268,512	(100) %
Impairment of property, plant and equipment	—	(59,259)	59,259	(100) %
Losses on exchange or disposal of property, plant and equipment	(340)	—	(340)	100 %

	Three Months Ended March 31, 2024	2024		2023			Dollar
	(in thousands, except percentages)						
Revenue:							
Digital asset mining revenue	$149,959		$ 98,026		$ 51,933		
Hosting revenue from customers	29,332	18,909	18,909	10,423		10,423	55
Hosting revenue from related parties	—	3,720	3,720	(3,720)		(3,720)	NM
Total revenue	179,291	120,655	120,655	58,636		58,636	49
Cost of revenue:							
Cost of digital asset mining Cost of digital asset mining Cost of digital asset mining	81,564		72,676		8,888		
Cost of hosting services	20,081	16,198	16,198	3,883		3,883	24%
Total cost of revenue	101,645	88,874	88,874	12,771		12,771	14%
Gross profit	77,646		31,781		45,865		
Gain from sales of digital assets	543	1,064	1,064	(521)		(521)	(49)%
Impairment of digital assets	—	(1,056)	(1,056)	1,056		1,056	NM
Change in fair value of energy derivatives	(2,218)		—		(2,218)		

Losses on disposal of property, plant and equipment						Losses on disposal of property, plant and equipment	(3,820)		—		(3,820)	
Operating expenses:	Operating expenses:											
Research and development												
Research and development												
Research and development	Research and development	2,253	6,192	(3,939)	(64) %		1,799	1,415	1,415	384	384	27%
Sales and marketing	Sales and marketing	1,041	39	1,002	NM	Sales and marketing	982	1,008	1,008	(26)	(26)	(3)%
General and administrative	General and administrative	23,511	43,346	(19,835)	(46) %	General and administrative	14,143	21,764	21,764	(7,621)	(7,621)	(35)%
Total operating expenses	Total operating expenses	26,805	49,577	(22,772)	(46) %	Total operating expenses	16,924	24,187	24,187	(7,263)	(7,263)	(30)%
Operating loss		(12,044)	(401,374)	389,330	(97) %							
Non-operating expenses, net:												
Gain on debt extinguishment		(374)	—	(374)	NM							
Operating income						Operating income	55,227		7,602		47,625	
Non-operating (income) expenses, net:												
Loss (gain) on debt extinguishment												
Loss (gain) on debt extinguishment												
Loss (gain) on debt extinguishment							50		(20,761)		20,811	
Interest expense, net	Interest expense, net	2,196	25,942	(23,746)	(92) %	Interest expense, net	14,087	157	157	13,930	13,930	NM
Fair value adjustment on convertible notes		—	(4,123)	4,123	(100) %							
Fair value adjustment on derivative warrant liabilities		—	(521)	521	(100) %							
Reorganization items, net	Reorganization items, net	28,256	—	28,256	100 %							
Other non-operating (income) expenses, net		(1,090)	1,478	(2,568)	NM							
Total non-operating expenses, net		28,988	22,776	6,212	27 %							
Loss before income taxes		(41,032)	(424,150)	383,118	(90) %							
Reorganization items, net												
Reorganization items, net							(111,439)		31,559		(142,998)	
Change in fair value of warrant and contingent value rights						Change in fair value of warrant and contingent value rights	(60,114)		—		(60,114)	
Other non-operating expense (income), net						Other non-operating expense (income), net	1,746		(3,069)		4,815	

Total non-operating (income) expenses, net						Total non-operating (income) expenses, net	(155,670)		7,886		(163,556)	
Income (loss) before income taxes						Income (loss) before income taxes	210,897		(284)		211,181	
Income tax expense	Income tax expense	114	10,642	(10,528)	(99) %	Income tax expense	206	104	104	102	102	98%
Net loss		$(41,146)	$(434,792)	$393,646	(91) %							
Net income (loss)						Net income (loss)	$210,691		$ (388)		$211,079	

NM - Not Meaningful

Revenue

		Three Months Ended September 30,		Period over Period Change					Three Months Ended March 31,				Period over Period Change	
		2023	2022	Dollar	Percentage									
	Three Months Ended March 31, 2024						2024		2023				Dollar	Percentage
Revenue:	Revenue:	(in thousands, except percentages)				Revenue:	(in thousands, except percentages)							
Digital asset mining revenue						Digital asset mining revenue	$149,959		$ 98,026		$51,933			53 %
Hosting revenue from customers	Hosting revenue from customers	$ 27,020	$ 35,731	$ (8,711)	(24) %	Hosting revenue from customers	29,332	18,909	18,909	10,423		10,423	55	55 %
Hosting revenue from related parties	Hosting revenue from related parties	2,828	9,185	(6,357)	(69) %	Hosting revenue from related parties	—	3,720	3,720	(3,720)		(3,720)	NM	NM
Equipment sales to customers		—	7,468	(7,468)	(100) %									
Equipment sales to related parties		—	29,693	(29,693)	(100) %									
Digital asset mining revenue		83,056	80,495	2,561	3 %									
Total revenue	Total revenue	$112,904	$162,572	$(49,668)	(31) %	Total revenue	$179,291	$	$120,655	$	$58,636		49	49 %
Percentage of total revenue:	Percentage of total revenue:													

Digital asset mining revenue

Digital asset mining revenue

Digital asset mining revenue

Hosting revenue from customers

Hosting revenue from customers

Hosting revenue from customers	Hosting revenue from customers	24 %	22 %
Hosting revenue from related parties	Hosting revenue from related parties	3 %	6 %
Equipment sales to customers		— %	5 %
Equipment sales to related parties		— %	17 %
Digital asset mining revenue		73 %	50 %
Hosting revenue from related parties			
Hosting revenue from related parties			
Total revenue	Total revenue	100 %	100 %
Total revenue			
Total revenue			

Total revenue decreased increased by $49.7 million $58.6 million or 49%, to $112.9 million $179.3 million for the three months ended September 30, 2023 March 31, 2024, from $162.6 million $120.7 million for the three months ended September 30, 2022 March 31, 2023, as a result of the factors described below.

Total hosting revenue from customers decreased by $8.7 million or 24%, to $27.0 million for the three months ended September 30, 2023, from $35.7 million for the three months ended September 30, 2022. The decrease in hosting revenue from customers was primarily driven by the termination of contracts for several customers in the portfolio at less profitable hosting rates, partially offset by the deployment of additional miners for existing customers as well as the addition of several hosted miners related to our shared proceeds hosting customers for the three months ended September 30, 2023.

Total hosting revenue from related parties decreased by $6.4 million or 69%, to $2.8 million for the three months ended September 30, 2023, from $9.2 million for the three months ended September 30, 2022. The decrease in related party hosting revenue was primarily driven by the termination of hosting contracts during the three months ended September 30, 2023.

Equipment sales to customers decreased by $7.5 million or 100%, to nil for the three months ended September 30, 2023, from $7.5 million for the three months ended September 30, 2022. The decrease in equipment sales to customers was driven by the Company's decision to exit the Equipment Sales business due to the increasing number of hosting customers purchasing mining equipment directly from manufacturers for deployments in our data centers during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022.

Equipment sales to related parties decreased by $29.7 million or 100%, to nil for the three months ended September 30, 2023, from $29.7 million for the three months ended September 30, 2022. The decrease in equipment sales to related parties was driven by the Company's decision to exit the Equipment Sales business due to the increasing number of customers purchasing mining equipment directly from manufacturers for deployments in our data centers during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022.

Digital asset mining revenue increased by $2.6 million $51.9 million or 53%, to $83.1 million $150.0 million for the three months ended September 30, 2023 March 31, 2024, from $80.5 million $98.0 million for the three months ended September 30, 2022 March 31, 2023. The year over year increase in mining revenue was driven primarily by a 32% an increase in the price of bitcoin and an increase in our self-mining hash rate, driven by which was due to an approximate increase in the number of 18,000 mining units deployed. The increase in mining revenue was partially offset by the 77% increase a 34% decrease in the global bitcoin network hash rate. mined. Our self-mining hash rate increased by 15% 20%, to 15.0 19.3 EH/s for the three months ended September 30, 2023 March 31, 2024, from 13.0 16.1 EH/s for the same period in the prior year. The total number of bitcoins self-mined for the three months ended September 30, 2022. The total number of bitcoins mined for the three months ended September 30, 2023 March 31, 2024, was 2,953 2,825 compared to 3,768 for 4,299. Although our self-mining hash rate increased 20%, the three months ended September 30, 2022. global hash rate increased approximately 73%, leading to a 34% decrease in bitcoin received from self-mining. The average price of bitcoin for the three months ended September 30, 2023 March 31, 2024, was $28,091 $53,579 as compared to $21,324 $22,877 for the same period in the prior year, a 134% increase.

Total hosting revenue from customers increased by $10.4 million or 55%, to $29.3 million for the three months ended September 30, 2022.

Cost of revenue

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Cost of revenue	$ 97,485	$ 189,648	$ (92,163)	(49)%

Gross profit (loss)	15,419	(27,076)	42,495	NM
Gross margin	14 %	(17)%		

Cost of revenue decreased by $92.2 million or 49% March 31, 2024, to $97.5 million from $18.9 million for the three months ended September 30, 2023 March 31, 2023. The increase in hosting revenue from customers was primarily driven by the onboarding of new clients since March 31, 2023, under proceeds sharing arrangements.

Total hosting revenue from $189.6 million related parties decreased by $3.7 million or 100%, to nil for the three months ended September 30, 2022 March 31, 2024, from $3.7 million for the three months ended March 31, 2023. There were no related-party transactions during the three months ended March 31, 2024.

Cost of revenue

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
	(in thousands, except percentages)			
Cost of revenue	$ 101,645	$ 88,874	$ 12,771	14 %
Gross profit	77,646	31,781	45,865	144 %
Gross margin	43 %	26 %		

Cost of revenue increased by $12.8 million or 14%, to $101.6 million for the three months ended March 31, 2024, from $88.9 million for the three months ended March 31, 2023. As a percentage of total revenue, cost of revenue totaled 86% 57% and 117% 74% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease increase in cost of revenue was primarily attributable to decreased increased depreciation expense of $40.4 million $8.6 million driven by an adjustment to the depreciable base for increase in the deployed self-mining units, $27.9 million number of lower equipment sales miners in service, increased proceeds sharing costs due the Company exiting the selling of equipment, $25.5 million of lower power costs due to adjustments made for prior period deposits, and lower stock-based compensation of $2.9 million as prior year included vesting acceleration $2.6 million associated with the acquisition Company entering proceed sharing contracts with digital asset mining customers beginning in the second fiscal quarter of BlockCap, partially offset by an 2023, a $1.1 million increase in facility payroll and benefits primarily related expenses of $2.1 million. to salary adjustments, and a $0.5 million increase in power costs.

Gain from sales of digital assets

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Gain from sales of digital assets Gain from sales of digital assets	$363	$11,036	$(10,673)	(97) %
Percentage of total revenue Percentage of total revenue	— %	7 %		

	Three Months Ended March 31,		Period over Period Change		
	2024	2023	Dollar		Percentage
	(in thousands, except percentages)				
Gain from sales of digital assets	$ 543	$ $ 1,064	$ $ (521)	(49)%	(49)%

Gain from sales of digital assets decreased by $10.7 million $0.5 million to $0.4 million $0.5 million for the three months ended September 30, 2023 March 31, 2024, from a gain of $11.0 million $1.1 million for the three months ended September 30, 2022 March 31, 2023. Gains are recorded when realized upon sale(s). In determining the gain to be recognized upon sale, we calculate the difference between the sales price and carrying value of the digital assets sold immediately prior to sale. For the three months ended September 30, 2023 March 31, 2024, the carrying value of our digital assets sold was $88.5 million $160.2 million and proceeds were $88.1 million $160.8 million. For the three months ended September 30, 2022 March 31, 2023, the carrying value of our digital assets sold was $93.5 million $97.3 million and the sales price was $104.5 million $98.4 million.

Impairment of digital assets

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of digital assets Impairment of digital assets	$(681)	$(7,986)	$7,305	(91) %
Percentage of total revenue Percentage of total revenue	(1)%	(5)%		

	Three Months Ended March 31,		Period over Period Change		
	2024	2023	Dollar		Percentage
	(in thousands, except percentages)				
Impairment of digital assets	$ —	$ $ (1,056)	$ $ 1,056	NM	NM

Impairment of digital assets decreased by $7.3 million $1.1 million to $0.7 million nil for the three months ended September 30, 2023 March 31, 2024, from $8.0 million $1.1 million for the three months ended September 30, 2022 March 31, 2023. Impairment exists Upon the Company's adoption of ASU 2023-08 effective January 1, 2024, the Company measures digital assets at fair value each reporting period with changes in fair value recognized in net income. Prior to the adoption of ASU 2023-08, impairment existed when the carrying amount exceeds exceeded its fair value. Impairment is was measured using quoted prices of the digital asset at the time its fair value is was being assessed. Quoted prices, including intraday low prices, are were collected and utilized in impairment testing and measurement on a daily basis. If the then current carrying value of a digital asset exceeds exceeded the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying value and the price determined. The carrying value of our digital assets amounted to $0.6 million and $0.7 million nil as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively. March 31, 2023.

Change in fair value of energy derivatives

Impairment

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
	(in thousands, except percentages)			
Change in fair value of energy derivatives	$ (2,218)	$ —	$ (2,218)	NM
Percentage of total revenue	(1)%	— %		

Change in fair value of goodwill and other intangibles

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of goodwill and other intangibles	$ —	$ (268,512)	$ 268,512	(100)%
Percentage of total revenue	— %	(165)%		

Impairment energy derivatives, which is related to the change in fair value of goodwill and other intangibles decreased by $268.5 million to nil the derivative liability of the energy forward purchase contract entered into in October 2023, was $2.2 million for the three months ended September 30, 2023 March 31, 2024, from $268.5 million for the three months ended September 30, 2022. The Company identified a triggering event as of September 30, 2022, due to declines $2.2 million decrease in the market price of bitcoin, the market price of our common stock and our market capitalization and, as such, we performed the quantitative test to compare the fair value to the carrying amount for each reporting unit. We concluded the carrying amount consisted of the Mining reporting unit and Equipment Sales and Hosting reporting unit exceeded each reporting unit's fair value and, as such, recorded a realized loss of $3.0 million partially offset by an impairment unrealized gain of goodwill of $207.8 million in our Mining reporting unit and $58.2 million in our Equipment Sales and Hosting reporting unit. In addition, as part of the restructuring activities during the third quarter of 2022, the Company determined that $2.5 million of software intangible assets would no longer be used. $0.8 million.

Impairment of property, plant and equipment

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of property, plant and equipment	$ —	$ (59,259)	$ 59,259	(100)%
Percentage of total revenue	— %	(36)%		

During the three months ended September 30, 2022, we determined that the carrying value of the property, plant and equipment at the Cedarvale, Texas facility site may no longer be fully recoverable by the cash flows of the site. We measured the amount of impairment at the Cedarvale, Texas facility site as the difference between the carrying amount of the site asset group of $119.8 million and the estimated fair value of the site asset group of $60.5 million, resulting in an impairment of the facility site's property, plant and equipment of $59.3 million for the three months ended September 30, 2022.

Losses on exchange or disposal of property, plant and equipment

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Losses on exchange or disposal of property, plant and equipment	$ (340)	$ —	$ (340)	100 %

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
	(in thousands, except percentages)			

Losses on disposal of property, plant and equipment	Losses on disposal of property, plant and equipment $	(3,820)	$—	$	(3,820)	NM
Percentage of total revenue	Percentage of total revenue — % — %					

Losses on exchange or disposal of property, plant and equipment increased by $0.3 million $3.8 million to $0.3 million $3.8 million for the three months ended September 30, 2023 March 31, 2024, from nil for the three months ended September 30, 2022 March 31, 2023. This loss was due to the disposal of mining equipment.

Operating Expenses

Research and development

	Three Months Ended March 31,				Period over Period Change	
	2024		2023		Dollar	Percentage
Operating expenses:	(in thousands, except percentages)					
Research and development	$	1,799	$	1,415	$ 384	27 %
Sales and marketing		982		1,008	(26)	(3)%
General and administrative		14,143		21,764	(7,621)	(35)%
Total operating expenses	$	16,924	$	24,187	$ (7,263)	(30)%
Percentage of total revenue		9 %		20 %		

	Three Months Ended September 30,				Period over Period Change	
	2023		2022		Dollar	Percentage
	(in thousands, except percentages)					
Research and development	$	2,253	$	6,192	$ (3,939)	(64)%
Percentage of total revenue		2 %		4 %		

Total operating expenses decreased $7.3 million or 30%, to $16.9 million for the three months ended March 31, 2024, from $24.2 million for the three months ended March 31, 2023.

Research and development expenses decreased by $3.9 million increased $0.4 million or 64% 27%, to $2.3 million $1.8 million for the three months ended September 30, 2023 March 31, 2024, from $6.2 million $1.4 million for the three months ended September 30, 2022 March 31, 2023. The decrease increase was driven by a $0.5 million increase in payroll and benefits expense primarily driven by higher salaries, partially offset by lower stock-based compensation of expenses.$4.9 million as prior year included vesting acceleration associated with the acquisition of BlockCap, partially offset by higher personnel and employee related expenses of $0.5 million and an increase in software related expenses of $0.4 million.

Sales and marketing

	Three Months Ended September 30,				Period over Period Change	
	2023		2022		Dollar	Percentage
	(in thousands, except percentages)					
Sales and marketing	$	1,041	$	39	$ 1,002	NM
Percentage of total revenue		1 %		— %		

Sales and marketing expenses increased by $1.0 million decreased nominally for the three months ended September 30, 2023 March 31, 2024, from the three months ended September 30, 2022 March 31, 2023. The increase was primarily driven by $1.2 million higher stock-based compensation as prior year included an adjustment for forfeitures, partially offset by $0.2 million lower marketing and advertising-related expenses.

General and administrative

	Three Months Ended September 30,				Period over Period Change	
	2023		2022		Dollar	Percentage
	(in thousands, except percentages)					
General and administrative	$	23,511	$	43,346	$ (19,835)	(46)%

Percentage of total revenue	21 %	27 %

General and administrative expenses decreased by $19.8 million $7.6 million to $23.5 million $14.1 million for the three months ended September 30, 2023 March 31, 2024, from $43.3 million $21.8 million for the three months ended September 30, 2022 March 31, 2023. The decrease was primarily driven by $8.4 million $13.3 million lower stock-based compensation as prior due to forfeitures during the current quarter and no new equity awards granted during fiscal year included vesting acceleration associated with 2023, partially offset by a $3.4 million increase in payroll and benefits expense primarily driven by increased bonuses and higher salaries, and by $1.7 million increase during the acquisition of BlockCap, $5.9 million decrease current quarter in bad debt expense, $2.8 million of lower professional advisor fees primarily related to expenses in the prior year to support public company readiness, $1.5 million lower employee related expenses such as travel, workplace expenses and software, $0.6 million of lower corporate taxes and $0.3 million of lower payroll and benefit costs associated with lower headcount. reorganization incurred after the Effective Date.

Non-operating (income) expenses, net

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
Non-operating expenses, net:	(in thousands, except percentages)			
Gain on debt extinguishment	$ (374)	$ —	$ (374)	NM
Interest expense, net	2,196	25,942	(23,746)	(92)%
Fair value adjustment on convertible notes	—	(4,123)	4,123	(100)%
Fair value adjustment on derivative warrant liabilities	—	(521)	521	(100)%
Reorganization items, net	28,256	—	28,256	100 %
Other non-operating (income) expense, net	(1,090)	1,478	(2,568)	NM
Total non-operating expenses, net	$ 28,988	$ 22,776	$ 6,212	27 %

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
Non-operating (income) expenses, net:	(in thousands, except percentages)			
Loss (gain) on debt extinguishment	$ 50	$ (20,761)	$ 20,811	NM
Interest expense, net	14,087	157	13,930	NM
Reorganization items, net	(111,439)	31,559	(142,998)	NM
Change in fair value of warrant and contingent value rights	(60,114)	—	(60,114)	NM
Other non-operating expense (income), net	1,746	(3,069)	4,815	NM
Total non-operating (income) expenses, net	$ (155,670)	$ 7,886	$ (163,556)	NM

Total non-operating expenses, net increased decreased by $6.2 million $163.6 million, to $29.0 million total non-operating income, net of $155.7 million for the three months ended September 30, 2023 March 31, 2024, from total non-operating income, expenses, net of $22.8 million $7.9 million for the three months ended September 30, 2022 March 31, 2023. The increase decrease in total non-operating expenses, net was primarily driven by by:

- a $28.3 million increase $143.0 million gain in Reorganization items, net related to DIP a $143.8 million gain associated with the satisfaction of allowed claims, a $11.1 million decrease in debtor-in-possession financing costs, partially offset by a $12.8 million increase in reimbursed claimant professional fees, and bankruptcy advisor fees post-petition a $60.1 million increase in the third quarter of 2023, and a change in fair value adjustment of warrant and contingent value rights, partially offset by,
- a $20.8 million gain on convertible notes extinguishment of $4.1 million (excluding interest expense and changes in instrument-specific credit risk) for the three months ended September 30, 2022, compared to no adjustment for debt recognized during the same period in 2023, partially offset by the prior year and a $23.7 million decrease $13.9 million increase in 2023 Interest expense, net resulting from the bankruptcy court Bankruptcy Court ordered stay on payment of pre-petition obligations, including interest. interest during the same period in 2023.

Income tax expense

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			

Three Months Ended March 31,	Three Months Ended March 31,		Period over Period Change	
2024	2024	2023	Dollar	Percentage

	(in thousands, except percentages)												(in thousands, except percentages)
Income tax expense	Income tax expense	$114	$10,642	$(10,528)	(99) %	Income tax expense	$ 206	$	$ 104	$	$	102	98	98 %
Percentage of total revenue	Percentage of total revenue	— %	7 %										

Income tax expense consists of U.S. federal, state and local income taxes. For the three months ended September 30, 2023 March 31, 2024, our income tax expense was $0.2 million. For the three months ended March 31, 2023, our income tax expense was $0.1 million. For the three months ended September 30, 2022, our income tax expense was $10.6 million. The Company's effective tax rate for the three months ended September 30, 2023 March 31, 2024, was lower than the federal statutory rate of 21% primarily due to losses a valuation allowance on the Company's deferred tax assets and certain deductions for which no tax benefit can be recognized. non-deductible expenses.

Segment Total Revenue and Gross Profit

The following table presents total revenue and gross profit by reportable segment for the periods presented:

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
Hosting Segment	(in thousands, except percentages)			
Revenue:				
Hosting revenue	$ 29,848	$ 44,916	$ (15,068)	(34)%
Equipment sales	—	37,161	(37,161)	(100)%
Total revenue	29,848	82,077	(52,229)	(64)%
Cost of revenue:				
Cost of hosting services	24,882	44,975	(20,093)	(45)%
Cost of equipment sales	—	27,917	(27,917)	(100)%
Total cost of revenue	$ 24,882	$ 72,892	$ (48,010)	(66)%
Gross profit	$ 4,966	$ 9,185	$ (4,219)	(46)%
Hosting Margin	17 %	11%		
Mining Segment				
Digital asset mining revenue	$ 83,056	$ 80,495	$ 2,561	3 %
Total revenue	83,056	80,495	2,561	3 %
Cost of revenue	72,603	116,756	(44,153)	(38)%
Gross profit (loss)	$ 10,453	$ (36,261)	$ 46,714	NM
Mining Margin	13 %	(45)%		
Consolidated				
Consolidated total revenue	$ 112,904	$ 162,572	$ (49,668)	(31)%
Consolidated cost of revenue	$ 97,485	$ 189,648	$ (92,163)	(49)%
Consolidated gross profit (loss)	$ 15,419	$ (27,076)	$ 42,495	NM

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
Mining Segment	(in thousands, except percentages)			
Digital asset mining revenue	$ 149,959	$ 98,026	$ 51,933	53 %
Cost of digital asset mining	81,564	72,676	8,888	12 %
Mining gross profit	$ 68,395	$ 25,350	$ 43,045	NM
Mining gross margin	46 %	26%		
Hosting Segment				
Hosting revenue	$ 29,332	$ 22,629	$ 6,703	30 %
Cost of hosting services	20,081	16,198	3,883	24 %
Hosting gross profit	$ 9,251	$ 6,431	$ 2,820	44 %
Hosting gross margin	32 %	28 %		

Consolidated				
Consolidated total revenue	$ 179,291	$ 120,655	$ 58,636	49 %
Consolidated cost of revenue	$ 101,645	$ 88,874	$ 12,771	14 %
Consolidated gross profit	$ 77,646	$ 31,781	$ 45,865	144%
Consolidated gross margin	43%	26%		

For the three months ended September 30, 2023 March 31, 2024, cost of revenue included depreciation expense of $1.9 million $27.5 million for the Hosting Mining segment and $22.0 million $1.3 million for the Mining Hosting segment. For the three months ended September 30, 2022 March 31, 2023, cost of revenue included depreciation expense of $3.3 million $19.9 million for the Hosting Mining segment and $61.1 million $0.2 million for the Mining Hosting segment.

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the top customer three hosting customers accounted for approximately 45% 86% and 10% 73%, respectively, of the Hosting's segment total revenue.

For the three months ended September 30, 2023, gross profit in the Hosting segment decreased $4.2 million compared to the three months ended September 30, 2022, reflecting a Hosting segment gross margin of 17% for the three months ended September 30, 2023, compared to a gross margin of 11% for the three months ended September 30, 2022. The increase in Hosting segment gross margin for the three months ended September 30, 2023, compared to the three months ended September 30, 2022 was primarily due to decreased equipment sales costs driven by the Company's decision to exit the Equipment Sales business, lower power costs, and a decrease in stock-based compensation expense as a percentage of revenues as prior year included vesting acceleration associated with the acquisition of BlockCap. The increase in the Hosting segment gross profit was partially offset by a decrease in hosting revenue driven by the termination of contracts for several customers in the portfolio at less profitable hosting rates.

For the three months ended September 30, 2023 March 31, 2024, gross profit in the Mining segment increased $46.7 million $43.0 million compared to the three months ended September 30, 2022 March 31, 2023, due to a higher Mining segment gross profit (loss) margin of 13% 46% for the three months ended September 30, 2023 March 31, 2024, compared to (45)% 26% for the three months ended September 30, 2022 March 31, 2023. The increase in the Mining segment gross profit was primarily due to a 53% increase in mining revenue driven by a 134% increase in the price of bitcoin and an increase in our self-mining hash rate driven by an increase in the number of mining units deployed, partially offset by the 34% decrease in bitcoin mined. The increase in the Mining segment gross profit was partially offset by an increase in depreciation expense as a percentage of segment revenues, which was driven primarily by an impairment adjustment to the depreciable base for the deployed self-mining units, lower power costs, a decrease approximate increase of 18,000 miners placed in stock-based compensation expense as a percentage of revenues as prior year included vesting acceleration associated with the acquisition of BlockCap, and an increase in our service. Our self-mining hash rate which was 15.0 19.3 EH/s for the three months ended September 30, 2023 March 31, 2024, compared to 13.0 16.1 EH/s for the three months ended September 30, 2022 March 31, 2023, an increase of 20%.

For the three months ended March 31, 2024, gross profit in the Hosting segment increased $2.8 million compared to the three months ended March 31, 2023, reflecting a Hosting segment gross margin of 32% for the three months ended March 31, 2024, compared to a gross margin of 28% for the three months ended March 31, 2023. The increase in Hosting segment gross margin for the three months ended March 31, 2024, compared to the three months ended March 31, 2023 was primarily due to an increase in revenue of $6.7 million driven by the onboarding of new clients under proceeds sharing arrangements, partially offset by increased proceeds sharing costs of $2.6 million associated with the Company entering proceed sharing contracts with customers beginning in the second fiscal quarter of 2023 and increased depreciation expense of $1.1 million.

A reconciliation of the reportable segment gross profit to loss income (loss) before income taxes included in our Consolidated Statements of Operations for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, is as follows:

	Three Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Reportable segment gross profit (loss)	$ 15,419	$ (27,076)	$ 42,495	NM
Gain from sales of digital assets	363	11,036	(10,673)	(97)%
Impairment of digital assets	(681)	(7,986)	7,305	(91)%
Impairment of goodwill and other intangibles	—	(268,512)	268,512	(100)%
Impairment of property, plant and equipment	—	(59,259)	59,259	(100)%
Losses on exchange or disposal of property, plant and equipment	(340)	—	(340)	100 %
Operating expenses:				
Research and development	2,253	6,192	(3,939)	(64)%
Sales and marketing	1,041	39	1,002	NM
General and administrative	23,511	43,346	(19,835)	(46)%
Total operating expenses	26,805	49,577	(22,772)	(46)%
Operating loss	(12,044)	(401,374)	389,330	(97)%
Non-operating expenses, net:				
Gain on debt extinguishment	(374)	—	(374)	100 %
Interest expense, net	2,196	25,942	(23,746)	(92)%

Fair value adjustment on derivative warrant liabilities	—	(521)	521	(100)%
Fair value adjustment on convertible notes	—	(4,123)	4,123	(100)%
Reorganization items, net	28,256	—	28,256	100 %
Other non-operating (income) expenses, net	(1,090)	1,478	(2,568)	NM
Total non-operating expenses, net	28,988	22,776	6,212	27 %
Loss before income taxes	$ (41,032)	$ (424,150)	$ 383,118	(90)%

	Three Months Ended March 31,		Period over Period Change	
	2024	2023	Dollar	Percentage
	(in thousands, except percentages)			
Reportable segment gross profit	$ 77,646	$ 31,781	$ 45,865	144%
Gain from sales of digital assets	543	1,064	(521)	(49)%
Impairment of digital assets	—	(1,056)	1,056	NM
Change in fair value of energy derivatives	(2,218)	—	(2,218)	NM
Losses on exchange or disposal of property, plant and equipment	(3,820)	—	(3,820)	NM
Operating expenses:				
Research and development	1,799	1,415	384	27 %
Sales and marketing	982	1,008	(26)	(3)%
General and administrative	14,143	21,764	(7,621)	(35)%
Total operating expenses	16,924	24,187	(7,263)	(30)%
Operating income	55,227	7,602	47,625	NM
Non-operating (income) expenses, net:				
Loss (gain) on debt extinguishment	50	(20,761)	20,811	NM
Interest expense, net	14,087	157	13,930	NM
Reorganization items, net	(111,439)	31,559	(142,998)	NM
Change in fair value of warrant and contingent value rights	(60,114)	—	(60,114)	NM
Other non-operating expense (income), net	1,746	(3,069)	4,815	NM
Total non-operating (income) expenses, net	(155,670)	7,886	(163,556)	NM
Income (loss) before income taxes	$ 210,897	$ (284)	$ 211,181	NM

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

The following table sets forth our selected Consolidated Statements of Operations for each of the periods indicated.

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
Revenue:	(in thousands, except percentages)			
Hosting revenue from customers	$ 72,245	$ 94,407	$ (22,162)	(23)%
Hosting revenue from related parties	10,062	22,659	(12,597)	(56)%
Equipment sales to customers	—	11,391	(11,391)	(100)%
Equipment sales to related parties	—	67,269	(67,269)	(100)%
Digital asset mining revenue	278,164	323,337	(45,173)	(14)%
Total revenue	360,471	519,063	(158,592)	(31)%
Cost of revenue:				
Cost of hosting services	64,187	119,850	(55,663)	(46)%
Cost of equipment sales	—	63,993	(63,993)	(100)%
Cost of digital asset mining	212,125	279,576	(67,451)	(24)%
Total cost of revenue	276,312	463,419	(187,107)	(40)%
Gross profit	84,159	55,644	28,515	51 %
Gain from sales of digital assets	2,358	25,007	(22,649)	(91)%
Impairment of digital assets	(2,864)	(212,184)	209,320	(99)%

Impairment of goodwill and other intangibles	—	(1,059,265)	1,059,265	(100)%
Impairment of property, plant and equipment	—	(59,259)	59,259	(100)%
Losses on exchange or disposal of property, plant and equipment	(514)	(13,057)	12,543	(96)%
Operating expenses:				
Research and development	5,308	24,305	(18,997)	(78)%
Sales and marketing	3,133	11,675	(8,542)	(73)%
General and administrative	69,671	174,380	(104,709)	(60)%
Total operating expenses	78,112	210,360	(132,248)	(63)%
Operating income (loss)	5,027	(1,473,474)	1,478,501	NM
Non-operating expenses, net:				
Gain on debt extinguishment	(21,135)	—	(21,135)	100 %
Interest expense, net	2,317	74,734	(72,417)	(97)%
Fair value adjustment on convertible notes	—	186,853	(186,853)	(100)%
Fair value adjustment on derivative warrant liabilities	—	(32,985)	32,985	(100)%
Reorganization items, net	78,270	—	78,270	100 %
Other non-operating (income) expenses, net	(3,978)	4,997	(8,975)	NM
Total non-operating expenses, net	55,474	233,599	(178,125)	(76)%
Loss before income taxes	(50,447)	(1,707,073)	1,656,626	(97)%
Income tax expense	347	4,398	(4,051)	(92)%
Net loss	$ (50,794)	$ (1,711,471)	$ 1,660,677	(97)%

NM - Not Meaningful

Revenue

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
Revenue:	(in thousands, except percentages)			
Hosting revenue from customers	$ 72,245	$ 94,407	$ (22,162)	(23)%
Hosting revenue from related parties	10,062	22,659	(12,597)	(56)%
Equipment sales to customers	—	11,391	(11,391)	(100)%
Equipment sales to related parties	—	67,269	(67,269)	(100)%
Digital asset mining revenue	278,164	323,337	(45,173)	(14)%
Total revenue	$ 360,471	$ 519,063	$ (158,592)	(31)%
Percentage of total revenue:				
Hosting revenue from customers	20 %	18 %		
Hosting revenue from related parties	3 %	4 %		
Equipment sales to customers	— %	2 %		
Equipment sales to related parties	— %	13 %		
Digital asset mining revenue	77 %	63 %		
Total revenue	100 %	100 %		

Total revenue decreased by $158.6 million to $360.5 million for the nine months ended September 30, 2023, from $519.1 million for the nine months ended September 30, 2022, as a result of the factors described below.

Total hosting revenue from customers decreased by $22.2 million or 23%, to $72.2 million for the nine months ended September 30, 2023, from $94.4 million for the nine months ended September 30, 2022. The decrease in hosting revenue from customers was primarily driven by the termination of contracts for several customers in the portfolio at less profitable hosting rates and the associated reduction in the total number of hosting miners in the fleet for the nine months ended September 30, 2023.

Total hosting revenue from related parties decreased by $12.6 million or 56%, to $10.1 million for the nine months ended September 30, 2023, from $22.7 million for the nine months ended September 30, 2022. The decrease in related party hosting revenue was primarily driven by the termination of hosting contracts during the fourth quarter of December 31, 2022.

Equipment sales to customers decreased by $11.4 million or 100%, to nil for the nine months ended September 30, 2023, from $11.4 million for the nine months ended September 30, 2022. The decrease in equipment sales to customers was driven by the Company's decision to exit the Equipment Sales business due to the increasing number of hosting customers purchasing mining equipment directly from manufacturers for deployments in our data centers during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Equipment sales to related parties decreased by $67.3 million or 100%, to nil for the nine months ended September 30, 2023, from $67.3 million for the nine months ended September 30, 2022. The decrease in equipment sales to related parties was driven by the Company's decision to exit the Equipment Sales business due to the increasing number of customers purchasing mining equipment directly from manufacturers for deployments in our data centers during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Digital asset mining revenue decreased by $45.2 million to $278.2 million for the nine months ended September 30, 2023, from $323.3 million for the nine months ended September 30, 2022. The year over year decrease in mining revenue was driven primarily by a decrease in the price of bitcoin and an increase in the global bitcoin network hash rate, partially offset by the increase in our self-mining hash rate from increases in the number of mining units deployed. Our self-mining hash rate increased by 15%, to 15.0 EH/s for the nine months ended September 30, 2023, from 13.0 EH/s for the nine months ended September 30, 2022. The total number of bitcoins mined for the nine months ended September 30, 2023, was 10,721 compared to 10,335 for the nine months ended September 30, 2022. The average price of bitcoin for the nine months ended September 30, 2023, was $26,353 as compared to $36,876 for the nine months ended September 30, 2022, a decrease of 29%.

Cost of revenue

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Cost of revenue	$ 276,312	$ 463,419	$ (187,107)	(40)%
Gross profit	84,159	55,644	28,515	51 %
Gross margin	23 %	11 %		

Cost of revenue decreased by $187.1 million or 40%, to $276.3 million for the nine months ended September 30, 2023, from $463.4 million for the nine months ended September 30, 2022. As a percentage of total revenue, cost of revenue totaled 77% and 89% for the nine months ended September 30, 2023 and 2022, respectively. The decrease in cost of revenue was primarily attributable to $90.5 million of decreased depreciation expense driven by an adjustment to the depreciable base for the deployed self-mining units, $64.0 million of lower equipment sales costs due to the Company exiting the selling of equipment, and lower stock-based compensation of $19.7 million as prior year included vesting acceleration associated with the acquisition of BlockCap, lower power costs of $18.1 million due to adjustments made for prior period deposits, partially offset by an increase in facility expenses of $2.8 million.

Gain from sales of digital assets

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Gain from sales of digital assets	$ 2,358	$ 25,007	$ (22,649)	(91)%
Percentage of total revenue	1 %	5 %		

Gain from sales of digital assets decreased by $22.6 million to $2.4 million for the nine months ended September 30, 2023, from a gain of $25.0 million for the nine months ended September 30, 2022. Gains are recorded when realized upon sale(s). In determining the gain to be recognized upon sale, we calculate the difference between the sales price and carrying value of the digital assets sold immediately prior to sale. For the nine months ended September 30, 2023, the carrying value of our digital assets sold was $285.4 million and proceeds were $287.8 million. For the nine months ended September 30, 2022, the carrying value of our digital assets sold was $325.8 million and the sales price was $350.8 million.

Impairment of digital assets

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of digital assets	$ (2,864)	$ (212,184)	$ 209,320	(99)%
Percentage of total revenue	(1)%	(41)%		

Impairment of digital assets decreased by $209.3 million to $2.9 million for the nine months ended September 30, 2023, from $212.2 million for the nine months ended September 30, 2022. Impairment exists when the carrying amount exceeds its fair value. Impairment is measured using quoted prices of the digital asset at the time its fair value is being assessed. Quoted prices, including intraday low prices, are collected and utilized in impairment testing and measurement on a daily basis. If the then current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying value and the price determined. The carrying value of our digital assets amounted to $0.6 million and $0.7 million as of September 30, 2023 and December 31, 2022, respectively.

Impairment of goodwill and other intangibles

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of goodwill and other intangibles	$ —	$ (1,059,265)	$ 1,059,265	(100)%
Percentage of total revenue	— %	(204)%		

Impairment of goodwill and other intangibles decreased by $1.1 billion to nil for the nine months ended September 30, 2023, from $1.1 billion for the nine months ended September 30, 2022. The Company identified a triggering event as of June 30, 2022 and September 30, 2022, due to declines in the Company's stock price and market decline in the value of bitcoin and, as such, the Company performed the quantitative test to compare the fair value to the carrying amount for each reporting unit. The Company concluded the carrying amount of the Mining segment exceeded its fair value and, as such, recorded a $996.5 million impairment of goodwill in its Mining reporting unit and $58.2 million in our Equipment Sales and Hosting reporting unit. In addition, as part of the restructuring activities during the second quarter of 2022, the Company determined that $4.5 million of software intangible assets would no longer be used.

Impairment of property, plant and equipment

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Impairment of property, plant and equipment	$ —	$ (59,259)	$ 59,259	(100)%
Percentage of total revenue	— %	(36)%		

During the nine months ended September 30, 2022, we determined that the carrying value of the property, plant and equipment at the Cedarvale, Texas facility site may no longer be fully recoverable by the cash flows of the site. We measured the amount of impairment at the Cedarvale, Texas facility site as the difference between the carrying amount of the site asset group of $119.8 million and the estimated fair value of the site asset group of $60.5 million, resulting in an impairment of the facility site's property, plant and equipment of $59.3 million for the nine months ended September 30, 2022.

Losses on exchange or disposal of property, plant and equipment

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Losses on exchange or disposal of property, plant and equipment	$ (514)	$ (13,057)	$ 12,543	(96)%
Percentage of total revenue	— %	(3)%		

Losses on exchange or disposal of property, plant and equipment decreased by $12.5 million to $0.5 million for the nine months ended September 30, 2023, from $13.1 million for the nine months ended September 30, 2022. The decrease was due to a noncash exchange of mining equipment during 2022.

Operating Expenses

Research and development

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Research and development	$ 5,308	$ 24,305	$ (18,997)	(78)%
Percentage of total revenue	1 %	5 %		

Research and development expenses decreased by $19.0 million or 78%, to $5.3 million for the nine months ended September 30, 2023, from $24.3 million for the nine months ended September 30, 2022. The decrease was driven by lower stock-based compensation of $19.1 million as prior year included vesting acceleration associated with the acquisition of BlockCap, a decrease in professional fees of $0.6 million, partially offset by higher personnel and related expenses of $0.4 million.

Sales and marketing

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Sales and marketing	$ 3,133	$ 11,675	$ (8,542)	(73)%
Percentage of total revenue	1 %	2 %		

Sales and marketing expenses decreased by $8.5 million or 73%, to $3.1 million for the nine months ended September 30, 2023, from $11.7 million for the nine months ended September 30, 2022. The decrease was primarily driven by $7.3 million lower stock-based compensation as prior year included vesting acceleration associated with the acquisition of BlockCap, $0.7 million of lower advertising and marketing expenses and $0.4 million lower personnel and related expenses.

General and administrative

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
General and administrative	$ 69,671	$ 174,380	$ (104,709)	(60)%
Percentage of total revenue	19 %	34 %		

General and administrative expenses decreased by $104.7 million to $69.7 million for the nine months ended September 30, 2023, from $174.4 million for the nine months ended September 30, 2022. The decrease was primarily driven by $79.0 million lower stock-based compensation as prior year included vesting acceleration associated with the acquisition of BlockCap, $9.8 million of lower professional fees primarily related to expenses in the prior year to support public company readiness, $5.9 million decrease in bad debt expense $4.1 million of lower payroll and benefit costs associated with lower headcount, $2.3 million lower employee related expenses such as travel and software, and lower corporate taxes of $0.7 million.

Non-operating expenses, net

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
Non-operating expenses, net:	(in thousands, except percentages)			
Gain on debt extinguishment	$ (21,135)	$ —	$ (21,135)	100 %
Interest expense, net	2,317	74,734	(72,417)	(97)%
Fair value adjustment on convertible notes	—	186,853	(186,853)	(100)%
Fair value adjustment on derivative warrant liabilities	—	(32,985)	32,985	(100)%
Reorganization items, net	78,270	—	78,270	100 %
Other non-operating (income) expenses, net	(3,978)	4,997	(8,975)	NM
Total non-operating expenses, net	$ 55,474	$ 233,599	$ (178,125)	(76)%

Total non-operating expenses, net decreased by $178.1 million, to $55.5 million for the nine months ended September 30, 2023, from $233.6 million for the nine months ended September 30, 2022. The decrease in non-operating expenses, net was primarily driven by a fair value adjustment on convertible notes of $186.9 million (excluding interest expense and changes in instrument-specific credit risk) for the nine months ended September 30, 2022, compared to no adjustment for the same period in 2023, a $72.4 million decrease in interest expense, net for the nine months ended September 30, 2023, resulting from the bankruptcy court ordered stay on payment of pre-petition obligations, including interest, and a $21.1 million gain on debt extinguishment primarily related to the settlement of the NYDIG Loan for the nine months ended September 30, 2023. These decreases in non-operating expenses were partially offset by a $78.3 million increase in Reorganization items, net related to DIP financing fees and bankruptcy advisor fees post-petition during the nine months ended September 30, 2023, and a $33.0 million decrease in the fair value adjustment on derivative warrant liabilities.

Income tax expense

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Income tax expense	$ 347	$ 4,398	$ (4,051)	(92)%
Percentage of total revenue	— %	1 %		

Income tax expense consists of U.S. federal, state and local income taxes. For the nine months ended September 30, 2023 and 2022, our income tax expense was $0.3 million and $4.4 million, respectively. The $4.1 million decrease in the provision for income taxes for the nine months ended September 30, 2023, compared to same period in 2022, was due to our ability to benefit a portion of the losses during the nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company was no longer able to benefit from losses, which were subject to a full valuation allowance. The Company's effective tax rate for the nine months ended September 30, 2023, was lower than the federal statutory rate of 21% primarily due to losses and certain deductions for which no tax benefit can be recognized.

Segment Total Revenue and Gross Profit

The following table presents total revenue and gross profit by reportable segment for the periods presented:

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage

Hosting Segment				
	(in thousands, except percentages)			
Revenue:				
Hosting revenue	$ 82,307	$ 117,066	$ (34,759)	(30)%
Equipment sales	—	78,660	(78,660)	(100)%
Total revenue	82,307	195,726	(113,419)	(58)%
Cost of revenue:				
Cost of hosting services	64,187	119,850	(55,663)	(46)%
Cost of equipment sales	—	63,993	(63,993)	(100)%
Total cost of revenue	$ 64,187	$ 183,843	$ (119,656)	(65)%
Gross profit	$ 18,120	$ 11,883	$ 6,237	52 %
Hosting Margin	22%	6%		
Mining Segment				
Digital asset mining revenue	$ 278,164	$ 323,337	$ (45,173)	(14)%
Total revenue	278,164	323,337	(45,173)	(14)%
Cost of revenue	212,125	279,576	(67,451)	(24)%
Gross profit	$ 66,039	$ 43,761	$ 22,278	51 %
Mining Margin	24%	14%		
Consolidated				
Consolidated total revenue	$ 360,471	$ 519,063	$ (158,592)	(31)%
Consolidated cost of revenue	$ 276,312	$ 463,419	$ (187,107)	(40)%
Consolidated gross profit	$ 84,159	$ 55,644	$ 28,515	51 %

For the nine months ended September 30, 2023, cost of revenue included depreciation expense of $3.7 million for the Hosting segment and $60.8 million for the Mining segment. For the nine months ended September 30, 2022, cost of revenue included depreciation expense of $8.2 million for the Hosting segment and $146.8 million for the Mining segment.

For the nine months ended September 30, 2023 and 2022, the top customer accounted for approximately 48% and 8%, respectively, of the Hosting's segment total revenue.

For the nine months ended September 30, 2023, gross profit in the Hosting segment increased $6.2 million compared to the nine months ended September 30, 2022, reflecting a Hosting segment gross margin of 22% for the nine months ended September 30, 2023, compared to gross profit of 6% for the nine months ended September 30, 2022. The increase in Hosting segment gross profit for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was primarily due to decreased equipment sales costs driven by the Company's decision to exit the Equipment Sales business, lower power fees, and a decrease in stock-based compensation expense as a percentage of revenues as prior year included vesting acceleration associated with the acquisition of BlockCap. The increase in the Hosting segment gross profit was partially offset by a decrease in hosting revenue driven by the termination of contracts for several customers in the portfolio at less profitable hosting rates.

For the nine months ended September 30, 2023, gross profit in the Mining segment increased $22.3 million compared to the nine months ended September 30, 2022, due to a higher Mining segment gross profit of 24% for the nine months ended September 30, 2023, compared to 14% for the nine months ended September 30, 2022. The increase in the Mining segment gross profit was primarily due to a decrease in depreciation as a percentage of segment revenues, which was driven by an impairment adjustment to the depreciable base for the deployed self-mining units, a decrease in stock-based compensation expense as a percentage of revenues as prior year included vesting acceleration associated with the acquisition of BlockCap, and an increase in our self-mining hash rate, which was 15.00 EH/s for the nine months ended September 30, 2023, compared to 13.0 EH/s for the nine months ended

September 30, 2022. This increase in the Mining segment gross profit margin is partially offset by higher power costs and a 29% decrease in the average price of bitcoin.

A reconciliation of the reportable segment gross profit to loss before income taxes included in our Consolidated Statements of Operations for the nine months ended September 30, 2023 and 2022, is as follows:

	Nine Months Ended September 30,		Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Reportable segment gross profit	$ 84,159	$ 55,644	$ 28,515	51 %
Gain from sales of digital assets	2,358	25,007	(22,649)	(91)%
Impairment of digital assets	(2,864)	(212,184)	209,320	(99)%
Impairment of goodwill and other intangibles	—	(1,059,265)	1,059,265	(100)%
Impairment of property, plant and equipment	—	(59,259)	59,259	(100)%
Losses on exchange or disposal of property, plant and equipment	(514)	(13,057)	12,543	(96)%
Operating expenses:				

Research and development	5,308	24,305	(18,997)	(78)%
Sales and marketing	3,133	11,675	(8,542)	(73)%
General and administrative	69,671	174,380	(104,709)	(60)%
Total operating expenses	78,112	210,360	(132,248)	(63)%
Operating income (loss)	5,027	(1,473,474)	1,478,501	NM
Non-operating expenses, net:				
Gain on debt extinguishment	(21,135)	—	(21,135)	100 %
Interest expense, net	2,317	74,734	(72,417)	(97)%
Fair value adjustment on derivative warrant liabilities	—	(32,985)	32,985	(100)%
Fair value adjustment on convertible notes	—	186,853	(186,853)	(100)%
Reorganization items, net	78,270	—	78,270	100 %
Other non-operating (income) expenses, net	(3,978)	4,997	(8,975)	NM
Total non-operating expenses, net	55,474	233,599	(178,125)	(76)%
Loss before income taxes	$ (50,447)	$ (1,707,073)	$ 1,656,626	(97)%

Liquidity and Capital Resources

Sources of Liquidity

Historically, we have financed our operations primarily through sales of equity securities, debt issuances, equipment financing arrangements and cash generated from operations, including sales of self-mined bitcoin and other digital assets. Subsequent to filing Chapter 11, our primary sources of cash are cash flows from operations, cash on hand and proceeds from the Original DIP Facility and bitcoin. In January 2024, the Replacement DIP Facility. At September 30, 2023 Facility was repaid in full and terminated on the Effective Date of the Company's Plan of Reorganization. On the Effective Date, we entered into a new$80.0 million credit and guaranty agreement (the "Exit Credit Agreement"), we and currently have $35.0 million $20.0 million of undrawn borrowing capacity under that facility. We continue to monitor the Replacement DIP Facility.

We have engaged Weil, Gotshal & Manges LLP, as legal advisers, and PJT Partners LP and AlixPartners, LLP, as financial advisers, to assist the Company in managing the Chapter 11 Cases and developing, confirming, and consummating a Chapter 11 plan of reorganization or alternative restructuring transaction. As previously reported in our Current Report on Form 8-K filed with the SEC on October 30,2023, we reached an agreement in principle with the Ad Hoc Noteholder Group and the Equity Committee regarding the terms of a chapter 11 plan of reorganization, subject to the finalization impact of the Debtors' Third Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates and a related Disclosure Statement, and the execution of a restructuring support agreement and other definitive documentation. fourth halving event in April 2024, on our liquidity.

Our ability to continue as a going concern is dependent upon our ability to successfully emerge from the Chapter 11 Cases and generate sufficient liquidity from the restructuring to meet our obligations and operating needs. These factors, together with the Company's recurring losses from operations and accumulated deficit, create substantial doubt about the Company's ability to continue as a going concern. Refer to "Recent Developments — Chapter 11 and Other Related Matters" Emergence from Bankruptcy" above for more information on the Chapter 11 Cases our emergence from bankruptcy and the effect on our liquidity.

Operating and Capital Resources

Historically, a substantial portion of our liquidity needs arose from debt service on our outstanding indebtedness and from funding the costs of operations, working capital and capital expenditures. Our previous Following our Chapter 11 filing, our level of capital expenditures have been was reduced, since filing Chapter 11 and we expect them to remain at a reduced level until our emergence now that we have emerged from Chapter 11.

We have assessed our current and expected operating and capital expenditure requirements and our current and expected sources of liquidity, and have determined, based on our forecasted financial results and financial condition as of September 30, 2023 March 31, 2024, that our operating cash flows, existing cash balances, and access to the Replacement DIP Facility Exit Credit Agreement will be adequate to finance our working capital requirements, fund capital expenditures and make our required debt interest and principal payments, pay taxes and make other payments due under any plan the Plan of reorganization. Reorganization. We believe that a plan of reorganization, our current liquidity and expected funding requirements will allow us to operate for at least the next 12 months.

Cash, cash equivalents, restricted cash, cash requirements Cash Equivalents, Restricted Cash, Cash Requirements and cash flows Cash Flows

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less from the date of acquisition.

	September 30,	December 31,	Period over Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			

March 31,	March 31,	December 31,	Period over Period Change	
2024	2024	2023	Dollar	Percentage

		(in thousands, except percentages)											(in thousands, except percentages)	
Cash and cash equivalents	Cash and cash equivalents	$ 42,146	$ 15,884	$26,262	165 %	Cash and cash equivalents	$ 98,125	$	$50,409	$	$47,716	95	95	%
Restricted cash	Restricted cash	21,797	36,356	(14,559)	(40) %	Restricted cash	16,151	19,300	19,300	(3,149)	(3,149)	(16)	(16)	%
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 63,943	$ 52,240	$11,703	22 %	Total cash, cash equivalents and restricted cash	$114,276	$	$69,709	$	$44,567	64	64	%

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, restricted cash of $21.8 million $16.2 million and $36.4 million $19.3 million, consisted of cash held in escrow under the Original DIP Credit Agreement and to pay for construction and development activities.

The following table summarizes our cash, cash equivalents and restricted cash and cash flows for the periods indicated.

		Nine Months Ended September 30,			
		2023	2022		
		(in thousands)			
	Three Months Ended March 31,			Three Months Ended March 31,	
	2024		2024		2023
	(in thousands)			(in thousands)	
Cash, cash equivalents and restricted cash – beg. of period	Cash, cash equivalents and restricted cash – beg. of period	$52,240	$131,678		
Net cash provided by (used in)	Net cash provided by (used in)				
Operating activities					
Operating activities					
Operating activities	Operating activities	43,411	89,201		
Investing activities	Investing activities	(5,356)	(451,301)		
Financing activities	Financing activities	(26,352)	268,066		
Cash, cash equivalents and restricted cash - end of period	Cash, cash equivalents and restricted cash - end of period	$63,943	$ 37,644		

Our principal uses of cash in recent periods have been funding our operations and investing in capital expenditures.

Operating Activities

Changes in net cash from operating activities results primarily from cash received from hosting customers payments for power fees and equipment purchases. Other drivers of the changes in net cash from operating activities include research and development costs, sales and marketing costs and general and administrative expenses (including personnel expenses and fees for professional services) and interest payments on debt.

Net cash provided by operating activities was $43.4 million $22.2 million for the nine three months ended September 30, 2023 March 31, 2024 and $89.2 million $19.9 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease increase in net cash provided by operating activities for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, was primarily due to a increase in net income of $211.1 million, a $26.9 million increase in working capital components, a $20.8 million decrease in net loss of $1.7 billion, a decrease in intangible impairments of $1.1 billion, a decrease in fair value adjustments gain on convertible notes of $211.0 million, a $209.3 million decrease in impairments of digital currency assets, a $125.1 million decrease in stock-based compensation, debt extinguishment, and a $45.2 million decrease $8.9 million increase in depreciation and amortization. The increase in net cash provided by operating activities was offset by a $144 million increase in non-cash reorganization items, a $51.9 million increase in digital asset mining income. income, a $41.7 million increase in fair value adjustment on contingent value rights, a $18.4 million increase in fair value adjustment on warrant liabilities, and a $13.3 million decrease in stock-based compensation.

Investing Activities

Our net cash used in investing activities consists primarily of purchases of property, plant and equipment. Net cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $5.4 million $32.0 million and $451.3 million $1.9 million, respectively. The decrease increase in net cash used in investing activities was driven primarily by a $239.2 million decrease $30.4 million increase in purchases of property, plant and equipment and a $217.7 million decrease in deposits for self-mining equipment.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2023 was $26.4 million. consists of proceeds from stock issuances, issuances of debt, net of issuance costs and principal payments on debt, including notes payable and finance leases.

Net cash provided by financing activities for the nine three months ended September 30, 2022 March 31, 2024 was $268.1 million $54.4 million. Net cash used by financing activities for the three months ended March 31, 2023 was $1.0 million. The change over prior year was due primarily to $216.2 million of proceeds from the issuance of debt and $210.5 million of proceeds $55.0 million from the issuance of common stock for during the nine three months ended September 30, 2022, March 31, 2024 and a $20.0 million draw from the Exit Facility, partially offset by an increase in principal payments on debt of $99.0 million. $12.7 million, an increase in principal payments on finance leases of $3.6 million, and an increase in restricted stock tax holding obligations of $3.4 million.

Future Commitments and Contractual Obligations

For a discussion of Commitments and Contractual Obligations, refer to Notes 7 — Leases and 8 Note 9 — Commitments and Contingencies to our unaudited consolidated financial statements.

Other Events

In September 2023, the Company entered into a purchase agreement with Bitmain to acquire 27,000 Antminer S19j XP 151TH model miners for a total purchase price of approximately $77.1 million. Delivery of the miners is expected to begin in the fourth quarter of 2023, with all miners expected to be received and deployed by the first quarter of 2024.

Chapter 11 and Other Related Matters

For a discussion of Chapter 11 and Other Related Matters, refer to “Recent Developments — Chapter 11 and Other Related Matters” above for more information on the Chapter 11 Cases and the effect on our liquidity.

Related Party Transactions

We have agreements had agreements to provide hosting services to various entities that are either managed and invested in by individuals who are were directors and executives of Core Scientific. Scientific during fiscal year 2023. For the three and nine months ended September 30, 2023 March 31, 2024, there were no related-party transactions. For the three months ended March 31, 2023, we recognized hosting revenue of $3.7 million from the contracts with these entities of $2.8 million and $10.1 million, respectively. For the three and nine months ended September 30, 2022, we recognized hosting revenue from the contracts with these entities of $9.2 million and $22.7 million, respectively. In addition, for the three and nine months ended September 30, 2023, there was no equipment sales revenue recognized to these same various entities. For the three and nine months ended September 30, 2022, we recognized $29.7 million and $67.3 million, respectively, from these entities. A nominal amount was receivable from these entities as of September 30, 2023, and December 31, 2022. related-parties.

Core Scientific reimburses certain of its officers and directors for use of a personal aircraft for flights taken on Company business. For the three and nine months ended September 30, 2023, we incurred reimbursements of nil and for the three and nine months ended September 30, 2022, we incurred reimbursements of $0.7 million and $1.8 million, respectively. As of September 30, 2023, and December 31, 2022, there were no reimbursements payable.

Foreign Currency and Exchange Risk

The vast majority of our cash generated from revenue is denominated in U.S. dollars.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those accounting policies and estimates that are both the most important to the portrayal of our net assets and results of operations and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. These estimates are developed based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Critical accounting estimates are accounting estimates where the nature of the estimates are material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and the impact of the estimates on financial condition or operating performance is material.

Preparation of our unaudited consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. There Except for the accounting and estimates relating to the issuance of Convertible and Other Notes Payable, Contingent Value Rights Obligations and Warrant Liabilities, as discussed below, there have been no material changes to the critical accounting policies and estimates during the nine three months ended September 30, 2023 March 31, 2024, as compared to those disclosed in our “Management’s

Discussion and Analysis of Financial Condition and Results of Operations," audited consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, which was filed with the SEC on April 4, 2023 March 13, 2024.

Convertible and Other Notes Payable

Convertible and other notes payable ("Notes payable") are accounted for under ASC 470, *Debt* ("ASC 470") are presented at their carrying value, which is their remaining par or face amount net of any related unamortized premium, discount and issuance costs. Notes payable are initially recognized at their present value. When cash proceeds are received for the issuance of Notes payable the proceeds are used to establish their present value. When cash proceeds are not received for the issuance of Notes payable their present value is based on the consideration exchanged. This present value generally will be the Notes payable's cash flows discounted at a market rate when it is more evident than the consideration received. When the present value of Notes payable on issuance varies from its par or face amount, an original discount or premium results and along with any related issuance costs are used to determine an effective interest rate. Original premium, discount and issuance costs are amortized using the level effective rate interest method. Amortization is recognized as a component of current interest expense.

Notes payable are evaluated at issuance to determine whether or not they have features or terms which would be treated as embedded derivatives that are required to be bifurcated under ASC 815, *Derivatives and Hedging* (ASC 815). At December 31, 2023 and March 31, 2024 Notes payable did not have any embedded derivatives required to be bifurcated.

Contingent Value Rights Liabilities

On the Effective Date, pursuant to the Plan of Reorganization, the Company entered into a contingent value rights agreement which provides for the issuance of the CVR to certain creditors and provides for the issuance of CVRs issued to holders of allowed general unsecured claims ("GUC") (in such capacity, the "GUC Payees") (the "GUC CVRs"). The CVRs and GUC CVRs are equity-linked instruments which are either only cash settled or in some instances share settled at the Company's sole discretion. The Company determined that these equity-linked instruments are not indexed to the Company's stock and are required to be recognized as liabilities which are, initially and subsequently, measured at fair value with changes in value reflected in Net income (loss).

Warrant Liabilities

On the Effective Date, pursuant to the Plan of Reorganization, holders of the Company's previous common stock received warrants. The warrants are equity-linked instruments. The Company determined that these equity-linked instruments are not indexed to the Company's stock and are required to be recognized as liabilities which are, initially and subsequently, measured at fair value with changes in value reflected in Net income (loss).

Recent Accounting Pronouncements

For a discussion of new accounting standards relevant to our business, refer to Note 2—2 — Summary of Significant Accounting Policies to our unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Emerging Growth Company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We may take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm under Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions for up to five years or until we are no longer an emerging growth company, whichever is earlier. In addition, the JOBS Act provides that an "emerging growth company" can delay adopting new or revised accounting standards until those standards apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We will remain an emerging growth company under the JOBS Act until the earliest of (1) the last day of the fiscal year (a) following February 12, 2026, the fifth anniversary of XPDI's initial public the date of the first sale of common equity securities of the Company in a registered offering, (b) the last date of our fiscal year in which we have a total annual gross revenue of at least $1.07 billion, $1.235 billion or (c) the date on in which we are deemed to be a "large large accelerated filer" under filer, which means the rules market value of the SEC with at least $700.0 million of outstanding securities our common stock that is held by non-affiliates meets or (d) exceeds $700.0 million as of the prior June 30th and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three years. prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our market risk exposures involves forward-looking statements. Actual results could differ materially from those projected in our forward-looking statements. For more information regarding the forward-looking statements used in this section and elsewhere in this Quarterly Report on Form 10-Q, see the cautionary note regarding section titled "Cautionary Note Regarding Forward-Looking Statements Statements" included elsewhere in this Quarterly Report.

Risk Regarding the Price of Bitcoin

Our business and development strategy is focused on maintaining and expanding our bitcoin Mining operations to maximize the amount of new bitcoin rewards we earn. As of September 30, 2023 March 31, 2024, we held 21.02 did not have any bitcoin with a carrying value of $0.6 million. As of December 31, 2022, we held 43.55 bitcoin, with a carrying value of $0.7 million, all of which were produced from our bitcoin mining operations.

Quoted prices, including intraday low prices, are collected and utilized in impairment testing and measurement on a daily basis. To the extent that an impairment loss is recognized, the loss establishes the new cost basis of the digital asset. Subsequent reversal of impairment losses is not permitted.Seediscussion under the heading "Impairment of digital assets" under Part I - Item 2. -Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report for further information.holdings.

We cannot accurately predict the future market price of bitcoin and, as such, we cannot accurately predict whether we will record impairment offuture changes in the bookcarrying value of our bitcoin assets. assets based on future market prices. The future value of bitcoin will affect the amount of revenue recognized from our operations, and any changes in the future impairment of the value of the bitcoin while we mine and hold forit in our account would also be reported in our financial statements and results of operations as charges against net income (or loss), either of which could have a material adverse effect on the market price for our securities.

Bitcoin prices for the three months ended March 31, 2024 ranged from a low of $39,507 to a high of $73,084, with an average price of $53,579. A hypothetical 10% increase or decrease in the price of bitcoin produced during the three months ended March 31, 2024, would have increased or decreased net income by approximately $15.0 million.

Commodity Price Risk

There have been no material changes to the Company's commodity price risk as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. For a discussion of the Company's exposure to commodity price risk, refer to the Company's commodity price risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of the 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) prior to the filing of this quarterly report.

Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, certain of our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2023March 31, 2024, due to the following material weaknesses in internal control over financial reporting.

i. The Company did not design and implement program change management controls for certain financially relevant systems to ensure that IT program and data changes affecting the Company's (i) financial IT applications, (ii) digital currency mining equipment, and (iii) underlying accounting records, are identified, tested, authorized and implemented appropriately to validate that data produced by its relevant IT system(s) and were complete and accurate. Automated process-level controls and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency.

ii. The Company did not design and/or implement user access provisioning controls to ensure appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to the appropriate Company personnel.

iii. The Company's internal controls over financial reporting did not operate effectively at all times to ensure transactions were recorded timely and in accordance with GAAP. Appropriate segregation of duties was also not maintained at all times during the period covered by this quarterly report. year.

Changes in Internal Control over Financial Reporting

Other than the ongoing remediation efforts described below, during the most recently completed fiscal quarter, there was no change in Core Scientific, Inc.'s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation Efforts to Address Disclosed Material Weakness Weaknesses

Our management, with oversight from our audit committee, Audit Committee, has taken steps to implement the following remediation actions to address the previously disclosed material weaknesses weakness and continue to improve our internal control over financial reporting, primarily through:

- increasing the depth and experience within our accounting and finance organization;
- enhancing the communication documentation and coordination among our accounting and financial reporting department and expanded cross-functional involvement and input into period-end disclosures; and
- implementing additional internal reporting procedures, including enhancing the analytical procedures used to assess period-end balances, to add depth to our review process and improve our segregation of duties. duties; and
- developing IT general controls to manage access and program changes across our key systems.

During the quarter ended September 30, 2023March 31, 2024, we continued to assess the design of existing controls and implement new controls as needed to remediate the previously identified material weakness. We have yet to complete the testing and evaluation of the design and operating effectiveness of controls which are actively in process.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, weWe are involved in various legal proceedings lawsuits and other contingencies in the ordinary course of business. While the outcome of such contingencies cannot be predicted with certainty, we believe that the liabilities arising from these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, to the extent the liability arising from the normal course ultimate resolution of business activities. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings any matter exceeds our estimates reflected in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

Notwithstanding the foregoing, any litigation pending against us and any claims recorded reserves relating to such matter, we could incur additional charges that could be asserted against us that arose prior to December 21, 2022, (subject to certain exceptions) are automatically stayed as significant. For a result description of the commencement of the Chapter 11 Cases pursuant to Section 362(a) of the Bankruptcy Code, subject to certain statutory exceptions.

Please refer to the discussion contained in our material pending legal proceedings, please see Note 3 — Chapter 11 Filing and Other Related Matters and Note 89 — Commitments and Contingencies, to our unaudited consolidated financial statements in Item 1 of Part I of this report. Quarterly Report on Form 10-Q.

Please refer to the discussions contained in our Annual Report on Form 10-K for the year ended December 31, 2023 within Item 1. – "Business" under the subtitle "Emergence from Bankruptcy"; Item 1A. — "Risk Factors"; Item 5. — "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities; and Item 7. — "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the subtitles "Recent Developments" and "Chapter 11 Filing and Other Related Matters - Pre-Emergence"; our Notes to Unaudited Consolidated Financial Statements in the Quarterly Report on Form 10-Q; as well as elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2023 for further information regarding the commencement of the aforementioned Company's emergence from bankruptcy and satisfaction and extinguishment of claims in the Chapter 11 Cases.

Item 1A. Risk Factors

There have been no material changes to the For a discussion of our risk factors, set forth in see Part I, Item 1A., 1A "Risk Factors," in Factors" of the Company's Annual Report on Form 10-K for fiscal year December 31, 2022 December 31, 2023, which was filed with the United States Securities and Exchange Commission on April 4, 2023 March 13, 2024.

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

None. On April 9, 2024, the Company issued 79,403 shares of its common stock to the holders of convertible debt claims on the Effective Date. The shares were issued to claim holders pro rata based on the total debt claim held by each holder on the Effective Date of the Plan of Reorganization pursuant to the "OGE Shortfall" provision of the Plan of Reorganization. The Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering and received no proceeds in connection with this issuance.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Arrangements

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Filed Herewith
2.1††	Agreement and Plan of Merger and Reorganization by and among Power & Digital Infrastructure Acquisition Corp., XPDI Merger Sub Inc., XPDI Merger Sub 2, LLC, and Core Scientific Holding Co. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No, 001-40046), filed with the SEC on July 21, 2021).	
2.2††	First Amendment to Agreement and Plan of Merger and Reorganization by and among Power & Digital Infrastructure Acquisition Corp., XPDI Merger Sub Inc., XPDI Merger Sub 2, LLC, and Core Scientific Holding Co. (incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-4/A filed with the SEC on October 4, 2021).	
2.3††	Second Amendment to Agreement and Plan of Merger and Reorganization, by and among Power & Digital Infrastructure Acquisition Corp., XPDI Merger Sub Inc., and Core Scientific Holding Co. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on December 30, 2021).	
2.4	Confirmation Order, dated January 16, 2024 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 17, 2024).	
3.1	Second Third Amended and Restated Certificate of Incorporation of Core Scientific, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K 8-K/A filed with the SEC on January 24, 2022 January 25, 2024).	
3.2	Second Amended and Restated Bylaws of Core Scientific, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K/A filed with the SEC on January 25, 2024).	
4.1#	Secured Convertible Notes Indenture, dated as of January 23, 2024, by and among the Company, as issuer, the guarantors named therein and Wilmington Trust, National Association, as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K/A filed with the SEC on January 25, 2024).	
4.2#	Secured Notes Indenture, dated as of January 23, 2024, by and among the Company, as issuer, the guarantors named therein and Wilmington Trust, National Association as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K/A filed with the SEC on January 25, 2024).	
4.3	Warrant Agreement, dated as of January 23, 2024, by and among the Company, Computershare Inc., a Delaware corporation and its affiliate, Computershare Trust Company, N.A., a federally chartered trust company, as Warrant Agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on January 24, 2022 January 23, 2024).	
10.110.1#	First Amendment to Replacement DIP Credit Asset Purchase Agreement, dated as of September 5, 2023, by and between Bitmain and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No.: 001-40046), filed with the SEC on July 6, 2023 January 23, 2024).	
10.2 10.2#	Resignation Amendment to Asset Purchase Agreement, dated as of Michael Levitt from his role as Chief Executive Office November 6, 2023, by and appointment of Adam Sullivan to serve as interim Chief Executive Officer, as filed in between Bitmain and the Company's Current Report on Form 8-K filed with the SEC on August 2, 2023.	
10.3	Second Amended Joint Chapter 11 Plan of Core Scientific, Inc. and its Debtor Affiliates Company (incorporated by reference to Exhibit 99.1 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 7, 2023). January 23, 2024).	
10.4 10.3†#	Debtors' Second Amended Disclosure Statement for Debtors' Joint Chapter 11 Plan Exit Credit Agreement, dated as of Reorganization of Core Scientific, Inc. January 23, 2024, by and its Debtor Affiliates the Company, as borrower, the guarantors named therein, the lenders party thereto and Wilmington Trust, National Association, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 99.2 10.3 to the Company's Current Report on Form 8-K 8-K/A filed with the SEC on September 7, 2023. January 25, 2024).	
10.510.4†#	Purchase Equipment Loan and Sale Security Agreement, dated as of January 23, 2024, by and between Core Scientific Operating Blockfi Lending LLC, as lender, and the Company, and Celsius Mining LLC, date as borrower (incorporated by reference to Exhibit 10.1 10.4 to the Company's Current Report on Form 8-K file 8-K/A filed with the SEC on September 20, 2023 January 25, 2024).	
10.610.5†	Agreement in principle with the Ad Hoc Noteholder Group Equipment Loan and Security Agreement, dated as of January 23, 2024, by and between Stonebriar Commercial Finance LLC, as lender, and the Equity Committee regarding the terms of a chapter 11 plan of reorganization, subject Company, as borrower (incorporated by reference to Exhibit 10.5 to the finalization of the Debtors' Third Amended Joint Chapter 11 Plan of Reorganization of Core Scientific, Inc. and its Debtor Affiliates as filed in the Company's Company's Current Report of From 8-K on Form 8-K/A filed with the SEC on October 30, 2023. January 25, 2024).	

Exhibit No.	Exhibit Description	Filed Herewith
10.6	Contingent Value Rights Agreement, dated as of January 23, 2024, by and among the Company, Computershare Inc., a Delaware corporation and its affiliate, Computershare Trust Company, N.A., a federally chartered trust company (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K/A filed with the SEC on January 25, 2024).	
10.7+	Letter Agreement by and between Adam Sullivan and Core Scientific Holding Co., dated April 5, 2023 (incorporated by reference to Exhibit 10.57 to the Company's Registration Statement on Form S-1 filed with the SEC on April 15, 2024).	
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.	X
104	Cover Page Interactive Data File (the cover page XBRL tags)	

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†† Certain of the exhibits and schedules to these exhibits have been omitted in accordance with Regulation S-K Item 601(a)(5). The registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

Certain information has been omitted from this filing pursuant to Item 601(a)(6) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon its request.

\+ Indicates a management contract or compensatory plan.

SIGNATURES

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

CORE SCIENTIFIC, INC.

Date: November 3, 2023 May 8, 2024

By: /s/ Denise Sterling
Denise Sterling
Chief Financial Officer
(Duly Authorized Officer & Principal Financial Officer)

Exhibit 31.1

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

I, Adam Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Core Scientific, 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 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 8, 2024

/s/ Adam Sullivan

Adam Sullivan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Denise Sterling, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Core Scientific, 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 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 8, 2024

/s/ Denise Sterling
Denise Sterling
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 Core Scientific Inc. (the "Company") on Form 10-Q for the year quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam Sullivan, 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, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023 May 8, 2024

By: /s/ Adam Sullivan
Adam Sullivan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Core Scientific Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Denise Sterling, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023 May 8, 2024

By: /s/ Denise Sterling
Denise Sterling
Chief Financial Officer
(Principal Financial and Accounting Officer)