

REFINITIV

# DELTA REPORT

## 10-Q

CLSK - CLEANSARK, INC.  
10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1501
CHANGES	399
DELETIONS	473
ADDITIONS	629

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 **December March 31, 20232024**

☐

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: **001-39187**

**CleanSpark, Inc.**

(Exact name of Registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**87-0449945**

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

**10624 S. Eastern Ave, Suite A -638 - 638**

**Henderson, Nevada 89052**

(Address of principal executive offices)(Zip code)

**(702) 989-7692**

(Registrant's telephone number, including area code)

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

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 \$0.001 per share	CLSK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

☒ Yes ☐ No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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

☐ Non-accelerated Filer

☐ Smaller reporting company

☐ Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. **198,064,754** **227,870,260** shares as of **February 8, 2024** **May 8, 2024**.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in 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"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding our future results of operations and financial position, future hash rate capacity, industry and business trends, equity compensation, business strategy, plans, market growth and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve

known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to:

- our ability to achieve profitability, and to maintain profitability, in the future;
- high volatility in the value attributable to our business;
- the rapidly changing regulatory and legal environment in which we operate, which may lead to unknown future challenges to operating our business or which may : our business to added costs and/or uncertainty regarding our ability to operate;
- the availability of financing opportunities and risks associated with economic conditions;
- economic dependence on regulated terms of service and power rates;
- dependency on continued growth in blockchain and bitcoin usage;
- security and cybersecurity threats and hacks;
- dependency on third parties to maintain our cold and hot wallets that hold our bitcoin;
- changes to bitcoin mining difficulty;
- our reliance on a limited number of key employees;
- changes in network and infrastructure;
- our ability to successfully integrate our newly acquired operations;
- the ongoing effects of the COVID-19 pandemic; bitcoin halving;
- our ability to execute on our business strategy;
- our ability to remediate the material weakness identified in our internal control over financial reporting included in Company's our Annual Report on Form 10-K for the year ended September 30, 2023;
- our ability to resolve open comments from the SEC Securities and Exchange Commission (the "SEC") on our public filings and any changes to our disclosures as a re the resolution of such matters;
- risks relating to our potential establishment of an in-house function to trade bitcoin for our own account on the bitcoin we have mined, and hedge risk relating to our holdings; and

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- other risks described in the Company's our prior press releases and in its our filings with the Securities and Exchange Commission (SEC), SEC, including unc headings "Risk Factors" in the Company's our Annual

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Report on Form 10-K for the fiscal year ended September 30, 2023, this Quarterly Report on Form 10-Q and any subsequent filings with the SEC.

The forward-looking statements in this Quarterly Report on Form 10-Q 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 our 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.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, references to “CleanSpark,” the “Company,” “we,” “us,” and “our” refer to CleanSpark, Inc. and its consolidated subsidiaries.

**GENERAL**

We encourage investors and others interested in CleanSpark to review the information that we make available on our website at <https://www.cleanspark.com/investor-relations>, in addition to our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not part of this Quarterly Report on Form 10-Q.

**WHERE YOU CAN FIND MORE INFORMATION**

All reports we file with the SEC are available for download free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC’s website at [www.sec.gov](http://www.sec.gov). We also make electronic copies of our reports available for download, free of charge, through our website at <https://www.cleanspark.com/investor-relations/> as soon as reasonably practicable after filing such material with the SEC. Information contained on our website is not part of this Quarterly Report on Form 10-Q.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Our consolidated financial statements included in this Form 10-Q are as follows:

<a href="#">Consolidated Balance Sheets as of December 31, 2023, March 31, 2024 (unaudited) and September 30, 2023;</a>	F-1
<a href="#">Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended December 31, 2023, March 31, 2024 and 2022 2023 (unaudited);</a>	F-3
<a href="#">Consolidated Statements of Stockholders' Equity for the three and six months ended December 31, 2023, March 31, 2024 and 2022 2023 (unaudited);</a>	F-5
<a href="#">Consolidated Statements of Cash Flow for the three six months ended December 31, 2023, March 31, 2024 and 2022 2023 (unaudited);</a>	F-7
<a href="#">Notes to Consolidated Financial Statements (unaudited).</a>	F-9

This Quarterly Report on Form 10-Q for the quarter ended December 31, 2023, March 31, 2024, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 30, 2023, filed with the Securities and Exchange Commission (the “SEC”) SEC on December 1, 2023.

The accompanying consolidated financial statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended December 31, 2023, March 31, 2024 are not necessarily indicative of the results that can be expected for the full year.

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**CLEANSARK, INC.**

# CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except par value and share amounts)

	December 31, 2023 (Unaudited)	September 30, 2023	March 31, 2024 (Unaudited)	September 30, 2023
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents, including restricted cash	\$ 48,458	\$ 29,215	\$ 323,052	\$ 29,215
Accounts receivable, net	—	5	—	5
Inventory	732	809	991	809
Prepaid expense and other current assets	2,971	12,034	4,134	12,034
Bitcoin (See Note 2 and Note 5)	126,951	56,241	357,981	56,241
Derivative investment asset	1,454	2,697	505	2,697
Investment in debt security, AFS, at fair value	755	726	784	726
Current assets held for sale	384	445	324	445
Total current assets	\$ 181,705	\$ 102,172	\$ 687,771	\$ 102,172
<b>Property and equipment, net</b>				
Property and equipment, net	\$ 637,481	\$ 564,395	\$ 670,510	\$ 564,395
Operating lease right of use asset	647	688	228	688
Intangible assets, net	4,089	4,603	3,736	4,603
Deposits on miners and mining equipment	25,048	75,959	161,309	75,959
Other long-term asset	5,718	5,718	5,718	5,718
Goodwill	8,043	8,043	8,043	8,043
Total assets	\$ 862,731	\$ 761,578	\$ 1,537,315	\$ 761,578
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 33,415	\$ 65,577	\$ 43,632	\$ 65,577
Current portion of operating lease liability	176	181	177	181
Current portion of finance lease liability	96	130	52	130
Current portion of long-term loans payable	7,421	6,992	7,686	6,992
Dividends payable	579	—	2,842	—
Current liabilities held for sale	706	1,175	637	1,175
Total current liabilities	\$ 42,393	\$ 74,055	\$ 55,026	\$ 74,055
<b>Long-term liabilities</b>				
Operating lease liability, net of current portion	474	519	431	519
Finance lease liability, net of current portion	—	9	—	9
Loans payable, net of current portion	7,047	8,911	5,090	8,911
Deferred income taxes	2,256	857	13,851	857
Total liabilities	\$ 52,170	\$ 84,351	\$ 74,398	\$ 84,351

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**CLEANSARK, INC.**  
**CONSOLIDATED BALANCE SHEETS (continued) (Continued)**  
(\$ in thousands, except par value and share amounts)

	September		September	
	December 31,	30,	March 31,	30,
	2023	2023	2024	2023
	(Unaudited)		(Unaudited)	
Stockholders' equity				
Common stock; \$0.001 par value; 300,000,000 shares authorized; 185,554,611 and 160,184,921 shares issued and outstanding, respectively	186	160		
Common stock; \$0.001 par value; 300,000,000 shares authorized; 225,469,791 and 160,184,921 shares issued and outstanding, respectively	225	160		
Preferred stock; \$0.001 par value; 10,000,000 shares authorized; Series A shares; 2,000,000 authorized; 1,750,000 and 1,750,000 issued and outstanding, respectively	2	2	2	2
Additional paid-in capital	1,113,248	1,009,482	1,641,643	1,009,482
Accumulated other comprehensive income	255	226	284	226
Accumulated deficit	(303,130)	(332,643)	(179,237)	(332,643)
Total stockholders' equity	810,561	677,227	1,462,917	677,227
Total liabilities and stockholders' equity	\$ 862,731	\$ 761,578	\$ 1,537,315	\$ 761,578

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(Unaudited, in thousands, except per share and share amounts)

	For the three months ended		For the three months ended		For the six months ended	
	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2023	2022	2024	2023	2024	2023
Revenues, net						
Bitcoin mining revenue, net	\$ 73,786	\$ 27,746	\$ 111,799	\$ 42,488	\$ 185,585	\$ 70,234
Other services revenue	—	73	—	58	—	131
Total revenues, net	\$ 73,786	\$ 27,819	\$ 111,799	\$ 42,546	\$ 185,585	\$ 70,365

<b>Costs and expenses</b>						
Cost of revenues (exclusive of depreciation and amortization shown below)	28,896	20,416	34,298	22,082	63,194	42,498
Professional fees	1,572	2,831	2,208	3,750	3,780	6,581
Payroll expenses	15,321	9,802	16,820	9,750	32,141	19,552
General and administrative expenses	5,003	3,724	6,819	4,329	11,822	8,053
Loss on disposal of assets	677	—	1,652	3	2,329	3
Gain on fair value of bitcoin, net (see Note 2 and Note 5)	(36,041)	—	(119,702)	—	(155,743)	—
Other impairment expense (related to bitcoin)	—	83	—	194	—	277
Realized loss on sale of bitcoin	—	517				
Impairment expense - other	396	—	396	—		
Realized gain on sale of bitcoin	—	(1,422)	—	(905)		
Depreciation and amortization	29,847	19,329	32,187	21,346	62,034	40,675
<b>Total costs and expenses</b>	<b>\$ 45,275</b>	<b>\$ 56,702</b>	<b>\$ (25,322)</b>	<b>\$ 60,032</b>	<b>\$ 19,953</b>	<b>\$ 116,734</b>
<b>Income (loss) from operations</b>	<b>28,511</b>	<b>(28,883)</b>	<b>137,121</b>	<b>(17,486)</b>	<b>165,632</b>	<b>(46,369)</b>
<b>Other income (expense)</b>						
Other income	—	11	—	11		
Change in fair value of contingent consideration	—	485	—	—	—	485
Unrealized loss on derivative security	(1,243)	(1,271)				
Unrealized (loss) gain on derivative security	(949)	56	(2,192)	(1,215)		
Interest income	586	70	2,684	52	3,270	122
Interest expense	(546)	(889)	(526)	(799)	(1,072)	(1,688)
<b>Total other (expense) income</b>	<b>\$ (1,203)</b>	<b>\$ (1,605)</b>				
<b>Total other income (expense)</b>	<b>\$ 1,209</b>	<b>\$ (680)</b>	<b>\$ 6</b>	<b>\$ (2,285)</b>		
<b>Income (loss) before income tax expense</b>	<b>27,308</b>	<b>(30,488)</b>	<b>138,330</b>	<b>(18,166)</b>	<b>165,638</b>	<b>(48,654)</b>
Income tax expense	1,399	—	11,595	—	12,994	—
Income (loss) from continuing operations	<b>\$ 25,909</b>	<b>\$ (30,488)</b>	<b>\$ 126,735</b>	<b>\$ (18,166)</b>	<b>\$ 152,644</b>	<b>\$ (48,654)</b>
<b>Discontinued operations</b>						
Income from discontinued operations	\$ —	\$ 1,457				
(Loss) income from discontinued operations	\$ —	\$ (294)	\$ —	\$ 1,163		
Income tax expense	—	—	—	—	—	—
Income on discontinued operations	\$ —	\$ 1,457				
(Loss) income on discontinued operations	\$ —	\$ (294)	\$ —	\$ 1,163		
<b>Net income (loss)</b>	<b>\$ 25,909</b>	<b>\$ (29,031)</b>	<b>\$ 126,735</b>	<b>\$ (18,460)</b>	<b>\$ 152,644</b>	<b>\$ (47,491)</b>
Preferred stock dividends	579	—	2,842	—	3,421	—
<b>Net income (loss) attributable to common shareholders</b>	<b>\$ 25,330</b>	<b>\$ (29,031)</b>	<b>\$ 123,893</b>	<b>\$ (18,460)</b>	<b>\$ 149,223</b>	<b>\$ (47,491)</b>
Other comprehensive income	29	29	29	29	58	58
<b>Total comprehensive income (loss) attributable to common shareholders</b>	<b>\$ 25,359</b>	<b>\$ (29,002)</b>	<b>\$ 123,922</b>	<b>\$ (18,431)</b>	<b>\$ 149,281</b>	<b>\$ (47,433)</b>

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The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Continued)**  
(Unaudited, in thousands, except per share and share amounts)

	For the three months ended		For the three months ended		For the six months ended	
	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2023	2022	2024	2023	2024	2023
Income (loss) from continuing operations per common share - basic	\$ 0.14	\$ (0.46)	\$ 0.59	\$ (0.23)	\$ 0.77	\$ (0.66)
Weighted average common shares outstanding - basic	178,809,264	66,395,174	209,287,089	80,469,471	193,964,904	73,450,877
Income (loss) from continuing operations per common share - diluted	\$ 0.14	\$ (0.46)	\$ 0.58	\$ (0.23)	\$ 0.76	\$ (0.66)
Weighted average common shares outstanding - diluted	180,783,535	66,395,174	212,099,068	80,469,471	196,903,594	74,032,082
Income (loss) on discontinued operations per common share - basic	\$ -	\$ 0.02				
(Loss) income on discontinued operations per common share - basic	\$ -	\$ (0.00)	\$ -	\$ 0.02		
Weighted average common shares outstanding - basic	178,809,264	66,395,174	209,287,089	80,469,471	193,964,904	73,450,877
Income (loss) on discontinued operations per common share - diluted	\$ -	\$ 0.02				
(Loss) income on discontinued operations per common share - diluted	\$ -	\$ (0.00)	\$ -	\$ 0.02		
Weighted average common shares outstanding - diluted	180,783,535	67,400,334	212,099,068	80,469,471	196,903,594	74,032,082

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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CLEANSPARK, INC.  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited, in thousands, except share amounts)  
For the three and six months ended **December 31, 2023** **March 31, 2024**

	Preferred Stock		Common Stock		Additional	Other	Accumulated	Total	Preferred Stock		Common Stock		Addition
	Shares	Amount	Shares	Amount	Paid-in Capital	Comprehensive Income	Deficit	Stockholders' Equity	Shares	Amount	Shares	Amount	Paid-in Capital
<b>Balance, September 30, 2023</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>160,184,921</b>	<b>\$ 160</b>	<b>\$ 1,009,482</b>	<b>\$ 226</b>	<b>\$ (332,643)</b>	<b>\$ 677,227</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>160,184,921</b>	<b>\$ 160</b>	<b>\$ 1,009,4</b>
Cumulative effect of change in accounting principle (See Note 2)	—	—	—	—	—	—	4,183	4,183	—	—	—	—	—
Options and restricted stock units issued for services	—	—	1,441,152	2	9,951	—	—	9,953	—	—	1,441,152	2	9,953
Shares withheld for net settlement of restricted stock units related to tax withholdings	—	—	(553,390)	(1)	(5,532)	—	—	(5,533)	—	—	(553,390)	(1)	(5,533)
Exercise of options	—	—	6,096	—	36	—	—	36	—	—	6,096	—	—
Shares issued under equity offering, net of offering costs	—	—	24,475,832	25	99,311	—	—	99,336	—	—	24,475,832	25	99,336
Preferred stock dividends	—	—	—	—	—	—	(579)	(579)	—	—	—	—	—
Net income	—	—	—	—	—	—	25,909	25,909	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	29	—	29	—	—	—	—	—
<b>Balance, December 31, 2023</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>185,554,611</b>	<b>\$ 186</b>	<b>\$ 1,113,248</b>	<b>\$ 255</b>	<b>\$ (303,130)</b>	<b>\$ 810,561</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>185,554,611</b>	<b>\$ 186</b>	<b>\$ 1,113,2</b>
Options and restricted stock units issued for services	—	—	2,359,161	2	9,795	—	—	9,797	—	—	—	—	—

Shares withheld for net settlement of restricted stock units related to tax withholdings	—	—	(631,100)	(1)	(11,605)			(11,606)
Shares issued under equity offering, net of offering costs	—	—	38,078,826	38	529,700	—	—	529,738
Exercise of options and warrants			108,293	—	505	—	—	505
Preferred stock dividends			—	—	—	—	(2,842)	(2,842)
Net income	—	—	—	—	—	—	126,735	126,735
Other comprehensive income	—	—	—	—	—	29	—	29
<b>Balance, March 31, 2024</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>225,469,791</b>	<b>\$ 225</b>	<b>\$ 1,641,643</b>	<b>\$ 284</b>	<b>\$ (179,237)</b>	<b>\$ 1,462,917</b>

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CLEANSPARK, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued) (Continued)  
(Unaudited, in thousands, except share amounts)  
For the three and six months ended December 31, 2022 March 31, 2023

	Accumulated													
	Preferred Stock		Common Stock		Additional	Other	Total	Preferred Stock		Common Stock		Additional		
	Shares	Amount	Shares	Amount	Paid-in Capital	Comprehensive Income	Accumulated Deficit	Stockholders' Equity	Shares	Amount	Shares	Amount	Paid-in Capital	C
<b>Balance, September 30, 2022</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>55,661,337</b>	<b>\$ 56</b>	<b>\$ 599,898</b>	<b>\$ 110</b>	<b>\$ (196,054)</b>	<b>\$ 404,012</b>	<b>1,750,000</b>	<b>\$ 2</b>	<b>55,661,337</b>	<b>\$ 56</b>	<b>\$ 599,898</b>	<b>\$</b>
Options and restricted stock units issued for services	—	—	11,210	—	5,878	—	—	5,878	—	—	11,210	—	5,878	

Shares issued for business acquisition	—	—	1,590,175	2	4,801	—	—	4,803	—	—	1,590,175	2	4,801	
Shares issued under equity offering, net of offering costs	—	—	14,481,208	14	41,330	—	—	41,344	—	—	14,481,208	14	41,330	
Net loss	—	—	—	—	—	—	(29,031)	(29,031)	—	—	—	—	—	
Other comprehensive income	—	—	—	—	—	29	—	29	—	—	—	—	—	
Balance, December 31, 2022	1,750,000	\$ 2	71,743,930	\$ 72	\$ 651,907	\$ 139	\$ (225,085)	\$ 427,035	1,750,000	\$ 2	71,743,930	\$ 72	\$ 651,907	\$
Options and restricted stock units issued for services	—	—	2,149,087	2	5,741	—	—	5,743						
Shares withheld for net settlement of restricted stock units related to tax withholdings	—	—	(539,961)	—	(1,468)			(1,468)						
Shares issued for settlement of contingent consideration related to business acquisition	—	—	1,100,890	1	2,839	—	—	2,840						
Shares issued under equity offering, net of offering costs	—	—	22,580,026	22	58,140	—	—	58,162						
Shares returned for settlement of contingent consideration and holdbacks related to business acquisition	—	—	(83,417)	—	—	—	—	—						
Net loss	—	—	—	—	—	—	(18,460)	(18,460)						
Other comprehensive income	—	—	—	—	—	29	—	29						
Balance, March 31, 2023	1,750,000	\$ 2	96,950,555	\$ 97	\$ 717,159	\$ 168	\$ (243,545)	\$ 473,881						

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**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	December 31,	December 31,	March 31,	March 31,
	2023	2022	2024	2023
<b>Cash Flows from Operating Activities</b>				
Net Income (loss)	\$ 25,909	\$ (29,031)	\$ 152,644	\$ (47,491)
Less: Income from discontinued operations	—	(1,457)	—	(1,163)
<b>Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:</b>				
Impairment of bitcoin	—	83	—	277
Mining of bitcoin	(185,585)	(70,234)		
Gain on fair value of bitcoin, net (see Note 2)	(36,041)	—	(155,743)	—
Proceeds from sale of bitcoin	—	76,203		
Realized gain on sale of bitcoin	—	517	—	(905)
Bitcoin issued for services	265	134	500	310
Impairment other	396	—		
Unrealized loss on derivative asset	1,243	1,271	2,192	1,215
Gain on fair value of contingent consideration	—	(485)	—	(485)
Non-cash lease expense	41	79	64	159
Stock based compensation	9,953	5,878	19,750	11,621
Depreciation and amortization	29,847	19,329	62,034	40,675
Provision for bad debts	53	70	57	106
Amortization of debt discount	27	1	53	19
Loss on disposal of assets	677	—	2,329	3
<b>Changes in operating assets and liabilities</b>				
Mining of bitcoin	(73,786)	(27,746)		
Proceeds from sale of bitcoin	—	34,067		
Increase (Decrease) in operating lease liabilities	(50)	56		
Decrease in operating lease liabilities	(93)	(20)		
(Decrease) Increase in accounts payable and accrued liabilities	(8,255)	3,265	(1,783)	5,203
Decrease in prepaid expenses and other current assets	9,010	1,862		
Decrease (Increase) in accounts receivables	5	(73)		
Decrease (Increase) in inventory	77	(176)		
Decrease (increase) in prepaid expenses and other current assets	7,843	(772)		
Decrease (increase) in accounts receivables	5	(125)		
Increase in inventory	(182)	(529)		

Increase in deferred income taxes	1,399	—	12,994	—
Long-term deposits paid	—	(2,941)	—	(2,940)
<b>Net cash (used in) provided by operating activities from Continuing Operations</b>	<b>\$ (39,626)</b>	<b>\$ 4,703</b>	<b>\$ (82,525)</b>	<b>\$ 11,127</b>
<b>Net cash provided by (used in) operating activities of Discontinued Operations</b>	<b>(408)</b>	<b>412</b>		
<b>Net cash (used in) provided by operating activities of Discontinued Operations</b>	<b>(416)</b>	<b>749</b>		
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (40,034)</b>	<b>\$ 5,115</b>	<b>\$ (82,941)</b>	<b>\$ 11,876</b>
<b>Cash Flows from Investing Activities</b>				
Payments on miners (including deposits)	\$ (48,858)	\$ (31,540)	\$ (208,850)	\$ (69,238)
Purchase of fixed assets	(27,503)	(4,953)	(42,986)	(21,769)
Proceeds from sale of bitcoin	43,035	—	43,103	—
Acquisition of Mississippi Locations	(19,771)	—		
Acquisition of Dalton, GA Location	(3,569)	—		
Proceeds from sale of miners	508	—	508	—
Acquisition of Mawson	—	(22,518)	—	(22,518)
<b>Net cash used in investing activities - Continuing Operations</b>	<b>\$ (32,818)</b>	<b>\$ (59,011)</b>	<b>\$ (231,565)</b>	<b>\$ (113,525)</b>
<b>Net cash provided by investing activities - Discontinued Operations</b>	<b>—</b>	<b>2,523</b>	<b>—</b>	<b>2,462</b>
<b>Net cash used in investing activities</b>	<b>\$ (32,818)</b>	<b>\$ (56,488)</b>	<b>\$ (231,565)</b>	<b>\$ (111,063)</b>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**CLEANS PARK, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW (Continued)**  
(Unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023
<b>Cash Flows from Financing Activities</b>				
Payments on loans	\$ (1,701)	\$ (8,430)	\$ (3,467)	\$ (10,433)
Payments on preferred dividends	(579)	—		
Payments on finance leases	(43)	(93)	(87)	(154)
Refund of loan commitment fee	—	150	—	150
Payments of taxes on shares withheld for net settlement of restricted stock units	(5,533)	—	(17,139)	—
Proceeds from exercise of options and warrants	36	—	541	—
Proceeds from equity offerings, net	99,336	41,344	629,074	99,506
<b>Net cash provided by financing activities - Continued Operations</b>	<b>\$ 92,095</b>	<b>\$ 32,971</b>	<b>\$ 608,343</b>	<b>\$ 89,069</b>
<b>Net cash provided by financing activities - Discontinued Operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net cash provided by financing activities</b>	<b>\$ 92,095</b>	<b>\$ 32,971</b>	<b>\$ 608,343</b>	<b>\$ 89,069</b>

<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 19,243</b>	<b>\$ (18,402)</b>	<b>\$ 293,837</b>	<b>\$ (10,118)</b>
Cash and cash equivalents, beginning of period	\$ 29,215	\$ 20,463	\$ 29,215	\$ 20,463
<b>Cash and cash equivalents, and restricted cash, end of period</b>	<b>\$ 48,458</b>	<b>\$ 2,061</b>	<b>\$ 323,052</b>	<b>\$ 10,345</b>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid for interest	\$ 519	\$ 808	\$ 1,019	\$ 1,669
<b>Non-cash investing and financing transactions</b>				
Shares issued for settlement of contingent consideration related to business acquisition	\$ —	\$ 2,840		
Change in Accounting Principle (see Note 2)	\$ 4,183	\$ —	\$ 4,183	\$ —
Fixed asset and miner purchases accrued not paid	\$ 3,462	\$ —	\$ 7,207	\$ —
Shares withheld for net settlement of restricted stock units related to tax withholdings	\$ —	\$ 1,468		
Fixed assets purchased through finance transactions	\$ 240	\$ 164	\$ 287	\$ 164
Software purchased with bitcoin	\$ —	\$ 229	\$ 168	\$ 229
Preferred shares dividends accrued	\$ 579	\$ —	\$ 2,842	\$ —
Unrealized gain on investment in available-for-sale debt security	\$ 29	\$ 29	\$ 58	\$ 58

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## CLEANSARK, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, \$ in thousands, except per share and per bitcoin and per terahash amounts)

#### 1. ORGANIZATION

CleanSpark is a bitcoin mining company. The Company independently owns and operates five data centers in Georgia and three data centers in Mississippi for a total developed capacity of 230,420 MW, megawatts ("MW") and 435 MW as of March 31, 2024 and April 4, 2024, respectively. The Company is developing has completed an additional 150,50 MW of data center infrastructure in Sandersville, GA, which is pending the commissioning of a utility transformer before it goes into service and the Company is currently finalizing the development of an additional 15 MW expansion at its Dalton, GA location. An independent data center in Sandersville, GA. A partner operation in Massena, NY, hosts 50 MW for the Company. The Company does not currently host miners for any other companies. CleanSpark designs its infrastructure to responsibly support Bitcoin, bitcoin, the world's most important digital commodity and an essential tool for financial independence and inclusion.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the "SEC") SEC and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on December 1, 2023 (the "Form 10-K"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented in this Quarterly Report on Form 10-Q have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

The accompanying unaudited consolidated financial statements include the accounts of CleanSpark, Inc., and the Company's wholly owned, **capitalized, and operating** subsidiaries, ATL Data Centers LLC ("ATL"), CleanBlok, **Inc.**, CleanSpark DW, LLC, CleanSpark GLP, LLC, CSRE Properties Norcross, LLC, CSRE Property Management Company, LLC, CSRE Properties, LLC, CSRE Properties Washington, LLC, CSRE Properties Sandersville, LLC, CSRE Properties Dalton, LLC, **Dalton15, LLC, CleanSpark MS, LLC, CSRE Properties Mississippi, LLC, CSRE Properties Vicksburg, LLC, MS Data, LLC,** and CleanSpark HQ, LLC. All intercompany transactions have been eliminated upon consolidation of these entities.

#### **Recently Issued Accounting Pronouncements**

On March 21, 2024, the Financial Accounting Standards Board (the "FASB") issued **accounting pronouncements** Accounting Standards Update No. 2024-01 ("ASU 2024-01"), which clarifies how an entity determines whether a profits interest or similar award is (1) within the scope of ASC 718 or (2) not a share-based payment arrangement and therefore within the scope of other guidance. The guidance in ASU 2024-01 applies to all entities that issue profits interest awards as compensation to employees or nonemployees in exchange for goods or services. ASU 2024-01 is effective for public business entities for annual periods beginning after December 15, 2024, including interim periods within those periods. The Company is currently evaluating the impact of the adoption of ASU 2024-01 on its consolidated financial statements.

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

- (1) meet the definition of intangible assets as defined in the **Codification** **Codification**;

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- (2) do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other **assets** **assets**;
- (3) are created or reside on a distributed ledger based on blockchain or similar **technology** **technology**;
- (4) are secured through **cryptography** **cryptography**;
- (5) are **fungible, fungible**; and
- (6) are not created or issued by the reporting entity or its related parties. In addition, entities are required to provide additional disclosures about the holdings of certain assets.

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Bitcoin, which is the sole crypto asset mined by the Company, meets each of these criteria. For all entities, the ASC 350-60 amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company has elected to early adopt the new guidance effective October 1, 2023 resulting in a \$4,183 cumulative-effect change to adjust the Company's bitcoin held on October 1, 2023 with the corresponding entry to beginning accumulated deficit.

In December 2023, the FASB issued ASU 2023-09, which established a new income tax disclosure requirement in addition to modifying and eliminating certain existing requirements. Under the new guidance, entities must consistently categorize and provide greater disaggregation of information in the rate reconciliation. Companies must also further disaggregate income taxes paid. Companies are required to apply the guidance to annual periods beginning after December 15, 2024. The Company does not intend to early adopt this standard.

In November 2023, the FASB issued ASU 2023-07, Improvements to Disclosures About Reportable Segments ("ASU 2023-07"), which requires enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The new guidance is effective for all public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU **2020-01** **2023-07** on its consolidated financial statements.



In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities are recognized by the acquirer at fair value on the acquisition date. The Company adopted the provisions of the accounting pronouncement as of October 1, 2023 and the new standard did not have an impact on the Company's consolidated financial statements in for the first quarter six months ended December 31, 2023 March 31, 2024.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments on October 1, 2020 ("ASU 2016-13"). ASU 2016-13 requires entities to use a new forward-looking "expected loss" model that reflects expected credit losses, including credit losses related to trade receivables, and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, which generally will result in the earlier recognition of allowances for losses. The Company adopted the ASU effective October 1, 2023, and the adoption of the new standard did not have a material impact on the Company's results of operations or cash flows.

#### Liquidity

The Company has had cash and cash equivalents, including restricted cash, of \$48,458,323,052 and bitcoin (measured at fair value) of \$126,951,357,981 as of December 31, 2023 March 31, 2024. As shown in the accompanying unaudited consolidated financial statements, the Company generated a net income from continuing operations of \$25,909,152,644 during the three six months ended December 31, 2023 March 31, 2024. The Company had cash outflows from operating activities from continuing operations, which were \$39,626,82,525 during the three six months ended December 31, 2023 March 31, 2024. The Company has had cash outflows from investing activities from continuing operations due to its investments in capital expenditures in support of its bitcoin mining operations partially offset by proceeds of bitcoin sales. The Company has generated significant cash inflows from financing activities from continuing operations, primarily attributed to proceeds from equity offerings. The Company generates non-cash consideration in the form of bitcoin, that the Company will sell to generate cash to funds its operations. During the quarter six months ended December 31, 2023 March 31, 2024, the Company sold \$43,035,43,103 of bitcoin at various times during the quarter period and utilized the proceeds to pay expenditures. However, the Company utilized portions of its equity offerings to offset its cash used in operating and investing activities. The Company has sufficient cash and bitcoin, which should continue to

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support its ongoing operations for the next twelve months. The Company intends to continue generating cash from its access to equity financing through its At-the-Market at-the-market offering facility (see Note 12).

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the consolidated financial

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statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of derivative assets, available-for-sale investments, the valuations of share-based awards and the valuations of share-based awards, tangible assets acquired in asset acquisitions. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions including, but not limited to, the ultimate impact that the ongoing global supply chain issues may have on the Company's operations.

#### **Revenue from Contracts with Customers - Revenue from Bitcoin Mining**

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

1. Identify the contract with the customer
2. Identify the performance obligations in the contract

3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company company satisfies a performance obligation

**Step 1:** The Company operates in the bitcoin mining industry and has identified its bitcoin mining pool operator as its customer. The Company enters into a contract with a bitcoin mining pool operator (i.e., the customer) (the "customer") to provide hash computation computing power to the mining pools. The contracts are terminable at any time by either party, the contract term is shorter than a 24-hour period, the contracts are continuously renewed, and there are no penalties for contract termination by either party. The Company earns revenue based on the Full-Pay-Per-Share ("FPPS") payout method, set forth by our customer. The calculation has specific components which include network block subsidies, network difficulty, network transaction fees, and pool operating fees. The network block subsidy consists of newly generated coins bitcoins and comprises the largest share of the block reward. Network difficulty is the difficulty required to mine a block on the Bitcoin bitcoin network, which is a component in the calculation for payout. bitcoin network. Network transaction fees consist of fees paid by the users of the network for the execution of transactions that are included in the block. Pool operating fees are fees charged by the mining pool operator in order to operate the pool. Network block subsidies are based on the total amount of block subsidies that are expected to be generated on the bitcoin network as a whole during the a 24-hour period beginning at midnight Universal Time Coordinated (UTC) daily, regardless of whether the mining pool operator successfully records a block to the blockchain. Network difficulty is based on the actual difficulty to mine a block on the Bitcoin bitcoin network. Network transaction fees are based on the total amount of transaction fees and block rewards that are actually generated on the blockchain network as a whole during the a 24-hour period. Pool operating fees are determined by a fee rate set forth in the customer's terms of service as a percentage of the actual daily FPPS payout.

The mining pool that the Company contributes its hash computation computing power to only provides services for bitcoin mining and the fees charged during the most recent quarter were 0.19% of the total daily bitcoin mined. Applying the criteria per ASC 606-10-25-1, the contract arises at the point that the Company provides hash computation computing power to the mining pool operator, which is beginning considered contract day at midnight UTC (contract inception), inception, because customer consumption is in tandem with daily earnings of delivery of the computing power.

**Step 2:** In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance

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obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met:

- The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and
- The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

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Based on these criteria, the Company has a single performance obligation in providing computing power services (i.e., hashrate) to the mining pool operator (i.e., customer). The performance obligation of computing power services is fulfilled daily over-time, over time, as opposed to a point in time, because the Company provides the hashrate hash computation computing power throughout the day and the customer simultaneously obtains control of it and uses the asset to produce bitcoin. The Company has full control of the mining equipment utilized in the mining pool, and if the Company determines it will increase or decrease the processing hashrate computation computing power of its machines and/or fleet (i.e., for repairs or when power costs are excessive) the computing power provided to the customer will be increased or reduced.

**Step 3:** The transaction consideration the Company earns receives is non-cash digital consideration in the form of bitcoin, which the Company measures at fair value as the closing bitcoin price on the date earned of contract inception as determined by our the Company's principal market of bitcoin, Coinbase, and such price is not materially different from using the opening bitcoin price at on the inception date of each daily contract. contract inception. According to the customer contract, daily earnings are calculated from midnight-to-midnight UTC time, and the sub-account balance payout is credited made one hour later at 1:00 AM UTC time, time after the preceding midnight-to-midnight 24-hour period. The Company utilizes midnight Greenwich Mean Time (GMT), which is also the midnight of UTC time, since this is consistent with our customer contract in calculating our daily earnings non-cash digital consideration from midnight-to-midnight UTC time.

The transaction consideration the Company earns is all variable since it is dependent on the daily computing power provided by the Company. The Company's bitcoins earned through the contractual payout formula is not known until the Company's computational hashrate hash computation computing power contributed over the daily measurement period

is fulfilled over-time **daily** between midnight-to-midnight UTC time. The Company's proportionate amount of the **global** network transaction fee rewards earned are calculated at the end of each transactional day (midnight to midnight). There are no other forms of variable considerations, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties, or other similar items.

**The Company fully constrains all variable consideration as a result of ASC 606-10-32-12a because the amount of consideration is highly susceptible to factors outside of our control as defined by the Company's customer's payout methodology. The variable consideration is constrained until the Company can reasonably estimate the amount of mining rewards by the end of a given transactional day based on the actual amount of computing power provided to the mining pool operators. By then, the Company considers it is highly probable that a significant reversal in the amount of revenues will not occur and includes such variable consideration in the transaction price.**

**Step 4:** The transaction price is allocated to the single performance obligation upon verification for the provision of **hash computation** computing power to the mining pool operator. There is a single performance obligation (i.e., **hash computation** computing power or hashrate) for the contract; therefore, all consideration from the mining pool operator is allocated to this single performance obligation.

**Step 5:** The Company's performance is complete in transferring the **hashrate service over-time (midnight to midnight)** **hash computation computing power over time** to the customer and the customer obtains control of **that asset**.

**In exchange for providing computing power, the Company is entitled to a pro-rata share of the fixed bitcoin awards earned over the measurement period, plus a pro-rata fractional share of the global transaction fee rewards for the respective measurement period, less net digital asset fees due to the mining pool operator over the measurement period, as applicable. The transaction consideration the Company receives is non-cash consideration, in the form of bitcoin. The Company measures the bitcoin at fair value on the date earned using the closing price of bitcoin on the date earned (midnight UTC). contributed hashrate.**

There are no deferred revenues or other liability obligations recorded by the Company since there are no payments in advance of the **performance. At the end of the 24 hour "midnight-to-midnight" period, performance, and there are no remaining performance obligations. obligations after providing hash computation computing power.**

#### **Revenues from data center services Data Center Services**

As of September 30, 2023, data center services are no longer provided to external customers. The Company formerly provided data services, such as providing its customers with rack space, power and equipment, and cloud services, such as virtual services, virtual storage, and data backup services, generally based on monthly services provided at a defined price included in the contracts. The performance obligations were the services provided to a customer for the month based on the contract. The transaction price was the price agreed with the customer for the monthly services provided and the revenues are recognized monthly based on the services rendered for the month.

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#### Cost of Revenues revenues

*Bitcoin mining segment (sole reportable segment)*

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The Company includes energy costs and external co-location mining hosting fees in cost of revenues.

#### Cash and cash equivalents, including restricted cash

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. Temporary cash investments are made with high credit quality financial institutions. At times, such investments in U.S. accounts may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance **limit. limits.**

The Company **does have had** restricted cash of **\$1,716 2,992** as of **December 31, 2023 March 31, 2024** held in a separate bank account in a certificate of deposit as collateral for utility bonds. The utility bonds are reported in prepaid expense and other current assets on the **consolidated balance sheet. Consolidated Balance Sheets.**

#### Accounts Receivable, receivable, net

Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms. They are initially recorded at the invoiced amount upon the sale of goods or services to customers and do not bear interest. The Company performs ongoing credit evaluation of its customers, and management closely monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management's best estimate of the amounts that will not be collected is recorded.

Accounts receivable, net consists of the following:

(\$ in thousands)	December 31,	September 30,	March 31,	September 30,
	2023	2023	2024	2023
Accounts Receivable, gross	\$ 348	\$ 353	\$ —	\$ 353
Provision for doubtful allowances	(348)	(348)	—	(348)
Total Accounts Receivable, net	\$ —	\$ 5	\$ —	\$ 5

#### Inventory

Inventory balances mainly include supplies inventory used to maintain bitcoin mining facilities and are presented at net realizable value with cost being measured on an average cost method. The Company periodically reviews inventories for unusable and obsolete items. Based on this evaluation, provisions are made to write inventories down to their net realizable value. Inventory was \$732,991 and \$809 as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

#### Prepaid expense and other current assets

The Company records a prepaid expense for costs paid but not yet incurred. Those expected to be incurred within one year are recognized and shown as a short-term pre-paid expense. Any costs expected to be incurred outside of one year would be considered other long-term assets.

Other current assets are assets that consist of supplies, deposits and interest receivable. Deposits and interest we expect to receive within one year are shown as short-term. Those we expect to receive outside of one year are shown as other long-term assets.

#### Concentration Risk

At times throughout the year, the Company may maintain cash balances in certain bank accounts in excess of Federal Deposit Insurance Corporation ("FDIC") FDIC limits. The cash balance in excess of the FDIC limits was \$36,484 22,638 and \$28,965 as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively. The accounts offered by the custodian of the Company's bitcoin, which accounts totaled \$126,951 357,981 and \$56,241 as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively, are not insured by the FDIC. The Company has not experienced any losses in such accounts.

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The Company has certain customers and vendors who individually represented 10% or more of the Company's revenue or capital expenditures. Please refer to Note 16 - Major Customers and Vendors.

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#### Stock-based compensation

The Company follows the guidelines in FASB Codification Topic ASC 718-10 Compensation-Stock Compensation, which requires companies to measure the cost of employee and non-employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Stock-based compensation expense for stock options is recognized on a straight-line basis over the requisite service period. The Company may issue compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services. The Company determines the grant date fair value of the options using the Black-Scholes option-pricing model. For equity awards granted by the Company that are contingent upon market-based conditions, the Company fair values these awards using the Monte Carlo simulation model. For discussion of accounting for restricted stock units, ("RSUs"), please refer Note 14 – Stock-Based Compensation.

## Earnings (loss) per share

The Company reports earnings (loss) per share in accordance with FASB ASC 260-10 "Earnings Per Share," which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. The calculation of diluted net loss income (loss) per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. All common stock equivalents that consist of options, warrants and restricted stock units were excluded from the calculation of the diluted

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loss per share

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calculation for the three and six months ended December 31, 2022 March 31, 2023 as their effect is anti-dilutive. Provided below is the income (loss) per share calculation for the three and six months ended December 31, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended December 31,		For the Three Months Ended March 31,		For the Six Months Ended March 31,	
(\$ in thousands, except share and per share)	2023	2022				
(\$ in thousands, except share and per share amounts)	2024	2023	2024	2023		
<b>Continuing Operations</b>						
<b>Numerator</b>						
Income (loss) from continuing operations	\$ 25,909	\$ (30,488)	\$ 126,735	\$ (18,166)	\$ 152,644	\$ (48,654)
Preferred stock dividends	579	—	2,842	—	3,421	—
Income (loss) from continuing operations attributable to common shareholders	\$ 25,330	\$ (30,488)	\$ 123,893	\$ (18,166)	\$ 149,223	\$ (48,654)
<b>Denominator</b>						
Weighted- average common shares outstanding, basic	178,809,264	66,395,174				
Weighted-average common shares outstanding, basic	209,287,089	80,469,471	193,964,904	73,450,877		
Dilutive impact of stock options and other share-based awards	1,974,271	—	2,811,979	—	2,938,690	581,205
Dilutive impact of contingent shares issued for business acquisition	—	—				
Weighted- average common shares outstanding, diluted	180,783,535	66,395,174				
Weighted-average common shares outstanding, diluted	212,099,068	80,469,471	196,903,594	74,032,082		
<b>Income (loss) from continuing operations per common share attributable to common shareholders</b>						
Basic	\$ 0.14	\$ (0.46)	\$ 0.59	\$ (0.23)	\$ 0.77	\$ (0.66)
Diluted	\$ 0.14	\$ (0.46)	\$ 0.58	\$ (0.23)	\$ 0.76	\$ (0.66)
<b>Discontinued Operations</b>						
<b>Numerator</b>						
Income from discontinued operations	\$ —	\$ 1,457				
(Loss) income from discontinued operations	\$ —	\$ (294)	\$ —	\$ 1,163		

Denominator						
Weighted- average common shares outstanding, basic	178,809,264	66,395,174				
Weighted-average common shares outstanding, basic	209,287,089	80,469,471	193,964,904	73,450,877		
Dilutive impact of stock options and other share-based awards	1,974,271	1,005,160	2,811,979	—	2,938,690	581,205
Dilutive impact of contingent shares issued for business acquisition	—	—				
Weighted- average common shares outstanding, diluted	180,783,535	67,400,334				
Income on discontinued operations per common share attributable to common shareholders						
Weighted-average common shares outstanding, diluted	212,099,068	80,469,471	196,903,594	74,032,082		
(Loss) income on discontinued operations per common share attributable to common shareholders						
Basic	\$ -	\$ 0.02	\$ —	\$ (0.00)	\$ —	\$ 0.02
Diluted	\$ -	\$ 0.02	\$ —	\$ (0.00)	\$ —	\$ 0.02

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#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Construction-in-progress is the construction or development of assets that have not yet been placed in service for their intended use. Depreciation for building and building improvements, leasehold improvements, miners, mining equipment, infrastructure assets, machinery and equipment, mining equipment, buildings, and furniture and fixtures and leasehold improvements commences once they are ready for their intended use. Leasehold improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives or the terms of the related leases. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Useful life (years)
Land improvements	5 - 15
Building and building improvements	Shorter of lease term or 30 years
Leasehold improvements	Shorter of lease term or 15 years
Miners	3 - 5
Mining equipment	3 - 15
Infrastructure asset	Shorter of lease term or 15 years
Machinery and equipment	3 - 10
Furniture and fixtures	1 - 5

In accordance with the FASB ASC 360-10, Property, Plant and Equipment, the carrying value of property and equipment and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value. During the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company did not record an impairment expense on property and equipment.

#### Bitcoin

Bitcoin are included in current assets in the consolidated balance sheets Consolidated Balance Sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and such bitcoin holdings are expected to be realized in cash or sold or consumed during the normal operating cycle of the Company.

As a result of adopting ASC 350-60 on October 1, 2023, bitcoin is measured at fair value as of each reporting period (see Recently Issued Accounting Pronouncements). The fair value of bitcoin is measured using the period-end closing bitcoin price from its principal market, Coinbase, in accordance with ASC 820, Fair Value Measurement. Since bitcoin is traded on a 24-hour period, the Company utilizes the price as of midnight UTC time, which aligns with the Company's revenue recognition cut-off. The increase and decrease changes in bitcoin valuation due to remeasurement in fair value from within each reporting period is reflected on the consolidated statements of operation operations and comprehensive income (loss) as "Gain on fair value of bitcoin, net". The In accordance with ASC 350-60, the Company sells discloses realized gains and losses from the sale of bitcoin and such gains and losses from such transactions are measured as the difference between the cash proceeds and the carrying cost basis of bitcoin as determined on a First In-First Out ("FIFO") basis and are also recorded within the same line item "Gain on fair value of bitcoin, net".

Prior to the issuance of the ASU 2023-08 and adoption of ASC 350-60, bitcoin were recorded at cost less impairment and were classified as indefinite-lived intangible assets in accordance with ASC 350, Intangibles — Goodwill and Other. Bitcoin was accounted for in connection with the Company's revenue recognition policy detailed above. An intangible asset with an indefinite useful life was not amortized but was assessed for impairment annually, or more frequently, when events or changes in circumstances occurred indicating that it was more likely than not that the indefinite-lived asset was impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment for periods under prior accounting guidance, the Company had the option to first perform a qualitative assessment to determine whether it was more likely than not that an impairment exists. If it was determined that it was not more likely than not that an impairment exists, a quantitative impairment test was not necessary. If the Company concluded otherwise, it was required to perform a quantitative impairment test. The Company elected to perform the quantitative impairment test each period rather than first performing the qualitative assessment. Quantitative impairment was measured using the intraday low bitcoin price from Coinbase in accordance with ASC 820, Fair Value Measurement. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses was not permitted as per ASC 350, Intangibles — Goodwill and Other.

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Bitcoin, which is non-cash consideration earned by the Company through its mining activities, are included as a reconciling item as a cash outflow within operating activities on the accompanying consolidated statements Consolidated Statements of cash flows. Cash Flow. The cash proceeds from the sales of bitcoin are classified based on the holding period in which the bitcoin are held. ASC 350-60 provides guidance on classifying proceeds from bitcoin and concludes that bitcoin converted nearly immediately into cash would qualify as cash flows from operating activities. All other sales would qualify as investing activities. In prior fiscal periods, the Company did not hold its bitcoin for extended periods of time and such sales proceeds prior to the adoption of ASC 350-60 were reported as cash flows from operating activities. Upon adoption, the Company evaluates its sales of bitcoin and will record records bitcoin sold nearly immediately as operating cash flows and the remainder will be recorded as investing activities. During the quarter six months ended December 31, 2023 March 31, 2024, all proceeds from bitcoin sales were classified as investing activities.

#### Fair Value Measurement of financial instruments, derivative asset and contingent consideration

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company utilizes a fair value hierarchy based on three levels of input, of which the first two are considered observable and the last unobservable. unobservable:

Level 1 Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2 Quoted prices for similar assets and liabilities in active markets; quoted prices included for identical or similar assets and liabilities that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. These are typically obtained from readily available pricing sources for comparable instruments.

Level 3 Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own beliefs about the assumptions that market participants would use in pricing the asset or liability, based on the best information available under the circumstances.

The carrying value of cash, accounts payable, accrued expenses and short-term portion of loan payable approximate their fair values because of the short-term nature of the instruments. The carrying amount of the Company's long-term portion of loan payable is also stated at fair value since the stated rate of interest approximates market rates. Management believes the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The following table presents the Company's financial instruments that are measured and recorded at fair value on the Company's balance sheets on a recurring basis and their level within the fair value hierarchy as of **December 31, 2023** **March 31, 2024** and September 30, 2023:

December 31, 2023									
March 31, 2024									
(\$ in thousands)	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3	
Bitcoin	\$ 126,951	\$ 126,951	\$ —	\$ —	\$ 357,981	\$ 357,981	\$ —	\$ —	
Derivative investment asset	1,454	—	—	1,454	505	—	—	505	
Investment in debt security	755	—	—	755	784	—	—	784	
<b>Total</b>	<b>\$ 129,160</b>	<b>\$ 126,951</b>	<b>\$ —</b>	<b>\$ 2,209</b>	<b>\$ 359,270</b>	<b>\$ 357,981</b>	<b>\$ —</b>	<b>\$ 1,289</b>	

September 30, 2023

(\$ in thousands)	Amount	Level 1	Level 2	Level 3
Derivative investment asset	\$ 2,697	\$ —	\$ —	\$ 2,697
Investment in debt security	726	—	—	726
<b>Total</b>	<b>\$ 3,423</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,423</b>

There were no transfers between Level 1, 2 or 3 during the **three** six months ended **December 31, 2023** **March 31, 2024**.

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The activities of the financial instruments that **are were** measured and recorded at fair value on the Company's balance sheets on a recurring basis during the **three** six months ended **December 31, 2023** **March 31, 2024** are described in Note 6 - Investments.

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#### Discontinued Operations

The Company deemed its energy operations to be discontinued operations due to its strategic decision to strictly focus on its bitcoin mining operations and divest of the majority of its energy assets.

Through its discontinued operations segment, the Company previously provided energy solutions through its wholly-owned subsidiaries CleanSpark, LLC, CleanSpark Critical Power Systems, Inc., GridFabric, LLC, and Solar Watt Solutions, Inc. These solutions consisted of engineering, design and software solutions, custom hardware solutions, Open Automated Demand response, solar, energy storage for microgrid and distributed energy systems. The Company has sold the majority of its assets related to the Energy Segment, which included software and intellectual property, and inventory. See Note 4 – Discontinued Operations.

### 3. ACQUISITIONS

#### Asset Acquisitions Relating to Continuing Operations

##### Coinmaker Dalton 3 Acquisition - Dalton, GA

On February 2, 2024, the Company, through its wholly-owned subsidiary CSRE Properties Dalton, LLC, entered into two purchase agreements with Makerstar Capital, Inc. and its wholly-owned subsidiary, Eyas Investment Group, for approximately two (2) acres of real property (the "Dalton Property") located in Dalton, Whitfield County, Georgia and all improvements, fixtures and personal property situated on the Dalton Property. The Dalton Property was in the early stages of construction and included a concrete foundation and in-process electrical infrastructure. The combined purchase price (including direct acquisition costs of \$132) for the real property and improvements, fixtures and personal property



was approximately \$3,569. The transaction was accounted for as an asset acquisition, whereby the total purchase price is allocated first to the fair value of the assets acquired and any excess purchase price is allocated to the acquired assets pro-rata. No goodwill is calculated in an asset acquisition.

The allocation of the purchase price of the assets acquired are summarized below:

Purchase Price Allocation: (\$ in thousands)	Allocation at Acquisition Date
Land	\$ 327
Building/Improvements	702
Infrastructure	2,540
Total	\$ 3,569

Concurrent with the acquisition of the Dalton Property, the Company entered into a Construction Management Services Agreement dated February 2, 2024 (the "CMSA") with Makerstar Capital Inc., pursuant to which the Company has engaged Makerstar Capital Inc. to manage the completion of the construction of a 15 MW data center facility on the Dalton Property for aggregate consideration of \$3,435. The construction was substantially completed, and the facility began bitcoin mining operations on April 4, 2024.

#### Mississippi Locations Acquisition - Meridian, Vicksburg and Wiggins, MS

On February 26, 2024, the Company, through its wholly-owned subsidiary CSRE Properties Mississippi, LLC, closed on the Real Property Purchase and Sale Agreement entered into with Makerstar Capital, Inc. on February 5, 2024, pursuant to which the Company agreed to purchase three bitcoin mining facilities in Mississippi for an aggregate purchase price (including direct acquisition costs of \$148) of \$19,771. The three facilities are located in Meridian, Vicksburg, and Wiggins and each have power purchase agreements with capacities of 22 MW, 6 MW and 16 MW, respectively. The transaction was accounted for as an asset acquisition, whereby the total purchase price is allocated first to the fair value of the assets acquired and any excess purchase price is allocated to the acquired assets pro-rata. No goodwill is calculated in an asset acquisition.

The allocation of the purchase price of the assets acquired are summarized below:

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Purchase Price Allocation: (\$ in thousands)	Allocation at Acquisition Date
Land	\$ 1,304
Building/Improvements	7,525
Infrastructure	10,942
Total	\$ 19,771

#### Dalton 1 & 2 Acquisition - Dalton, GA

On June 21, 2023, the Company completed the acquisition of two bitcoin mining facilities in Dalton, GA for \$9,389. Each of the facilities are located on separate one-acre sites, each of which are under land leases. The combined facilities utilize 20 megawatts MW of power and operates a total of approximately 6,000 miners. The transaction was accounted for as an asset acquisition, whereby the total purchase price is allocated first to the fair value of the assets acquired and any excess purchase price is allocated to the acquired assets pro-rata. No goodwill is calculated in an asset acquisition.

The allocation of the purchase price of the assets acquired are summarized below:

(\$ in thousands)	Allocation at Acquisition Date
Land lease - right of use asset	\$ 266
Operating lease liability	(266)
Building	1,328
Infrastructure	8,061
Total purchase price	\$ 9,389

There have been no subsequent adjustments to the allocation of the purchase price after the preliminary allocation.

#### 4. DISCONTINUED OPERATIONS

The Company determined to make available for sale the asset groups related to ~~the its~~ energy segment due to its strategic shift to strictly focus on its bitcoin mining operations. As a result, the energy segment's results of operations have been reclassified as discontinued operations on a retrospective basis for all periods presented. Accordingly, the assets and liabilities of this segment are separately reported as "assets and liabilities held for sale" as of ~~December 31, 2023~~ ~~March 31, 2024~~ and September 30, 2023 in the ~~consolidated balance sheets~~ ~~Consolidated Balance Sheets~~. The Company has since sold the majority of its software and intellectual property assets related to the energy segment and is in the process of selling additional remaining inventory

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and assets. The results of operations of this segment, for all periods, are separately reported as "discontinued operations" in the ~~consolidated statements~~ ~~Consolidated Statements~~ of ~~operations~~ ~~Operations~~ and ~~comprehensive income (loss)~~ ~~Comprehensive Income (Loss)~~.

Provided below are the key areas of the financials that constitute the discontinued operations:

	December 31, 2023 (Unaudited)	September 30, 2023	March 31, 2024 (Unaudited)	September 30, 2023
<b>ASSETS</b>				
Current assets				
Accounts receivable, net	\$ 65	\$ 126	\$ 4	\$ 126
Inventory	319	319	320	319
Total current assets held for sale	<u>\$ 384</u>	<u>\$ 445</u>	<u>\$ 324</u>	<u>\$ 445</u>
Total assets held for sale	<u>\$ 384</u>	<u>\$ 445</u>	<u>\$ 324</u>	<u>\$ 445</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 706	\$ 978		
Operating lease liability	—	197		
Total current liabilities held for sale	<u>706</u>	<u>1,175</u>	637	1,175
Total liabilities held for sale	<u>\$ 637</u>	<u>\$ 1,175</u>		

	For the three months ended	
	December 31, 2023	December 31, 2022
Energy hardware, software and services revenue	\$ —	\$ 101
Costs and expenses		
Cost of revenues (exclusive of depreciation and amortization shown below)	—	48
Payroll expenses	—	274

General and administrative expenses	—	31
Total costs and expenses	—	353
Loss from operations	\$ —	\$ (252)
Other income (expense)		
Gain on disposal of assets	—	1,710
Interest expense	—	(1)
Total other income (expense)	—	1,709
Income before income tax (expense) benefit	—	1,457
Income tax benefit (expense)	—	—
Net income attributable to common shareholders	\$ —	\$ 1,457

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	For the three months ended		For the six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Total revenues, net	\$ —	\$ 28	\$ —	\$ 129
Total costs and expenses	—	331	—	684
Loss from operations	\$ —	\$ (303)	\$ —	\$ (555)
Total other income	—	9	—	1,718
(Loss) Income before income tax (expense) benefit	—	(294)	—	1,163
Income tax benefit (expense)	—	—	—	—
Net (loss) income attributable to common shareholders	\$ —	\$ (294)	\$ —	\$ 1,163

## 5. BITCOIN

The following table presents the Company's bitcoin holdings as of **December 31, 2023**, **March 31, 2024** and September 30, 2023:

<b>Bitcoin holdings</b>	As of		As of	
	December 31, 2023	September 30, 2023 (unaudited)	March 31, 2024	September 30, 2023 (unaudited)
Number of bitcoin held	3,002	2,243	5,021	2,243
Carrying basis - per bitcoin	\$ 34,311	\$ 25,074		
Cost basis - per bitcoin	\$ 41,886	\$ 25,074		
Fair value - per bitcoin	\$ 42,290	\$ 26,961	\$ 71,291	\$ 26,961
Carrying basis of bitcoin (in '000s)	\$ 102,997	\$ 56,241		
Cost basis of bitcoin (in '000s)	\$ 210,324	\$ 56,241		
Fair value of bitcoin (in '000s)	\$ 126,951	\$ 60,424	\$ 357,981	\$ 60,424

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The carrying cost basis represents the valuation of bitcoin at the time the Company earns the bitcoin through mining activities.

The Carrying amount cost basis for 2,243 bitcoin held as of the adoption of ASC 350-60, was determined on the "cost less impairment" basis.

The following table presents information based on the activity of bitcoin for the six months ended March 31, 2024:

(\$ in thousands)	
<b>Balance as of September 30, 2023</b>	<b>\$ 56,241</b>
Cumulative effect of the adoption of ASC 350-60	4,183
<b>Adjusted beginning balance - at fair value</b>	<b>\$ 60,424</b>
Addition of bitcoin from mining activities	185,585
Bitcoin sold & issued for services and purchase of software	(43,771)
Gains from fair value adjustments	155,743
<b>Balance as of March 31, 2024</b>	<b>\$ 357,981</b>

The Company's bitcoin holdings are not subject to rehypothecation and do not serve as collateral for any existing loans or agreements. As of December 31, 2023 March 31, 2024, the Company held no other crypto currency (except for a de minimis amount currency. The cumulative realized gains from dispositions of USD Coin). bitcoin during the three and six months ended March 31, 2024 were \$

As of December 31, 2023 332 and \$12,419, the Company held 97% of its bitcoin in cold storage and 3% in hot wallets and as of September 30, 2023 held 95% of its bitcoin in cold storage and 5% in hot wallets, respectively.

## 6. INVESTMENTS

As of December 31, 2023 March 31, 2024 and September 30, 2023, the Company had total investments of \$2,209 1,288 and \$3,423, respectively, that are comprised of the following:

### Investment in Debt Securities (Preferred Stock) and related Embedded Derivative Asset

On November 5, 2019, the Company entered into a Securities Purchase Agreement (the "SPA"), dated as of November 6, with International Land Alliance, Inc. ("ILAL").

Pursuant to the terms of the SPA with ILAL, the Company purchased 1,000 shares of Series B Preferred Stock of ILAL (the "ILAL Preferred Stock") for an aggregate purchase price of \$500, less certain expenses and fees. The Series B Preferred Stock accrue cumulative in-kind accruals at a rate of 12% per annum and were redeemable on August 6, 2020. The ILAL Preferred Stock can be converted into common stock at a variable rate (refer to the discussion on embedded derivative assets below). This variable conversion ratio will increase by 10% with the occurrence of certain events. Since the investments were not redeemed on August 6, 2020, they are now redeemable at the Company's option in cash or into common stock, based on the conversion ratio. The ILAL Preferred Stock is recorded as an available-for-sale ("AFS") debt security and is reported at its estimated fair value as of December 31, 2023 March 31, 2024. Any change in the fair values of AFS debt securities are reported net of income tax as an element of Other Comprehensive Income.

The Company accrued no interest, net on our available-for-sale debt securities as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively. The fair value of investment in Debt Securities is was \$755 784 and \$726 as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively. The Company has included gain on change in fair value of preferred stock amounting to \$29 58 for the three six months ended December 31, 2023 March 31, 2024, and \$29 58 for the three six months ended December 31, 2022 March 31, 2023, as part of Other Comprehensive Income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company has deemed this variable conversion feature of the ILAL Preferred Stock as an embedded derivative instrument in accordance with ASC Topic No. 815. This topic requires the Company to account for the conversion

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feature on its balance sheet at fair value and account for changes in fair value as a derivative gain or loss. Unrealized gain or loss on fair valuation of this embedded feature is recognized as income or loss in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Total fair value of investment in derivative assets as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively was \$1,454 505 and \$2,697, respectively. The Company fair values the debt security as a straight debt instrument based on liquidation value and accrued interest to date. The fair value of the derivative asset is based on the difference in the fair value of the debt security determined as a straight debt instrument and the fair value of the debt security if converted as of the reporting

date. The Company recorded an unrealized loss on derivative assets for of \$1,243 2,192 for the three six months ended December 31, 2023 March 31, 2024, compared to an unrealized loss on derivative assets for of \$1,271 1,215 for the three six months ended December 31, 2022 March 31, 2023.

The following table sets forth a reconciliation of carrying value of all investments as of December 31, 2023 March 31, 2024:

(\$ in thousands)	ILAL		ILAL	
	Debt	Derivative	Debt	Derivative
	Securities	Asset	Securities	Asset
Balance as of September 30, 2023	\$ 726	\$ 2,697	\$ 726	\$ 2,697
Unrealized loss on derivative asset	—	(1,243)	—	(2,192)
Unrealized gain on fair value recognized in other comprehensive income	29	—	58	—
Balance as of December 31, 2023	\$ 755	\$ 1,454		
Balance as of March 31, 2024	\$ 784	\$ 505		

## 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(\$ in thousands)	December 31, 2023		September 30, 2023		March 31, 2024		September 30, 2023	
Land	\$	4,144	\$	4,144	\$	6,813	\$	4,144
Land improvements		1,695		1,564		5,431		1,564
Building and improvements		57,705		52,198		75,382		52,198
Leasehold improvements		672		672		672		672
Miners		634,115		527,868		658,677		527,868
Mining equipment		18,753		18,706		22,579		18,706
Infrastructure		45,954		45,612		105,664		45,612
Machinery and equipment		2,190		1,907		2,727		1,907
Furniture and fixtures		766		386		1,253		386
Construction in progress		64,758		81,875		14,037		81,875
Total	\$	830,752	\$	734,932	\$	893,235	\$	734,932
Less: accumulated depreciation		(193,271)		(170,537)		(222,725)		(170,537)
Property and equipment, net	\$	637,481	\$	564,395	\$	670,510	\$	564,395

Depreciation expense for the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 was \$29,333 60,999 and \$18,827 39,656, respectively. There were no disposals during either For the three six months ended December 31, 2023 or 2022. For the three months ended December 31, 2023 March 31, 2024, the Company disposed of \$7,784 11,648 of miners with a net book value of \$1,185 2,837 for \$508 and recognized a \$677 2,329 loss on disposal.

The Company placed-in service property and equipment of \$120,721 214,448 during the three six months ended December 31, 2023 March 31, 2024, which includes included \$240 287 in machinery and equipment acquired in the financing equipment loan transactions. This increase in fixed assets primarily consisted of miners of \$114,030 142,456. Assets acquired through acquisition transactions (see Note 3 Acquisitions) resulted in an additional \$23,340 in total assets placed in service. Additionally, in January 2024, the Company purchased raw land next to the Sandersville, GA location for approximately \$1,038.

On April 7, 2023, CleanSpark HQ, LLC ("HQLLC"), a single member single-member limited liability company and subsidiary wholly owned by the Company, purchased certain real property located at 10424 South Eastern Ave., Suite 200, in Henderson, Nevada (the "Eastern Property") for \$4,100. The property consists of approximately 15,000 square feet of office space. The Company utilizes this office space as its new corporate headquarters. The real property is recorded in building and building improvements and was placed in service in the first quarter of fiscal 2024.

*Construction in progress:* The Company is expanding its facilities in the State of Georgia, including infrastructure, building, and land improvements to expand its mining operations.

As of December 31, 2023 March 31, 2024 and September 30, 2023, the Company has outstanding deposits for miners and mining equipment totaling \$25,048 161,309 and \$75,959, respectively. Such deposits are as long-term assets on the Consolidated Balance Sheets.

## 8. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2023 March 31, 2024 and September 30, 2023:

(\$ in thousands)	December 31, 2023			September 30, 2023			March 31, 2024			September 30, 2023		
	Intangible assets	Accumulated amortization	Net intangible assets	Intangible assets	Accumulated amortization	Net intangible assets	Intangible assets	Accumulated amortization	Net intangible assets	Intangible assets	Accumulated amortization	Net intangible assets
Software	\$ 440	\$ (113)	\$ 327	\$ 440	\$ (90)	\$ 350	\$ 608	\$ (143)	\$ 465	\$ 440	\$ (90)	\$ 350
Websites	15	(10)	5	15	(8)	7	15	(11)	4	15	(8)	7
Strategic Contract	9,800	(6,043)	3,757	9,800	(5,554)	4,246	9,800	(6,533)	3,267	9,800	(5,554)	4,246
Total	\$ 10,255	\$ (6,166)	\$ 4,089	\$ 10,255	\$ (5,652)	\$ 4,603	\$ 10,423	\$ (6,687)	\$ 3,736	\$ 10,255	\$ (5,652)	\$ 4,603

Amortization expense for the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 was \$514 1,035 and \$502 1,019, respectively.

The Company expects to record amortization expense of intangible assets over the next 5 years and thereafter as follows:

Fiscal Year	December 31, 2023		March 31, 2024	
(\$ in thousands)				
2024		1,539	\$	1,043
2025		2,050		2,083
2026		415		449
2027		78		119
2028		7		42
Total	\$	4,089	\$	3,736

## 9. LEASES

On October 1, 2019, the Company adopted the amendments to ASC 842-Leases, 842 Leases, which requires require lessees to recognize lease assets and liabilities arising from operating leases on the balance sheet.

In January 2024, the Company ceased usage of its prior corporate headquarters, which was accounted for as an operating lease. As of March 2024, the Company has not sub-leased the location and has impaired the right of use asset in the amount of \$396 and has recorded this as "impairment expense - other" on the Consolidated Statement of Operations and Comprehensive Income (Loss).

The Company's lease costs recognized during the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 in the unaudited Consolidated Statements of Operations and Comprehensive Loss Income (Loss) consist of the following:

(\$ in thousands)	For the three months ended		For the three months ended		For the six months ended	
	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2023	2022	2024	2023	2024	2023
Operating lease cost <sup>(1)</sup>	\$ 46	\$ 113	\$ 47	\$ 79	\$ 93	\$ 159
Finance lease cost:						
Depreciation expense of financed assets	\$ 41	\$ 80	\$ 41	\$ 39	\$ 82	\$ 119
Interest on lease obligations	\$ 2	\$ 6	\$ 1	\$ 4	\$ 3	\$ 10

(1) Included in general and administrative expenses

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Other lease information is as follows:

(\$ in thousands)	For the three months ended	
	December 31,	December 31,
	2023	2022
Cash paid for amounts included in measurement of lease obligations:		
Operating cash outflows from operating leases	\$ 60	\$ 34
Operating cash outflows from finance leases	\$ 2	\$ 6
Financing cash outflows from finance leases	\$ 43	\$ 93

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(\$ in thousands)	For the six months ended	
	March 31,	March 31,
	2024	2023
Cash paid for amounts included in measurement of lease obligations:		
Operating cash outflows from operating leases	\$ 111	\$ 206
Operating cash outflows from finance leases	\$ 3	\$ 6
Financing cash outflows from finance leases	\$ 87	\$ 93

	December 31,	September 30,	March 31,	September 30,
	2023	2023	2024	2023
Weighted-average remaining lease term - operating leases	3.5 years	3.8 years	3.3 years	3.8 years
Weighted-average remaining lease term - finance leases	0.7 years	0.9 years	0.5 years	0.9 years
Weighted-average discount rate - operating leases	5.40 %	5.40 %	5.40 %	5.40 %
Weighted-average discount rate - finance leases	5.50 %	5.50 %	5.50 %	5.50 %

The following is a schedule of the Company's lease liabilities by contractual maturity as of **December 31, 2023** **March 31, 2024**:

(\$ in thousands)

Fiscal Year

	Operating Leases	Finance Leases	Operating Leases	Finance Leases
2024	\$ 154	\$ 89	\$ 103	\$ 44
2025	201	9	201	9
2026	204	—	204	—
2027	106	—	106	—
2028	41	—	41	—
Gross lease liabilities	706	98	655	53
Less: imputed interest	(56)	(2)	(47)	(1)
Present value of lease liabilities	\$ 650	\$ 96	\$ 608	\$ 52
Less: Current portion of lease liabilities	(176)	(96)	(177)	(52)
Total lease liabilities, net of current portion	\$ 474	\$ —	\$ 431	\$ —

## 10. LOANS

As of **December 31, 2023** **March 31, 2024**, the Company had a gross balance outstanding of **\$14,617** **12,900**, netted against discount on **the** loans payable of **\$150** **124**. Total principal payments on loans during the **three** **six** months ended **December 31, 2023** **was** **March 31, 2024** **were** **\$1,701** **3,467**.

The following is a schedule of the Company's **and** loan balance, net of debt discount and future loan payments, as of **December 31, 2023** **March 31, 2024**:

	December 31, 2023		September 30, 2023		March 31, 2024		September 30, 2023	
	Maturity Date	Rate	Debt Balance, Net	Debt Balance, Net	Maturity Date	Rate	Debt Balance, Net	Debt Balance, Net
Master Equipment Financing Arrangement	Apr-25	13.80%	\$ 10,076	\$ 11,603	Apr-25	13.80%	\$ 8,496	\$ 11,603
Mortgage - Corporate Facility	Apr-25	10.00%	1,957	1,950	Apr-25	10.00%	1,965	1,950
Marquee Funding Partners	Jul-26 - Feb-27	13.00%	1,616	1,725	Jul-26 - Feb-27	13.00%	1,503	1,725
	Sep 24 - Dec	0.0-			Sep-24 - Dec-	0.0-		
Auto & Equipment Loans	-29	11.3%	819	625	29	11.3%	812	625
<b>Total Loans Outstanding</b>			<b>\$ 14,468</b>	<b>\$ 15,903</b>			<b>\$ 12,776</b>	<b>\$ 15,903</b>
Less: current portion of long-term loans			(7,421)	(6,992)			(7,686)	(6,992)
<b>Long-term loans, excluding current portion</b>			<b>\$ 7,047</b>	<b>\$ 8,911</b>			<b>\$ 5,090</b>	<b>\$ 8,911</b>

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(\$ in thousands)

Outstanding Loan

	5-Year Loan Maturities							5-Year Loan Maturities						
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Thereafter	Total	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Thereafter	Total
Master Equipment Financing Arrangement	\$ 4,962	\$ 5,221	\$ —	\$ —	\$ —	\$ —	\$ 10,183	\$ 3,364	\$ 5,221	\$ —	\$ —	\$ —	\$ —	\$ 8,585
Mortgage - Corporate Facility	—	2,000	—	—	—	—	2,000	—	2,000	—	—	—	—	2,000



Marquee Funding Partners	349	521	592	154			1,616	236	521	592	154	—	—	1,503
Auto & Equipment Loans	154	215	206	115	92	36	818	107	226	218	128	97	36	812
<b>Total principal amount of loan payments by fiscal year</b>	<b>\$ 5,465</b>	<b>\$ 7,957</b>	<b>\$ 798</b>	<b>\$ 269</b>	<b>\$ 92</b>	<b>\$ 36</b>	<b>\$ 14,617</b>	<b>\$ 3,707</b>	<b>\$ 7,968</b>	<b>\$ 810</b>	<b>\$ 282</b>	<b>\$ 97</b>	<b>\$ 36</b>	<b>\$ 12,900</b>
Unamortized deferred financing costs and discounts							(150)							(124)
<b>Total loan book value as of December 31, 2023</b>							<b>\$ 14,467</b>							
<b>Total loan book value as of March 31, 2024</b>							<b>\$ 12,776</b>							

#### Mortgage - Corporate Office

On May 10, 2023, HQLLC completed a refinancing transaction whereby it borrowed a net \$1,937 against the equity of the real property purchased in April 2023 that is currently utilized as the Company's Corporate Office (see Note 7). The loan agreement has a two year term, 10% interest rate and monthly interest only payments until maturity.

#### Master Equipment Financing Agreement

On April 22, 2022, the Company entered into a Master Equipment Financing Agreement (the "Master Equipment Financing Agreement") with Trinity Capital Inc. (the "Lender"). The Master Equipment Financing Agreement provided for up to \$35,000 of borrowings to finance the Company's acquisition of blockchain computing equipment. The Company received a loan of \$20,000 at closing, with the remaining \$15,000 fundable upon the Company's request, if requested no later than December 31, 2022, subject to certain customary conditions. The Company did not request the funding and agreed with the Lender that the related 1% loan commitment fee for the unused portion would be refunded to the Company, which was received in December 2022. The borrowings under the Master Equipment Financing Agreement are collateralized by 3,336 S19j Pro miners, which are located at our College Park, GA and Norcross, GA sites.

#### Marquee Funding Partners

In connection with the acquisition of a bitcoin mining facility from WAHA Transaction, Technologies Inc. in August 2022, certain assets were encumbered with mortgages which the Company assumed. The mortgages assumed have a current unpaid principal balance of \$1,616,150, and remaining payment terms ranging from 32 to 39 months and annual interest of 13%.

#### Auto and Equipment Loans

The Company has entered into various financing arrangements to purchase vehicles and non-miner equipment with combined principal outstanding at December 31, 2023 March 31, 2024 of \$819,812. The loans vary in terms from 12-72 months with annual interest rates ranging from 0.00% - 11.30%. The loans are secured with the purchased vehicles and equipment. During the three six months ended December 31, 2023 March 31, 2024, the Company entered into six seven separate agreements for the purchase of machinery, autos and equipment with a combined principal of \$240,287, with terms ranging from 12-72 months and interest rates ranging from 0.00% to 11.3%.

## 11. INCOME TAXES

The Company calculates the tax provision for interim periods using an estimated annual effective tax rate applied to year-to-date ordinary income and adjusts for discrete items, if applicable, in the quarter. In each quarter, the estimate of the annual effective tax rate is updated and an adjustment is made in the year-to-date provision. The annual effective tax rate is subject to fluctuation due to factors including changing assumptions on forecasted annual pretax income, certain book and tax differences, valuation allowances against deferred tax assets, or changes in or interpretation of tax laws. We consider new evidence (both positive and negative) at each reporting date that could affect our view of the future realization of deferred tax assets. We evaluate information such as historical financial results, historical

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taxable income, projected future taxable income, expected timing of the reversals of existing temporary differences and available prudent and feasible tax planning strategies in our analysis.

The Company's income tax expense (including discrete items) was \$1,399,11,595 and nil for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023 and \$12,994 and nil for the six months ended March 31, 2024 and 2023, respectively. The Company's estimated annual effective tax rate of 7.8% differs from the U.S. statutory rate of 21% primarily due to maintaining a valuation allowance on the deferred tax assets.

## 12. STOCKHOLDERS' EQUITY

### Overview

The Company's authorized capital stock consists of 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share. In the 2023 Annual Meeting of Stockholders held in March 2023, the Company's stockholders approved an amendment to the Company's First Amended and Restated Articles of Incorporation to increase the number of shares of common stock authorized for issuance from 100,000,000 to 300,000,000. As of December 31, 2023 March 31, 2024, there were 185,554,611 225,469,791 shares of common stock issued and outstanding and 1,750,000 shares of preferred stock issued and outstanding. As of September 30, 2023, there were 160,184,921 shares of common stock issued and outstanding and 1,750,000 shares of preferred stock issued and outstanding.

For the three and six months ended March 31, 2024, the Company recorded \$2,842 and \$3,421, respectively, as dividends to holders of the Series A Preferred Stock, pursuant to the requirements listed in the certificate of designation. The dividends recorded for the three months ended December 31, 2023 of \$579 were paid to the Series A Preferred Stock and the remaining unpaid dividend is recorded on the Consolidated Balance Sheets as Dividends Payable.

On June 3, 2021, the Company entered into an At The Market Offering Agreement (the "Original ATM Agreement") with H.C. Wainwright & Co., LLC (the "Agent"), to create an at-the-market equity program under which the Company may, from time to time, offer and sell shares of its common stock, having an aggregate gross offering price of up to \$500,000 to or through the Agent.

On December 14, 2022, the Company entered into Amendment No. 1 to the At the Market Offering Agreement with the Agent (the "ATM Agreement Amendment" and, together with the Original ATM Agreement, the "ATM Agreement"). Under the ATM Agreement, the Company may, but has no obligation to, issue and sell up to the lesser number of shares (the "Shares") of the Company's common stock that does not exceed (a) \$500,000 of shares of common stock, exclusive of any amounts previously sold under the Original ATM Agreement, (b) the number of authorized but unissued shares of common stock (less the number of shares of common stock issuable upon exercise, conversion or exchange of any outstanding securities of the Company or otherwise reserved from the Company's authorized capital stock), or (c) if applicable, the maximum number or dollar amount of shares of common stock that can be sold without causing the Company or the offering of the Shares to fail to satisfy the eligibility and transaction requirements for use of Form S-3, including General Instruction I.B.6 of Registration Statement on Form S-3, from time to time through the Agent, or to them, as sales agent and/or principal, on the terms set forth therein.

On January 5, 2024, the Company entered into a new At The Market Offering Agreement (the "2024 ATM Agreement") with the Agent, to create an at-the-market equity program under which the Company may, but has no obligation to, issue and sell up to the lesser number of shares of the Company's common stock that does not exceed (a) \$500,000 of shares of common stock, or (b) the number of authorized but unissued shares of common stock (less the number of shares of common stock issuable upon exercise, conversion or exchange of any outstanding securities of the Company or otherwise reserved from the Company's authorized capital stock). In connection with the Company's entry into the 2024 ATM Agreement, the 2021 ATM Agreement was terminated. From the inception of the 2024 ATM Agreement through March 31, 2024, the Company issued and sold 34,075,408 shares under the 2024 ATM Agreement for net proceeds of \$487,500.

On March 28, 2024, the Company entered into Amendment No. 1 to the At the Market Offering Agreement with the Agent (the "March 2024 ATM Amendment"). Under the March 2024 ATM Amendment, the Company may, but has no obligation to issue and sell up to the lesser number of shares of the Company's common stock that does not exceed (a) \$800,000 of shares of common stock, or (b) the number of authorized but unissued shares of common stock (less

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the number of shares of common stock issuable upon exercise, conversion or exchange of any outstanding securities of the Company or otherwise reserved from the Company's authorized capital stock).

### Common stock issuances during the three six months ended December 31, 2023 March 31, 2024

The Company issued 24,475,832 62,554,658 shares of common stock under its 2021 ATM Agreement and 2024 ATM Agreement resulting in net proceeds of \$99,336 629,074 during the three six months ended December 31, 2023 March 31, 2024.

The Company issued 1,441,152 3,800,313 shares of common stock in relation to the settlement of restricted stock awards and withheld 553,390 1,184,490 shares of common stock of \$5,533 17,139 for net settlement.

The Company issued 6,096 114,389 shares of common stock in connection with the exercise of stock options, options and warrants. Cash received from such issuance was \$36 541.

Common stock issuances during the **three** six months ended **December 31, 2022** **March 31, 2023**

The Company issued **14,481,208** **37,061,234** shares of common stock under its **2021** ATM Agreement resulting in net proceeds of **\$41,344** **99,506** during the **three** six months ended **December 31, 2022** **March 31, 2023**.

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The Company issued **11,210** **2,160,297** shares of common stock in relation to the settlement of restricted stock **awards**, **awards** and withheld 539,961 shares of common stock for net settlement.

The Company issued 1,590,175 shares of common stock valued at \$4,803 as consideration in connection with business acquisitions.

The Company issued 1,100,890 shares of common stock valued at \$2,840 in settlement of the contingent purchase price in connection with the acquisition of a bitcoin mining facility from Mawson Infrastructure Group, Inc.

Common stock returned during the six months ended **March 31, 2023**

The Company had 83,417 shares of common stock returned in connection with the acquisition of ATL due to nonsatisfaction of certain milestones.

### 13. STOCK WARRANTS

The following is a summary of stock warrant activity during the **three** six months ended **December 31, 2023** **March 31, 2024**.

	Number of Warrant Shares	Weighted Average Exercise Price (\$)	Number of Warrant Shares	Weighted Average Exercise Price (\$)
Balance, September 30, 2023	185,560	\$ 13.49	185,560	\$ 13.49
Warrants granted	—	—		
Warrants expired	(3,000)	25.00	(103,000)	\$ 18.20
Warrants canceled	—	—		
Warrants exercised	—	—	(65,000)	\$ 8.00
Balance, December 31, 2023	182,560	\$ 13.30		
Balance, March 31, 2024	17,560	\$ 6.12		

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As of **December 31, 2023** **March 31, 2024**, there were warrants exercisable to purchase **182,560** **17,560** shares of common stock in the Company and there were no warrants that were unvested. These warrants have a weighted average exercise price of **\$13.30** **6.12**. During the **three** six months ended **December 31, 2023** **March 31, 2024**, there were **no** **65,000** exercise of warrants. warrants exercised on a cash-less basis, with 42,777 net shares issued.

As of **December 31, 2023** **March 31, 2024**, 10,000 of the outstanding warrants have had a weighted average remaining term of **1.95** **4.4** years and an intrinsic value of **\$283** **132**. The remaining 7,560 of the outstanding warrants do not have expiration dates and have an intrinsic value of \$133.

### 14. STOCK-BASED COMPENSATION

The Company sponsors a stock-based incentive compensation plan known as the 2017 Incentive Plan (the "Plan"), which was established by the Board of Directors of the Company on June 19, 2017. As of September 2022, an aggregate of 3,500,000 shares of common stock were authorized for issuance under the Plan.

In March 2023, the stockholders approved an amendment to the Plan, as amended to date, to (i) increase the number of shares authorized for issuance thereunder from 3,500,000 shares of common stock to 11,512,000 shares and (ii) add with an evergreen provision to, on April 1st and October 1st that allows for the increase of each year, automatically increase the maximum number of shares of common stock available under the Plan to fifteen percent (15%) of the Company's outstanding shares of common stock, in each case as of the last day of the immediately preceding month. On April 1, 2023, the total shares authorized for issuance under the Plan increased to 14,542,583 and subsequently on October 1, 2023, there were 160,184,921 outstanding shares of common stock, and accordingly the total shares authorized for issuance under the Plan increased to 24,027,738.

stock. As of December 31, 2023 March 31, 2024, after prior to giving any effect to the evergreen provision that allows for the increase of shares on April 1, 2024, there were 10,025,740 10,016,167 shares available and authorized for issuance under the Plan.

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STOCK OPTIONS

The following is a summary of stock option activity during the three six months ended December 31, 2023 March 31, 2024:

	Number of Option Shares	Weighted Average Exercise Price (\$)	Number of Option Shares	Weighted Average Exercise Price (\$)
Balance, September 30, 2023	1,970,458	\$ 14.86	1,970,458	\$ 14.86
Options granted	65,000	\$ 6.16	90,000	\$ 8.99
Options expired	(80,236)	\$ 8.88	(82,413)	\$ 8.92
Options canceled/forfeited	(17,823)	\$ 5.36	(31,073)	\$ 6.00
Options exercised	(6,096)	\$ 5.91	(71,612)	\$ 7.56
Balance, December 31, 2023	1,931,303	\$ 14.93		
Balance, March 31, 2024	1,875,360	\$ 15.27		

As of December 31, 2023 March 31, 2024, there were options exercisable to purchase 1,138,068 1,208,895 shares of common stock in the Company and 793,235 666,465 unvested options outstanding that cannot be exercised until vesting conditions are met. As of December 31, 2023 March 31, 2024, the outstanding options have had a weighted average remaining term of 1.18 5.29 years and an intrinsic value of \$4,600 12,784.

For the three six months ended December 31, 2023 March 31, 2024, the Company also granted 65,000 90,000 options to purchase shares of common stock to employees with a total fair value of \$888 769.

The Black-Scholes model utilized the following inputs to value the options granted during the three six months ended December 31, 2023 March 31, 2024:

Fair value assumptions Options:	December March 31, 2023 2024
Risk free interest rate	3.94% - 4.82%
Expected term (years)	5.77 6
Expected volatility	122.05% - 176.02% 6%
Expected dividends	0%

The Company recognized stock-based compensation expense relating to stock options of \$1,812 3,620 and \$1,657 3,145 for the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. As of December 31, 2023 March 31, 2024, the Company expects to recognize \$5,540 4,041 of stock-based compensation for the non-vested outstanding options over a weighted-average period of 1.79 2.1 years.

RESTRICTED STOCK UNITS

The Company grants restricted stock units ("RSU"s) that contain either a) service conditions, b) performance conditions, or c) market performance conditions. RSUs containing service conditions vest monthly or annually. RSUs containing performance conditions generally vest over 1 year, and the number of shares earned depends on the achievement of

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predetermined Company metrics. RSUs that contain market conditions will vest based on the terms of the agreement and generally are either 1 year or over the employee's term of employment.

The Company recognizes the expense equal to the total fair value of the RSUs on the grant date. The time-based RSUs granted were valued equal the stock price on the grant date and the value of market-based RSUs are were valued utilizing the monte-carlo Monte-Carlo valuation model. The expense is recognized ratably over the requisite service period. The following table summarizes the activity for all RSUs during the three six months ended December 31, 2023 March 31, 2024:

	Number of Shares	Weighted Average Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at September 30, 2023	5,471,435	\$ 4.18	\$ 20,846
Granted	209,972	3.81	
Vested	(1,404,754)	3.94	
Cancelled	-	-	
Forfeited	(2,504)	4.15	
Outstanding at December 31, 2023	4,274,149	\$ 4.24	\$ 47,144

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	Number of Shares	Weighted Average Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at September 30, 2023	5,471,435	\$ 4.18	\$ 20,846
Granted	209,972	3.81	
Vested	(3,763,915)	3.86	
Forfeited	(2,504)	4.15	
Outstanding at March 31, 2024	1,914,988	\$ 4.78	\$ 40,617

On September 29, 2023, the Compensation Committee granted 3,460,000 market-based restricted stock units to senior leadership of the Company. A 33% tranche of the market-based awards vest based upon the Company's stock price reaching 200%, 300% and 400% of the stock price on the date of grant. Each The vesting of each tranche will vest was dependent upon the target stock price being met for at least 10 of 20 consecutive trading days and the awards are were not dependent on a defined service period. The total fair value of the award is approximately \$13,160. In December 2023, the Company's stock price reached the 200% target and is amortized over 33% of the grant was vested and shares settled. In February 2024, the Company's stock reached both 300% and 400% of the target stock price for a weighted average period greater than 10 of less than 20 consecutive days and the remaining market-based awards vested. Accordingly, the Company recognized the entire \$113,160 year. Any unvested market-based RSUs will expire on September 29, 2033 in stock compensation through March 2024 and all shares were settled as of March 31, 2024.

On October 1, 2023, the Company granted 209,972 time-based RSUs to its board members as part of their annual compensation. These RSUs vest 25% each quarter-end and have a combined grant-date fair value of \$800. The first vesting occurred on December 31, 2023, and the 52,492 shares were settled and issued in January 2024. The second

vesting occurred on March 31, 2024, and 52,492 shares were settled and issued in April 2024.

As of December 31, 2023 March 31, 2024, the Company had 1,967,480 1,914,988 outstanding unvested time-based restricted stock awards and 2,306,669 outstanding unvested market-based restricted stock awards. About 50% of the time-based awards will vest on September 12, 2024 by September 2024 and 50% on September 12, 2025 the rest will vest in the Company's fourth fiscal quarter ending September 30, 2025.

As of September 30, 2023, the Company had 196,435 performance based performance-based awards that were unvested. During the quarter ended December 31, 2023 In October 2023, 193,931 performance based performance-based awards vested in October 2023 when the Company achieved its exahash target rate of 10.0 and . Additionally, 2,504 performance based performance-based awards were forfeited in October 2023 due to termination.

The Company recognized stock-based compensation expense relating to restricted stock units of \$8,141 16,130 and \$4,221 8,476 for the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. As of December 31, 2023 March 31, 2024, the Company had \$14,801 6,803 in unrecognized compensation costs related to all RSU awards that it expects to recognize over a weighted average period of 1.27 1.39 years.

## 15. COMMITMENTS AND CONTINGENCIES

### Purchase of bitcoin mining related equipment

The Company has had \$37,044 92,544 in open purchase commitments for miners or mining equipment as of December 31, 2023 March 31, 2024. These commitments pertain to the purchase transaction transactions with Bitmain Technologies Delaware Limited ("Bitmain Technologies") signed in both October 2023 and January 2024 for the purchase of 4.4 22,050 EH/s of and 60,000 Antminer S21 bitcoin mining machines for a with purchase price up to prices of \$61,740 and \$193,200(after coupons), respectively. As of December 31, 2023 March 31, 2024, the Company has made combined payments of \$24,696 158,884 and has accrued \$3,512 for payment included in accounts payable and accrued liabilities on the Consolidated Balance Sheets. In connection with the October 2023 miner transaction, the purchase agreement allowed for a portion of payments have been made and are recorded as deposits for mining equipment or the purchase price to be paid one year after shipment of the miners.

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### Contractual future payments

The following table sets forth certain information concerning our obligations to make contractual future payments towards our agreements as of December 31, 2023 March 31, 2024:

(\$ in thousands)	Fiscal Year	Fiscal Year	Fiscal	Fiscal	Fiscal			Fiscal Year	Fiscal	Fiscal	Fiscal	Fiscal		
	2024	2025	Year 2026	Year 2027	Year 2028	Thereafter	Total	2024	Year 2025	Year 2026	Year 2027	Year 2028	Thereafter	Total
<b>Recorded contractual obligations:</b>														
Operating lease obligations	\$ 154	\$ 201	\$ 204	\$ 106	\$ 41	\$ —	\$ 706	\$ 103	\$ 201	\$ 204	\$ 106	\$ 41	\$ —	\$ 655
Finance lease obligations	89	9	—	—	—	—	98	44	9	—	—	—	—	53
Loans	5,465	7,957	798	269	92	36	14,617	4,466	8,541	898	303	104	38	14,350
Construction in progress	8,350	—	—	—	—	—	8,350	16,090	—	—	—	—	—	16,090
Miners and mining equipment contracts	24,696	12,348	—	—	—	—	37,044	83,720	8,824	—	—	—	—	92,544
<b>Total</b>	<b>\$ 38,754</b>	<b>\$ 20,515</b>	<b>\$ 1,002</b>	<b>\$ 375</b>	<b>\$ 133</b>	<b>\$ 36</b>	<b>\$ 60,815</b>	<b>\$ 104,423</b>	<b>\$ 17,575</b>	<b>\$ 1,102</b>	<b>\$ 409</b>	<b>\$ 145</b>	<b>\$ 38</b>	<b>\$ 123,692</b>

### Legal contingencies

In addition to the legal matters disclosed below, the Company may from time to time be subject to various legal proceedings and claims that arise in the ordinary course of its business activities. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

**Bishins v. CleanSpark, Inc. et al.**

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On January 20, 2021, Scott Bishins ("Bishins"), individually, and on behalf of all others similarly situated (together, the "Class"), filed a class action complaint (the "Class Complaint") in the United States District Court for the Southern District of New York against the Company, its Chief Executive Officer, Zachary Bradford ("Bradford"), and its Chief Financial Officer at the time, Lori Love ("Love") (such action, the "Class Action"). Subsequent to the filing of the Class Action, Darshan Hasthantra, as lead Plaintiff (together with Bishins, the "Plaintiffs"), filed an amended complaint (the "Amended Class Complaint"), which named S. Matthew Schultz ("Schultz") as a defendant (the Company, Bradford and Schultz, collectively, the "Defendants") and no longer named Love as a defendant.

The Amended Class Complaint alleges that, between December 10, 2020 and August 16, 2021 (the "Class Period"), Defendants made material misstatements and omissions regarding the Company's acquisition of ATL and its anticipated expansion of bitcoin mining operations and seeks: (a) certification of the Class, (b) an award of compensatory damages to the Class, and (c) an award of reasonable costs and expenses incurred by the Class in the litigation.

To date, no class has been certified in the Class Action, and the case is moving forward in discovery.

The Company believes that the claims raised in the Amended Class Complaint are without merit. The Company intends to defend itself vigorously against these claims. At this time, the Company is unable to estimate potential losses, if any, related to the Amended Class Complaint.

#### **Shareholder Derivative Actions**

##### **Consolidated Ciceri Derivative Actions**

On May 26, 2021, Andrea Ciceri ("Ciceri"), derivatively on behalf of CleanSpark, Inc., filed a verified shareholder derivative action (the "Ciceri Derivative Action") in the United States District Court in the District of Nevada against certain of the Company's officers and directors (collectively referred to as "Ciceri Derivative Defendants") (Ciceri v. Bradford, Schultz, Love, Beynon, McNeill and Wood). On June 22, 2021, Mark Perna ("Perna") (Ciceri, Perna, and Ciceri Derivative Defendants collectively referred to as the "Parties") filed a verified shareholder derivative action (the "Perna Derivative Action") in the same Court against the same Ciceri Derivative Defendants, making substantially similar allegations. On June 29, 2021, the Court consolidated the Ciceri Derivative Action with the Perna Derivative Action in accordance with a stipulation among the parties (the consolidated case referred to as the "Consolidated Ciceri Derivative Action"). The Consolidated Ciceri Derivative Action asserts claims of breach of fiduciary duties,

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unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets and seeks declaratory relief, monetary damages, and the imposition of adequate corporate governance and internal controls.

In June 2023, the Company's Board of Directors appointed a special litigation committee (the "SLC"), comprised of independent Directors and represented by independent counsel, to intervene in the case, investigate, evaluate and prosecute as appropriate any and all claims asserted in the Consolidated Ciceri Derivative Action as well as the Consolidated Smith Derivative Actions (defined below). On October 23, 2023, the Court stayed the case until July 23, 2024, pending the completion of the SLC's investigation.

The Company believes that the claims raised in that case the Consolidated Ciceri Derivative Action are without merit. The Company intends to both defend itself vigorously against these claims and to vigorously prosecute any counterclaims. At this time, the Company is unable to estimate potential losses, if any, related to the Consolidated Ciceri Derivative Action.

##### **Consolidated Smith Derivative Actions**

On February 21, 2023, Brandon Smith ("Smith"), derivatively on behalf of CleanSpark, Inc., filed a verified shareholder derivative action in the Eighth Judicial District Court of the State of Nevada in and for Clark County against certain of the Company's officers and directors (Smith v. Bradford, Love, Schultz, Beynon, McNeill and Wood).

On February 24, 2023, Plaintiff Nicholas Iraci ("Iraci"), derivatively on behalf of CleanSpark, Inc., filed a verified shareholder derivative action (the "Iraci Derivative Action") in the Eighth Judicial District Court of the State of Nevada in and for Clark County against certain of the Company's officers and directors (Iraci v. Bradford, Love, Schultz, Beynon, McNeill and Wood).

On March 1, 2023, Plaintiff Eric Atanasoff ("Atanasoff"), derivatively on behalf of CleanSpark, Inc., filed a verified shareholder derivative action (the "Atanasoff Derivative Action") in the Eighth Judicial District Court of the State of

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Nevada in and for Clark County against certain of the Company's Officers and Directors (Atanasoff v. Bradford, Schultz, Beynon, McNeill, and Wood).

On March 8, 2023, Plaintiff Travis France ("France"), derivatively on behalf of CleanSpark, Inc., filed a verified shareholder derivative action (the "France Derivative Action") in the Eighth Judicial District Court of the State of Nevada in and for Clark County against certain of the Company's officers and directors (France v. Bradford, Love, Tadayon, Schultz, Beynon, McNeill and Wood).

Ultimately, each of the aforementioned derivative actions were consolidated into the Smith Derivative Action in the Eighth Judicial District Court of Nevada (the "Consolidated Smith Derivative Actions").

The operative Consolidated Smith Derivative Actions assert claims of breach of fiduciary duties, unjust enrichment and corporate waste and seek monetary damages, restitution, declaratory relief, litigation costs, and the imposition of adequate corporate governance and internal controls.

On November 6, 2023, the Court stayed the Consolidated Smith Derivative Action Actions for five months pending the completion of the SLC's investigation. On March 26, 2024, the SLC moved for an extension of the stay, which was granted on April 23, 2024, through July 8, 2024.

The Company believes that the claims raised in Consolidated Smith Derivative Actions are without merit. The Company intends to both defend itself vigorously against these claims and to vigorously prosecute any counterclaims. At this time, the Company is unable to estimate potential losses, if any, related to the Consolidated Smith Derivative Actions.

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully resolved. The outcome of litigation is inherently uncertain. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims.

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16. MAJOR CUSTOMERS AND VENDORS

The Company has one mining pool operator (Foundry Digital) that represented 100% of revenue for the periods ended three six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

For the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company had the following significant suppliers of mining equipment.

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023
Cryptech Solutions	0 %	87 %	0 %	72 %
Bitmain Technologies Ltd.	100 %	0 %		
Bitmain Technologies	100 %	0 %		
Sunnyside Digital Inc.	0 %	11 %	0 %	27 %

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## 17. SUBSEQUENT EVENTS

We have evaluated events occurring between January 1, 2024 April 1, 2024 through February 8, 2024 May 8, 2024. There were no material subsequent events except as disclosed below:

### **At-the-Market Equity Issuances**

From January 1, 2024 April 1, 2024 through February 8, 2024 May 8, 2024, the Company issued 12,457,651 2,342,000 shares under its March 2024 ATM Amendment offering facility resulting in net proceeds of approximately \$122,000 45,502.

### **Issuance of Shares from Option Exercises**

From April 1, through May 8, 2024, the Company issued 58,469 shares of common stock relating to exercises of employee stock options.

### **Miner Purchase Agreement**

On January 6, 2024 April 11, 2024, the Company entered into an agreement a Supplemental Agreement with Bitmain Technologies Delaware Limited to purchase up to 160,000 Bitmain S21 miners, which is equal to 32 exahashes per second. The delivery amend certain terms of the mining machines is expected Future Sales and Purchase Agreement dated January 6, 2024. The Supplemental Agreement amends the January 2024 Bitmain Technologies contract by modifying the type of miners to begin in April 2024. The agreement allows for be purchased under the purchase of 60,000 miners for option from the S21 model to the upgraded S21 Pro model at a net total purchase price of \$193,200 374,400 (after application of coupons) for 100,000 units. The Company has paid a net cost combined total of \$16.10 per terahash. The agreement also

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includes an option for the Company to purchase up to an additional 100,000 S21 miners for \$320,000 93,600, or \$16.00 per terahash. The agreement requires the Company to pay of which \$32,000 for the option, which expires on December 31, 2024, was paid as of March 31, 2024 and is exercisable at included in Deposits on miners and mining equipment in our Consolidated Balance Sheets, and the Company's discretion. The Company plans to use the mining machines to expand its digital currency mining activities through its wholly-owned subsidiaries, remainder of \$

Asset Acquisitions 61,600 was paid in April 2024.

### **Dalton, GABitcoin Reward Halving**

On February 2, 2024 April 20, 2024, the Company entered into agreements bitcoin rewards issued for each block solved dropped from 6.25 to acquire land and assets ("Dalton Acquisition") in Dalton, GA for a combined purchase price of approximately \$3.125, effectively reducing the non-cash consideration received from bitcoin mining by 3,500 50 with an additional \$% (excluding transactions fee rewards). 3,400 of expected build-out costs.

### **Mississippi Locations**

On February 5, 2024, the Company entered into an agreement to acquire assets in three separate locations within Mississippi, each of which include land, building and infrastructure for a combined purchase price of \$19,800.

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

(\$ presented in 000's, except for bitcoin price)

The following discussion and analysis of our financial condition and results of operations should be read together with the interim consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 ("Form 10-K"). This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II, Item 1A "Risk Factors" or in other parts of this Quarterly Report on Form 10-Q, as well as those identified in the "Risk Factors" section of our Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. See "Forward-Looking Statements."

### Company Overview

We are a bitcoin mining company. We have no intention to mine, purchase or hold any other cryptocurrency at this time or in the foreseeable future, (although and we held a de minimis amount of USD Coin ("USDC") did not hold any other cryptocurrency as of December 31, 2023, March 31, 2024. We independently own and operate five data centers in Georgia and three data centers in Mississippi for a total developed power capacity of 230 MW, approximately 435 megawatts ("MW"). We are developing have completed an additional 150 50 MW of data center infrastructure in Sandersville, GA, which is pending the commissioning of a utility transformer before it goes into service, and we are currently finalizing the development of an additional 15 MW expansion at our data center in Sandersville, GA, Dalton, GA locations. We have a partner in Massena, NY that hosts 50 MW for us. We design our infrastructure to responsibly support Bitcoin, bitcoin, the world's most important digital commodity and an essential tool for financial independence and inclusion. We strive to leave the planet better than we found it by investing in communities that source low-carbon energy, like wind, solar, nuclear, and hydro. We cultivate trust and transparency among our employees, the communities we operate in, and the people around the world who depend on Bitcoin, bitcoin.

### Bitcoin Mining

Bitcoin was introduced in 2008 with the goal of serving as a digital means of exchanging and storing value. Bitcoin is a form of digital currency that depends upon a consensus-based network and a public ledger called a "blockchain", which contains a record of every bitcoin transaction ever processed. The bitcoin network is the first decentralized peer-to-peer payment network, powered by users participating in the consensus protocol, with no central authority or middlemen, that has wide network participation. The authenticity of each bitcoin transaction is protected through digital signatures that correspond with addresses of users that send and receive bitcoin. Users have full control over remitting bitcoin from their own sending addresses. All transactions on the bitcoin blockchain are transparent, allowing those running the appropriate software to confirm the validity of each transaction. To be recorded on the blockchain, each bitcoin transaction is validated through a proof-of-work consensus method, which entails solving complex mathematical problems to validate transactions and post them on the blockchain. This process is called mining. Miners are rewarded with bitcoins, both in the form of newly created bitcoins and fees in bitcoin, for successfully solving the mathematical problems and providing computing power to the network.

Factors such as access to computer processing capacity, interconnectivity, specialized mining servers, energy, electricity cost, environmental factors (such as cooling capacity) and location play important roles in mining. As of December 31, 2023 March 31, 2024, our operating mining units were capable of producing over 10.0 16.4 exahash per second ("EH/s") of computing power. In bitcoin mining, "hashrate" is a measure of the computing and processing power and speed by which a mining computer mines and processes transactions on the bitcoin network. We expect to continue increasing our computing power through 2024 and beyond as we expand our infrastructure at our owned sites in the State of Georgia, seek strategic acquisition targets, and through strategic co-location agreements. As of the date of this filing, February 8, 2024 April 30, 2024, we are capable operated a high of producing 12.5 17.3 EH/s of computing power. A company's computing power measured in hashrate is generally considered to be one of the most important metrics for evaluating bitcoin mining companies.

We own owned approximately 146,000 150,000 miners as of December 31, 2023 March 31, 2024, of which approximately 88,500 133,000 are in service and the remainder mainly pertains pertain to new machines ready to install in the Sandersville, Dalton, GA expansion. expansion or are pending repair. These miners range in age from 2-36 1-39 months and have an average age of approximately 11 14 months. We do not have

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scheduled downtime for our miners, however, we periodically perform unscheduled maintenance and curtailments on our miners, but such downtime has not historically been significant. When performing unscheduled maintenance, we will typically replace the miner

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with a substitute miner to limit overall downtime. The miners owned as of **December 31, 2023** have **March 31, 2024** had a range of energy efficiency (watts per terahash – “w/th”) of 17.5 to **38.41** w/th with an average energy efficiency of **26.4** **24.6** w/th.

We obtain bitcoin as a result of our mining operations, and we sell bitcoin from time to time to support our operations and strategic growth. **We do not currently plan to** **Although we may** engage in regular **trading of bitcoin in the future, we have not previously engaged in** trading of bitcoin (other than as necessary to convert our bitcoin into U.S. dollars) or **to engage in** hedging activities related to our holding of bitcoin; however, our decisions to hold or sell bitcoin at any given time may be impacted by the bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell bitcoin that we hold, or the number of bitcoins we will sell. Rather, decisions to hold or sell bitcoins are currently determined by management by analyzing forecasts and monitoring the market in real time.

The value of bitcoin has historically been subject to wide swings. The following table provides a range of intraday low and intraday high bitcoin prices between October 1, 2022 through **December 31, 2023** **March 31, 2024**.

Range of intraday bitcoin prices					
Quarterly Reporting Periods Ended	Minimum Price		Maximum Price		
December 31, 2022	\$	15,460	\$	21,479	\$ 15,460 \$ 21,479
March 31, 2023	\$	16,490	\$	29,190	\$ 16,490 \$ 29,190
June 30, 2023	\$	24,750	\$	31,444	\$ 24,750 \$ 31,444
September 30, 2023	\$	24,900	\$	31,862	\$ 24,900 \$ 31,862
December 31, 2023	\$	26,521	\$	45,000	\$ 26,521 \$ 45,000
March 31, 2024	\$	38,501	\$	73,836	

As of **December 31, 2023** **March 31, 2024**, we held **3,002** **5,021** bitcoins. **As of March 31, 2024, the Company held 58% of its bitcoin in cold storage and 42% in hot wallets.** The fair value of our bitcoins as of **December 31, 2023** **March 31, 2024** was **\$126,951** **\$357,981** on our Consolidated Balance **Sheet. Sheets.** Effective October 1, 2023, we adopted ASC 350-60, which **required requires** bitcoin to be measured at fair value. See Note 2 - Summary of Significant Accounting Policies for more details on **the** impact of implementation to the financial statements. As a result, the carrying value of each bitcoin we held at **the end of** December 31, 2023 and each subsequent reporting period reflects the price of one bitcoin quoted on the active exchange, **Coinbase**, at the end of the reporting period. Therefore, negative swings in the market price of bitcoin could have a material impact on our earnings and on the carrying value of our bitcoin.

As of **December 31, 2023** **September 30, 2023**, we held \$0.05 in **USDC, USD Coin (“USDC”)**, which is a digital currency that is fully backed by U.S. dollar assets, with the value of one USDC coin pegged 1:1 to the value of one U.S. dollar. **As of March 31, 2024, the Company did not hold any digital currency other than bitcoin.**

Through our wholly owned subsidiaries CSRE Properties, LLC, CSRE Property Management Company LLC, CSRE Properties Norcross, LLC, CSRE Properties Washington, LLC, CSRE Properties Sandersville, LLC, CSRE Properties Dalton, **LLC, Dalton15, LLC, CleanSpark MS, LLC, CSRE Properties Mississippi, LLC, CSRE Properties Vicksburg, LLC,** and CleanSpark HQ, LLC, we maintain real property holdings.

Discontinued Operations

As of June 30, 2022, we deemed our energy operations to be discontinued operations due to our strategic decision to strictly focus on bitcoin mining operations and divest of our energy assets.

Results of continuing operations for the three **and six months ended** **December 31, 2023** **March 31, 2024** and **2022** **2023**  
(\$ presented in 000's, except for bitcoin price and information set forth under the heading “Bitcoin Mining Operations”)

Bitcoin Mining Operations

Overview

We operate a fleet of servers commonly known as miners or ASICs (Application-Specific Integrated Circuits), which are computer chips customized for a specific use. In the case of bitcoin mining, ASICs calculate the SHA-256 algorithm as efficiently and quickly as possible in order to compete with other miners to solve blocks. Each calculation is a hash, and each machine's computational power is measured in terahash processed per second ("th/s"). One terahash is equal to 1 trillion hashes. The more terahash we produce and contribute into the mining pool, the higher our percentage of the blockchain reward.

There are a variety of factors that influence our ability to mine bitcoin profitability. Our ability to mine profitability is dependent on successfully navigating these fluctuating variables, which include bitcoin's value in USD (the volatility of which is described above), mining difficulty, **block rewards and halving**, global hashrate, power prices, fleet energy efficiency, data center energy efficiency, and other factors.

The energy efficiency of a mining fleet helps drive profitability, because the most significant direct expense for bitcoin mining is power. We measure efficiency by the watts of energy required to produce each terahash of processing **power ("w/th")**, **power**. We believe we operate a highly efficient fleet of miners. The table below describes our fleet as of **December 31, 2023** **March 31, 2024** and **2022** **2023** and **describes** our miner efficiency and computing power as compared to the global computing power.

#### Combined facilities

Period ended Global hashrate (in terms of EH/s) <sup>(1)</sup>

Period ended miner efficiency (w/th) <sup>(2)</sup>

Period ended CleanSpark hashrate (in terms of EH/s)

Period ended CleanSpark percentage of total global hashrate

As of the fiscal periods ended		As of the periods ended	
December 31,	December 31,	March 31,	March 31,
2023	2022	2024	2023
558.4	274.2	566.0	352.0
26.4	31.7	24.6	31.0
10.0	6.2	16.4	6.7
1.80%	2.26%	2.90%	1.90%

(1) Total global hashrate obtained from YCHARTS ([https://ycharts.com/indicators/bitcoin\\_network\\_hash\\_rate](https://ycharts.com/indicators/bitcoin_network_hash_rate)).

(2) Watts of energy required to produce each terahash of processing power.

As of **December 31, 2023** **March 31, 2024**, our operating hashrate was approximately **1.80%** **2.9%** of the total global hashrate, and we received approximately the same percentage of the global blockchain rewards, which as of that date equaled approximately **15-17** **25-27** bitcoin per day, excluding the bitcoin earned from network transaction fees. Ultimately, in order to mine profitably, we work to ensure that these mining rewards cover our direct operating costs.

The table below describes the average cost of mining each bitcoin for the three **and six** months ended **December 31, 2023** **March 31, 2024** and **2022** **2023** and the total energy usage and cost per each kilowatt hour ("KWH") utilized within both our four owned facilities and our hosted facility.

	For the Three Months Ended	
	December 31, 2023	December 31, 2022
<b>Cost of Revenues - Analysis of costs to mine one bitcoin (per bitcoin amounts are actual)</b>		
Cost of Mining - Owned Facilities		
Cost of energy per bitcoin mined	\$ 12,783	\$ 12,995
Other direct costs of mining - non energy utilities per bitcoin mined	25	52
Cost to mine one bitcoin - Owned facilities	\$ 12,808	\$ 13,047
Cost of Mining - Hosted Facilities		
Hosting fees expense per one bitcoin	\$ 22,621	\$ 13,565
Weighted average cost of mining one bitcoin <sup>(1)(3)</sup>	\$ 14,308	\$ 13,221

Average revenue of each bitcoin mined <sup>(2)</sup>	\$	36,535	\$	18,129
Cost of mining one bitcoin as % of average bitcoin mining revenue		39.2 %		72.9 %

#### Statistics

##### Owned Facilities

Total bitcoin mined at owned facilities		1,710.9		1,017.8
Bitcoin mining revenue - Owned facilities- ( <i>\$ in thousands</i> )	\$	62,400	\$	18,428
Total miners in service in owned facilities - as of the periods ended		72,234		47,087
Total KWHs utilized		495,197,028		222,963,788
Total energy expense - ( <i>\$ in thousands</i> )	\$	21,871	\$	13,226
Cost per KWH	\$	0.044	\$	0.059
Energy expense as percentage of bitcoin mining revenue, net		35.0 %		71.8 %
Other direct costs of mining - non energy utilities - ( <i>\$ in thousands</i> )	\$	42	\$	53

##### Hosted Facilities

Total bitcoin mined at hosted facilities		308.7		512.7
Bitcoin mining revenue - Hosted facilities- ( <i>\$ in thousands</i> )	\$	11,386	\$	9,319
Total miners in service in hosted facilities - as of the periods ended		16,325		16,613
Total KWHs utilized		104,598,890		108,297,639
Total hosting fee expense - ( <i>\$ in thousands</i> )	\$	6,983	\$	6,955
Hosting fee per KWH	\$	0.067	\$	0.064
Hosting fee expense as percentage of bitcoin mining revenue, net		61.3 %		74.6 %

(1) Weighted average cost of mining one bitcoin is calculated by dividing the sum of total energy expense and other direct costs of mining non-energy utilities (owned facilities) and total hosting fee expense (hosted facilities) by the total bitcoin mined during the respective periods.

(2) Average revenue of each bitcoin mined is calculated by dividing the sum of bitcoin mining revenue for both owned and hosted facilities by the total number of bitcoin mined during the respective periods. We have determined that Coinbase is the principal market for valuing bitcoin transactions and uses the daily closing prices as the source of recording revenue. See the table "Range of intraday bitcoin prices" for information on the range of intraday bitcoin prices for quarterly periods since October 1, 2022.

(3) The weighted average cost of mining one bitcoin excludes equipment related expenses, such as miner repair expenses and miner depreciation expense.

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
<b>Cost of Revenues - Analysis of costs to mine one bitcoin (per bitcoin amounts are actual)</b>				
<b>Cost of Mining - Owned Facilities</b>				
Cost of energy per bitcoin mined	\$ 14,691	\$ 10,999	\$ 13,757	\$ 11,840
Other direct costs of mining - non energy utilities per bitcoin mined	1	40	14	45
Cost to mine one bitcoin - Owned facilities	\$ 14,692	\$ 11,039	\$ 13,771	\$ 11,885
<b>Cost of Mining - Hosted Facilities</b>				
Hosting fees expense per one bitcoin	\$ 32,746	\$ 13,829	\$ 27,116	\$ 13,691
Weighted average cost of mining one bitcoin <sup>(1)(3)</sup>	\$ 16,882	\$ 11,730	\$ 15,599	\$ 12,403
Average revenue of each bitcoin mined <sup>(2)</sup>	\$ 55,030	\$ 22,706	\$ 45,811	\$ 20,651
Cost of mining one bitcoin as % of average bitcoin mining revenue	30.7 %	51.7 %	34.1 %	60.1 %

#### Statistics

##### Owned Facilities

Total bitcoin mined at owned facilities	1,785	1,408	3,496	2,425
Bitcoin mining revenue - Owned facilities - ( <i>\$ in thousands</i> )	\$ 98,784	\$ 31,993	\$ 161,184	\$ 50,434
Total miners in service in owned facilities - as of the periods ended	117,693	54,720	117,693	54,720
Total KWHs utilized	612,805,380	333,722,000	1,108,002,408	556,386,000

Total energy expense - (\$ in thousands)	\$	26,228	\$	15,486	\$	48,099	\$	28,712
Cost per KWH	\$	0.043	\$	0.046	\$	0.043	\$	0.052
Energy expense as percentage of bitcoin mining revenue, net		26.6 %		48.4 %		29.7 %		56.9 %
Other direct costs of mining - non energy utilities - (\$ in thousands)	\$	2	\$	57	\$	44	\$	109
Hosted Facilities								
Total bitcoin mined at hosted facilities		246		463		555		976
Bitcoin mining revenue - Hosted facilities - (\$ in thousands)	\$	13,015	\$	10,495	\$	24,401	\$	19,801
Total miners in service in hosted facilities - as of the periods ended		16,270		16,405		16,270		16,405
Total KWHs utilized		107,324,037		109,468,000		211,922,927		217,806,000
Total hosting fee expense - (\$ in thousands)	\$	8,068	\$	6,407	\$	15,051	\$	13,362
Hosting fee per KWH	\$	0.075	\$	0.059	\$	0.071	\$	0.061
Hosting fee expense as percentage of bitcoin mining revenue, net		62.0 %		61.0 %		61.7 %		67.5 %

(1) Weighted average cost of mining one bitcoin is calculated by dividing the sum of total energy expense and other direct costs of mining non-energy utilities (owned facilities) and total hosting fee expense (hosted facilities) by the total bitcoin mined during the respective periods.

(2) Average revenue of each bitcoin mined is calculated by dividing the sum of bitcoin mining revenue for both owned and hosted facilities by the total number of bitcoin mined during the respective periods. We have determined that Coinbase is the principal market for valuing bitcoin transactions and uses the daily closing prices as the source of recording revenue. See the table "Range of intraday bitcoin prices" for information on the range of intraday bitcoin prices for quarterly periods since October 1, 2022.

(3) The weighted average cost of mining one bitcoin excludes equipment related expenses, such as miner depreciation expense and direct miner financing costs. Although the Company recognizes depreciation with respect to its mining assets, it does not consider depreciation

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in determining whether it is economical to operate its mining equipment. As a result, the Company does not consider the sunk costs or depreciation of past capital investments in its historical or forecasted breakeven analysis. If depreciation and financing costs of our miner fleet were factored into the above cost of mining analysis, the total "cost to mine one bitcoin" would increase by \$13,652 and \$10,221 per bitcoin mined for the three months ended March 31, 2024 and 2023, respectively, bringing the total "cost to mine one bitcoin" to \$30,534 and \$21,951, respectively. If depreciation and financing costs of our miner fleet were factored into the above cost of mining analysis for the six months ended March 31, 2024 and 2023, the total "cost to mine one bitcoin" would increase by \$13,139 and \$10,729 per bitcoin mined, respectively, bringing the total "cost to mine one bitcoin" to \$28,738 and \$23,132, respectively.

Power prices are the most significant cost driver for our wholly owned locations, and energy costs represented 85.0% 26.6% and 71.8% 48.4% as expressed as a percentage of bitcoin mining revenues during the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and were 29.7% and 56.9% for the six months ended March 31, 2024 and 2023, respectively. For our co-locations, hosting fees (which comprise direct operating costs of the third-party operator with energy as the largest cost) and profit sharing were a combined 61.3% 62.0% and 74.6% 61.0% as a percentage of bitcoin mining revenues during the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and were 61.7% and 67.5% for the six months ended March 31, 2024 and 2023, respectively.

Energy prices can be highly volatile and global events (including the war in Ukraine and the resulting natural gas shortage) caused power prices to increase nationwide in 2022. All of our wholly owned and operated sites in the State of Georgia and our hosted miners in New York State are currently subject to variable prices and market rate fluctuations with respect to wholesale power costs. Such prices are governed by power purchase agreements which

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vary by location, and said prices can change hour to hour. While this renders energy prices less predictable, it also gives us greater ability and flexibility to actively manage the energy we consume with an eye towards increasing profitability and energy efficiency. Energy prices are also highly sensitive to weather events, such as winter storms and polar vortices, which increase the demand for power regionally. When such events occur, we may curtail our operations to avoid using power at increased rates. The average power prices we paid in our owned facilities for the three months ended December 31, 2023 March 31, 2024 and 2022 was \$0.044 2023 were \$0.043 and \$0.059 \$0.046 per kilowatt hour, respectively, and were \$0.043 and \$0.052 per kilowatt hour for the six months ended March 31, 2024 and 2023, respectively. At our hosting facilities, the hosting fee as compared to

KWHs utilized in the hosted facilities was \$0.067 \$0.075 and \$0.064 \$0.059 per kilowatt hour for such periods, the three months ended March 31, 2024 and 2023, respectively, and was \$0.071 and \$0.061 per kilowatt hour for the six months ended March 31, 2024 and 2023, respectively.

The management team makes real-time determinations on the need and timing during which we should curtail, curtail our operations. We curtail when power prices exceed the value we would receive for the corresponding fixed bitcoin reward. This means if bitcoin's value decrease decreases or energy prices increase, our curtailment will increase; likewise, when bitcoin's value increases and energy prices decrease, our curtailment will decrease. The management team manages this decision on an hour-by-hour basis across all our sites, both wholly owned and hosted.

In the three months ended December 31, 2022, energy prices spiked nationwide due to weather events and, as a result, we curtailed a total of 15% of our fleet, with December being the month with the greatest curtailment. Our active curtailment strategy allowed us to avoid excessive cost during these events, but it also resulted in decreased production. The Company did not have significant curtailment during the three months or six months ended December 31, 2023 March 31, 2024.

**Results of continuing operations for the three months ended December 31, 2023 March 31, 2024 and 2022 2023**  
**(\$ presented in 000's, except for average bitcoin price)**

**Bitcoin mining revenue**

We earned \$73,786 \$111,799 in bitcoin mining revenue during the three months ended December 31, 2023 March 31, 2024, which was an increase of \$46,040, \$69,311, or 166% 163%, as compared with \$27,746 \$42,488 for the three months ended December 31, 2022 March 31, 2023. Bitcoin mining revenues are recorded net of bitcoin mining fees charged by our sole mining pool operator that equaled approximately 0.19% 0.15% of gross bitcoin mining revenues for the three months ended December 31, 2023 March 31, 2024, and are determined by two main drivers: quantity of bitcoin mined and the price of bitcoin on the date the bitcoin is mined. During the three months ended December 31, 2023 March 31, 2024, we mined 2,020 2,031 bitcoin with an average bitcoin price of \$36,535 \$55,029 as compared to 1,530 1,871 bitcoin with an average bitcoin price of \$18,129 \$22,706 during the three months ended December 31, 2022 March 31, 2023. The increase in bitcoin mining revenue for the three months ended December 31, 2023 March 31, 2024 was attributable to the increase in the bitcoin mined during the period and the increase in the average bitcoin price as compared to the three months ended December 31, 2022 March 31, 2023. The increase in the quantity of bitcoin mined was primarily driven by the increased number of our miners in operation,

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which increased to approximately 88,500 and 133,000 compared to 63,700, 71,000, an increase of 24,800 87% between December 31, 2022 March 31, 2023 and December 31, 2023 March 31, 2024. The increase in miners in operation increases our hashrate, which is our total computational power, and which when understood in the context of global hashrate, determines how much bitcoin we are able to mine.

**Other services revenues**

Other services revenues pertain to our former data center operations for which we earned \$73 \$58 for the three months ended December 31, 2022 March 31, 2023. In fiscal year 2023 we ceased data center operations.

**Cost of revenues (exclusive of depreciation and amortization expense)**

Our cost of revenues were \$28,896 \$34,298 for the three months ended December 31, 2023 March 31, 2024, an increase of \$8,480, \$12,216, or 42% 55%, as compared with \$20,416 \$22,082 for the three months ended December 31, 2022 March 31, 2023. These costs were primarily related to energy costs to operate the mining equipment miners within our owned facilities, which was \$21,871 were \$26,228 for the three months ended December 31, 2023 March 31, 2024, an increase of \$8,604 \$10,742, or 65% 69%, as compared to \$13,267 \$15,486 for the three months ended December 31, 2022 March 31, 2023. The increase in energy costs is was due to the increases in the volume of mining equipment miners operating in our owned locations. We continually evaluate energy and bitcoin prices and periodically will curtail our mining operations when it is advantageous to do so.

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We also incurred hosting fees of \$5,574 \$6,565 and profit sharing fees of \$1,409 \$1,505 for the three months ended December 31, 2023 March 31, 2024, a decrease an increase of \$655, \$1,377, or 11% 27%, and increase of \$683, \$286, or 94% 23%, as compared to \$6,229 \$5,188 and \$726, \$1,219, respectively, for the three months ended December 31, 2022 March 31, 2023. The hosting fees and profit sharing fees are were primarily the result of our co-location agreement with Coinmint. The hosting fees remained consistent for both increased period since the decrease in over period due to increased rates charged per KWH even though KWHs utilized was offset by the increase in the rate charged per KWH. decreased slightly.

#### Professional fees

Professional fees, which consists consisted primarily of legal, accounting and consulting fees, were \$1,572 \$2,208 for the three months ended December 31, 2023 March 31, 2024, a decrease of \$1,259, \$1,542, or 44% 41%, from \$2,831 \$3,750 for the three months ended December 31, 2022 March 31, 2023. Legal expenses were \$158 \$772 for the three months ended December 31, 2023 March 31, 2024, as compared to \$1,955 \$3,339 for the three months ended December 31, 2022 March 31, 2023. This decrease was primarily attributable to no legal settlements during the three months ended December 31, 2023 March 31, 2024, as compared to \$1,010 \$2,700 of legal settlements during the three months ended December 31, 2022 March 31, 2023. Other professional fees, namely accounting and consulting, were \$1,414 \$1,432 for the three months ended December 31, 2023 March 31, 2024, as compared to \$876 \$411 for the three months ended December 31, 2022 March 31, 2023, representing a an increase of \$538, \$1,021.

#### Payroll expenses

Payroll expenses were \$15,321 \$16,820 for the three months ended December 31, 2023 March 31, 2024, an increase of \$5,519, \$7,070, or 56% 73%, from \$9,802 \$9,750 for the three months ended December 31, 2022 March 31, 2023. Our payroll expenses include all compensation related expenses for our employees and mainly include salaries, wages, payroll-related taxes and benefits and non-cash stock-based compensation. Payroll expenses, excluding non-cash stock-based compensation, were \$5,368 \$7,023 for the three months ended December 31, 2023 March 31, 2024, representing an increase of 37% 75% from \$3,924 \$4,007 for the three months ended December 31, 2022 March 31, 2023, mainly attributed to an increase in employee headcount.

We grant stock-based awards to certain employees as a significant portion of our payroll-related costs. Stock-based compensation, which is a non-cash expense, was \$9,953 \$9,797 for the three months ended December 31, 2023 March 31, 2024, an increase of \$4,075, \$4,054, or 69% 71%, from \$5,878 \$5,743 for the three months ended December 31, 2022 March 31, 2023. The increase in stock based compensation was mainly attributed to the vesting of a certain market-based restricted stock awards in December 2023, February 2024.

#### General and administrative expenses

General and administrative expenses increased to \$5,003 \$6,819 for the three months ended December 31, 2023 March 31, 2024 from \$3,724 \$4,329 for the three months ended December 31, 2022 March 31, 2023, representing an increase of \$1,279, \$2,490. This increase was primarily attributable

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to increases in corporate overhead, including, but not limited to, property taxes licenses, and insurance premiums premiums (primarily due to the substantial increase in owned assets).

#### Gain on fair value of bitcoin, net

Gain on fair value of bitcoin, net for the three months ended December 31, 2023 is \$36,041. March 31, 2024 was \$119,702. As discussed in Notes 2 and Note 5 above, the Company adopted the amendments per ASC 350-60 in the current period, period; accordingly, we measured crypto assets within the scope of ASC Topic 350-60 - Intangibles - Goodwill and Other - Crypto Assets at fair value in accordance with ASC Topic 820 - Fair Value Measurement and included the gains and losses from remeasurement in net income. The gain pertains to the change in bitcoin's fair value from adoption date, October 1, 2023, December 31, 2023 to December 31, 2023 March 31, 2024.

Prior to the adoption of ASC 350-60 - Crypto Assets, bitcoin was classified as indefinite-lived intangible assets and were measured at cost less impairment. Additionally, in the previous guidance, subsequent increases in bitcoin prices are not allowed to be recorded (unrealized gains) unless the bitcoin is sold, at which point the gain is recognized. Accordingly, gains (losses) recognized on fair value of bitcoin in fiscal year 2024 are not comparable to fiscal year 2023.

#### Other impairment expense (related to bitcoin)

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Impairment expense in the amount of ~~\$83~~ \$194 was recognized for the three months ended ~~December 31, 2022~~ March 31, 2023. There ~~is~~ was no impairment expense related to bitcoin for the three months ended ~~December 31, 2023~~ March 31, 2024 due to the adoption of ASC 350-60 (as described in Note 2 and Note 5) which resulted in measuring bitcoin at fair value and recognizing gains or losses from remeasurement of the assets rather than at cost less impairment. The prior year impairment expense ~~consists~~ consisted of bitcoin impairments due to the general decrease in bitcoin prices during the year. Decreases in bitcoin prices for periods subsequent to the mining date were recorded as impairment expense. Under ASC Topic 350 - *Goodwill and Other* (prior guidance), subsequent increases in bitcoin prices are not allowed to be recorded (unrealized gains) unless the bitcoin is sold, at which point the gain is recognized.

#### **Realized ~~loss~~ gain on sale of bitcoin**

Realized ~~loss~~ gain on sale of bitcoin was ~~\$517~~ \$1,422 for the three months ended ~~December 31, 2022~~ March 31, 2023. As described under the heading "Gain on fair value of bitcoin, ~~net~~, net" gains (losses) recognized on bitcoin transactions in fiscal year 2024 are not comparable to fiscal year 2023.

#### **Depreciation and amortization**

Depreciation and amortization expense increased to ~~\$29,847~~ \$32,187 for the three months ended ~~December 31, 2023~~ March 31, 2024, from ~~\$19,329~~ \$21,346 for the three months ended ~~December 31, 2022~~ March 31, 2023, an increase of ~~\$10,518~~, \$10,841, or 51%. Depreciation expense increased by ~~\$10,506~~, \$10,838, or ~~56%~~ 52%, during the three months ended ~~December 31, 2023~~ March 31, 2024, to \$31,666 from ~~\$18,827~~ to \$29,333, \$20,828, due to an increase in miners, mining equipment and mining-related equipment infrastructure being placed in service during the comparative period. Amortization expense for the three months ended ~~December 31, 2023~~ March 31, 2024 was ~~\$514~~, \$521, an increase of ~~\$12~~, \$3, or ~~2%~~ 1%, from ~~\$502~~ \$518 for the three months ended ~~December 31, 2022~~ March 31, 2023.

#### **Other Income (Expenses)**

Other ~~expense~~ income, net was ~~\$1,203~~ \$1,209 for the three months ended ~~December 31, 2023~~ March 31, 2024, compared with other expense, net of ~~\$1,605~~ \$680 for the three months ended ~~December 31, 2022~~ March 31, 2023, which is a change of ~~\$402~~, \$1,889. Other ~~expense~~ income (expenses) for the three months ended ~~December 31, 2023~~ March 31, 2024 consisted primarily of ~~an~~ interest income of \$2,684 as compared to \$52 in the same prior year period. This was partially offset by unrealized loss on derivative security of ~~\$1,243~~ \$949 as compared to ~~loss~~ gain for the same prior year period of ~~\$1,271~~. This change between the periods is the result of a change in fair value of the underlying instrument. ~~\$56~~.

Interest expense in the three months ended ~~December 31, 2023~~ March 31, 2024 decreased by ~~\$343~~ \$273 to ~~\$546~~ \$526 from ~~\$889~~ \$799 for the three months ended ~~December 31, 2022~~ March 31, 2023 due to lower average debt balances during three months ended ~~December 31, 2023~~ March 31, 2024 as compared to the three months ended ~~December 31, 2022~~ March 31, 2023.

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Interest income in the three months ended ~~December 31, 2023~~ March 31, 2024 increased to \$2,684 from ~~\$52~~ for the ~~prior year balance was~~ three months ended March 31, 2023 due to an increase in short-term overnight investments.

#### **Net income (loss) from Continuing Operations**

Net income from continuing operations for the three months ended ~~December 31, 2023~~ March 31, 2024 was ~~\$25,909~~ \$126,735 as compared to net loss from continuing operations of ~~\$30,488~~ \$18,166 for the three months ended ~~December 31, 2022~~ March 31, 2023, for the reasons discussed above.

#### **Net income (loss)**

Net income for the three months ended ~~December 31, 2023~~ March 31, 2024 was ~~\$25,909~~, \$126,735, a fluctuation of ~~\$54,940~~ \$145,195 compared to net loss of ~~\$29,031~~ \$18,460 for the three months ended ~~December 31, 2022~~ March 31, 2023, for the reasons stated above.

#### **Results of continuing operations for the six months ended March 31, 2024 and 2023**

**(\$ presented in 000's, except for average bitcoin price)**

#### **Bitcoin mining revenue**

We earned \$185,585 in bitcoin mining revenue during the six months ended March 31, 2024, which was an increase of \$115,351, or 164%, as compared with \$70,234 for the six months ended March 31, 2023. Bitcoin mining revenues are recorded net of bitcoin mining fees charged by our sole mining pool operator that equaled approximately 0.17% of gross bitcoin mining revenues for the six months ended March 31, 2024 and are determined by two main drivers: quantity of bitcoin mined and the price of bitcoin on the date the bitcoin is mined. During the six months ended March 31, 2024, we mined 4,051 bitcoin with an average bitcoin price of \$45,811 as compared to 3,401 bitcoin with an average bitcoin price of \$20,651 during the six months ended March 31, 2023. The increase in bitcoin mining revenue for the six months ended March 31, 2024 was attributable to the increase in the bitcoin mined during the period and the increase in the average bitcoin price as compared to the six months ended March 31, 2023. The increase in the quantity of bitcoin mined was primarily driven by the increased number of our miners in operation, which increased to approximately 133,000 compared to 71,000, an increase of 62,000, between March 31, 2023 and March 31, 2024. The increase in miners in operation increases our hashrate, which is our total computational power, and which when understood in the context of global hashrate, determines how much bitcoin we are able to mine.

#### **Other services revenues**

Other services revenues pertain to our former data center operations for which we earned \$131 for the six months ended March 31, 2023. In fiscal year 2023 we ceased data center operations.

#### **Cost of revenues (exclusive of depreciation and amortization expense)**

Our cost of revenues were \$63,194 for the six months ended March 31, 2024, an increase of \$20,696, or 49%, as compared with \$42,498 for the six months ended March 31, 2023. These costs were primarily related to energy costs to operate the miners within our owned facilities, which were \$48,099 for the six months ended March 31, 2024, an increase of \$19,347 or 67% as compared to \$28,752 for the six months ended March 31, 2023. The increase in energy costs was due to the increases in the volume of miners operating in our owned locations partially offset by the reduction in the average cost per KWHs, which approximated \$0.043/KWH for the six months ended March 31, 2024 as compared to an average cost of \$0.052/KWH for the six months ended March 31, 2023. We continually evaluate energy and bitcoin prices and periodically will curtail our mining operations when it is advantageous to do so.

We also incurred hosting fees of \$12,140 and profit sharing fees of \$2,911 for the six months ended March 31, 2024, an increase of \$723, or 6%, and increase of \$966, or 94%, as compared to \$11,417 and \$1,945, respectively, for the six months ended March 31, 2023. The hosting fees and profit sharing fees were primarily the result of our co-location

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agreement with Coinmint. The hosting fees increased primarily due to increases in utility rates partially offset by a slight reduction in KWHs utilized.

#### **Professional fees**

Professional fees, which consisted primarily of legal, accounting and consulting fees, were \$3,780 for the six months ended March 31, 2024, a decrease of \$2,801, or 43%, from \$6,581 for the six months ended March 31, 2023. Legal expenses were \$945 for the six months ended March 31, 2024, as compared to \$5,295 for the six months ended March 31, 2023. This decrease was primarily attributable to no legal settlements during the six months ended March 31, 2024, as compared to \$3,800 of legal settlements during the six months ended March 31, 2023. Other professional fees, namely accounting and consulting, were \$2,835 for the six months ended March 31, 2024, as compared to \$1,286 for the six months ended March 31, 2023, representing an increase of \$1,549.

#### **Payroll expenses**

Payroll expenses were \$32,141 for the six months ended March 31, 2024, an increase of \$12,589, or 64%, from \$19,552 for the six months ended March 31, 2023. Our payroll expenses include all compensation related expenses for our employees and mainly include salaries, wages, payroll-related taxes and benefits and non-cash stock-based compensation. Payroll expenses, excluding non-cash stock-based compensation, were \$12,391 for the six months ended March 31, 2024, representing an increase of 56% from \$7,931 for the six months ended March 31, 2023, mainly attributed to an increase in employee headcount.

We grant stock-based awards to certain employees as a significant portion of our payroll-related costs. Stock-based compensation, which is a non-cash expense, was \$19,750 for the six months ended March 31, 2024, an increase of \$8,129, or 70%, from \$11,621 for the six months ended March 31, 2023. The increase in stock based compensation was mainly attributed to the vesting of a market-based restricted stock awards during the six months ended March 31, 2024.

#### **General and administrative expenses**

General and administrative expenses increased to \$11,822 for the six months ended March 31, 2024 from \$8,053 for the six months ended March 31, 2023, representing an increase of \$3,769. This increase was primarily attributable to increases in corporate overhead, including, but not limited to, property taxes and insurance premiums (primarily due to the substantial increase in owned assets).

#### **Gain on fair value of bitcoin, net**

Gain on fair value of bitcoin, net for the six months ended March 31, 2024 was \$155,743. As discussed in Notes 2 and Note 5 above, the Company adopted the amendments per ASC 350-60 in the current period; accordingly, we measured crypto assets within the scope of ASC Topic 350-60 - *Intangibles - Goodwill and Other - Crypto Assets* at fair value in accordance with ASC Topic 820 - *Fair Value Measurement* and included the gains and losses from remeasurement in net income. The gain pertains to the change in bitcoin's fair value from the adoption date, October 1, 2023, to March 31, 2024.

Prior to the adoption of ASC 350-60 - *Crypto Assets*, bitcoin was classified as indefinite-lived intangible assets and was measured at cost less impairment. Additionally, in the previous guidance, subsequent increases in bitcoin prices are not allowed to be recorded (unrealized gains) unless the bitcoin is sold, at which point the gain is recognized. Accordingly, gains (losses) recognized on fair value of bitcoin in fiscal year 2024 are not comparable to fiscal year 2023.

#### **Other impairment expense (related to bitcoin)**

Impairment expense related to bitcoin in the amount of \$277 was recognized for the six months ended March 31, 2023. There was no impairment expense related to bitcoin for the six months ended March 31, 2024 due to the adoption of ASC 350-60 (as described in Note 2 and Note 5) which resulted in measuring bitcoin at fair value and recognizing gains or losses from remeasurement of the assets rather than at cost less impairment. The prior year

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impairment expense consisted of bitcoin impairments due to the general decrease in bitcoin prices during such year. Decreases in bitcoin prices for periods subsequent to the mining date were recorded as impairment expense. Under ASC Topic 350 - *Goodwill and Other* (prior guidance), subsequent increases in bitcoin prices are not allowed to be recorded (unrealized gains) unless the bitcoin is sold, at which point the gain is recognized.

#### **Realized gain on sale of bitcoin**

Realized gain on sale of bitcoin was \$905 for the six months ended March 31, 2023. As described under the heading "*Gain on fair value of bitcoin, net*", the gains (losses) recognized on bitcoin transactions in fiscal year 2024 are not comparable to fiscal year 2023.

#### **Depreciation and amortization**

Depreciation and amortization expense increased to \$62,034 for the six months ended March 31, 2024, from \$40,675 for the six months ended March 31, 2023, an increase of \$21,359 or 53%. Depreciation expense increased by \$21,343, or 54%, during the six months ended March 31, 2024, from \$39,656 to \$60,999, due to an increase in miners, mining equipment and infrastructure being placed in service during the comparative period. Amortization expense for the six months ended March 31, 2024 was \$1,035, an increase of \$16, or 2%, from \$1,019 for the six months ended March 31, 2023.

#### **Other Income (Expenses)**

Other income, net was \$6 for the six months ended March 31, 2024, compared with other expense, net of \$2,285 for the six months ended March 31, 2023, which is a change of \$2,291. Other expense for the six months ended March 31, 2024 consisted primarily of an unrealized loss on derivative security of \$2,192 as compared to a loss for the same prior year period of \$1,215. This change between the periods was the result of a change in fair value of the underlying instrument.

Interest expense in the six months ended March 31, 2024 decreased by \$616 to \$1,072 from \$1,688 for the six months ended March 31, 2023 due to lower average debt balances during six months ended March 31, 2024 as compared to the six months ended March 31, 2023.

Interest income in the six months ended March 31, 2024 increased to \$3,270 from \$122 for the six months ended March 31, 2023, an increase of \$3,148 due to an increase in short-term overnight investments.

#### **Net income (loss) from Continuing Operations**

Net income from continuing operations for the six months ended March 31, 2024 was \$152,644 as compared to net loss from continuing operations of \$48,654 for the six months ended March 31, 2023, for the reasons discussed above.

#### **Net income (loss)**

Net income for the six months ended March 31, 2024 was \$152,644, a fluctuation of \$200,135 compared to net loss of \$47,491 for the six months ended March 31, 2023, for the reasons stated above.

## Non-GAAP Measure

We present adjusted EBITDA, which is not a measurement of financial performance under generally accepted accounting principles in the United States ("GAAP"). Our non-GAAP "Adjusted EBITDA" excludes (i) impacts of interest, taxes, and depreciation; (ii) our share-based compensation expense, unrealized gains/losses on securities, and, changes in the fair value of contingent consideration with respect to previously completed acquisitions, all of which

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are non-cash items that we believe are not reflective of our general business performance, and for which the accounting requires management judgment, and the resulting expenses could vary significantly in comparison to other companies; (iii) non-cash impairment losses related to long-lived assets (including goodwill); (iv) legal fees related to litigation and various transactions, which fees management does not believe are reflective of our ongoing operating activities; (v) gains and losses on disposal of assets, the majority of which are related to obsolete or unrepairable machines that

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are no longer deployed; and (vi) gains and losses related to discontinued operations that would not be applicable to our future business activities.

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

The Company's adjusted EBITDA measure may not be directly comparable to similar measures provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently. The Company's adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating income (loss) or any other measure of performance derived in accordance with GAAP. Although management utilizes internally and presents adjusted EBITDA, we only utilize that measure supplementally and do not consider it to be a substitute for, or superior to, the information provided by GAAP financial results.

Accordingly, adjusted EBITDA is not meant to be considered in isolation of, and should be read in conjunction with, the information contained in our [Consolidated Financial Statements](#), [consolidated financial statements](#), which have been prepared in accordance with GAAP.

The following is a reconciliation of our non-GAAP adjusted EBITDA to its most directly comparable GAAP measure (i.e., net income (loss)) for the periods indicated:

(\$ in thousands)	For the Three Months Ended December 31,		For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2023	2022	2024	2023	2024	2023
<b>Reconciliation of non-GAAP adjusted EBITDA</b>						
Net income (loss)	\$ 25,909	\$ (29,031)	\$ 126,735	\$ (18,460)	\$ 152,644	\$ (47,491)
Loss on discontinued operations	—	(1,457)	—	—	—	—
Loss (income) on discontinued operations	—	294	—	(1,163)	—	—
Impairment expense - other	396	—	396	—	—	—
Depreciation and amortization	29,847	19,329	32,187	21,346	62,034	40,675
Share-based compensation expense	9,953	5,878	9,797	5,743	19,750	11,621
Change in fair value of contingent consideration	—	(485)	—	—	—	(485)
Unrealized loss of derivative security	1,243	1,271	—	—	—	—
Unrealized loss (gain) of derivative security	949	(56)	2,192	1,215	—	—

Interest income	(586)	(70)	(2,684)	(52)	(3,270)	(122)
Interest expense	546	889	526	799	1,072	1,688
Loss on disposal of assets	677	—	1,652	3	2,329	3
Income tax expense	1,399	—	11,595	—	12,994	—
Other <sup>1</sup>	102	1,705				
Other <sup>(1)</sup>	676	3,104	778	4,809		
<b>Non-GAAP adjusted EBITDA*</b>	<b>\$ 69,090</b>	<b>\$ (1,971)</b>	<b>\$ 181,829</b>	<b>\$ 12,721</b>	<b>\$ 250,919</b>	<b>\$ 10,750</b>

\* We have not excluded our net gain on fair value ~~off of~~ bitcoin (~~\$36,041~~ ~~119,702~~ and ~~\$155,743~~ in the ~~quarter~~ ~~three and six months~~ ended ~~December 31, 2023~~, ~~March 31, 2024~~, respectively), which we now record in our ~~statement~~ Consolidated Statement of ~~operations~~ Operations and Comprehensive Income (Loss) as provided in ASC 350-60, as discussed elsewhere in this Form 10-Q.

<sup>1</sup> ~~Represents legal~~ ~~includes~~ fees ~~and expenses~~ related to litigation, ~~& settlement related expenses and settlements~~, financing & business development ~~transactions~~ ~~13~~ transactions.

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## Liquidity and Capital Resources

(\$ presented in 000's)

Our primary requirements for liquidity and capital are working capital, capital expenditures, public company costs and general corporate needs. We expect these needs to continue as we further develop and grow our business. Our principal sources of liquidity have been and are expected to be our cash and cash equivalents and bitcoin inventory.

As of ~~December 31, 2023~~ ~~March 31, 2024~~, we had total current assets of ~~\$181,705~~, ~~\$687,771~~, consisting of cash and cash equivalents, inventory, prepaid expenses and other current assets, bitcoin, investment in debt security and related derivative asset, current assets held for sale, and total assets in the amount of ~~\$862,731~~, ~~\$1,537,315~~. Our total current liabilities and total liabilities as of ~~December 31, 2023~~ ~~March 31, 2024~~ were ~~\$42,393~~ ~~\$55,026~~ and ~~\$52,170~~, ~~\$74,398~~, respectively. We had working capital of ~~\$139,312~~ ~~\$632,745~~ as of ~~December 31, 2023~~ ~~March 31, 2024~~. We sell the bitcoin we mine to fund operations and to fund capital expenditures. In addition, we have access to equity financing through our At-the-Market offering facility (see Note 12 - Stockholders' Equity and Note 17 - Subsequent Events to our consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q).

We believe our cash and cash equivalents on hand, together with cash we expect to generate from future operations, will be sufficient to meet our working capital and capital expenditure requirements for a period of at least twelve months from the date of this Quarterly Report on Form 10-Q. We are likely to require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may determine to engage in equity or debt financings. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. In particular, the ongoing impacts of inflation and rising interest rates, and the conflict between Russia and Ukraine have resulted in, and may continue to result in, significant disruption and volatility in the global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when or on the terms desired, our business, financial condition and results of operations could be adversely affected.

### Material Cash Requirements

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the ~~consolidated balance sheet~~ Consolidated Balance Sheets as of ~~December 31, 2023~~ ~~March 31, 2024~~, while others are considered future commitments. Our contractual obligations primarily consist of cancelable purchase commitments with various parties to purchase goods or services, primarily miners and equipment, entered into in the normal course of business and operating leases. For information regarding our other contractual obligations, refer to Note 15 - Commitments and Contingencies in this Quarterly Report on Form 10-Q for the period ended ~~December 31, 2023~~ ~~March 31, 2024~~, and Note 17 - Commitments and Contingencies included in our Annual Report on Form 10-K as filed with the SEC on December 1, 2023.

We regularly evaluate opportunities to expand our business, including through potential acquisitions of businesses or assets. We will evaluate a variety of sources of capital in connection with financing any future possible acquisitions, including the incurrence of debt, sales of stock or bitcoin, or using cash on hand. We may also use the Company's stock as transaction consideration, as we have done in the past.

### Operating Activities

Operating activities from continuing operations for the six months ended March 31, 2024 used \$39,626 \$82,525 in cash for the three months ended December 31, 2023, as compared primarily due to providing \$4,703 in net income of \$152,644, adjusted by adding non-cash adjustments to reconcile net income to net cash for the three months ended December 31, 2022. Our of depreciation and amortization of \$29,847, \$62,034, stock based compensation of \$9,953, \$19,750 and a decrease in prepaid and other current assets of \$9,010 were the main components of our operating cash inflow for the three months ended December 31, 2023, offset primarily by cash outflows for subtracting non-cash bitcoin mining revenues of \$73,786, net income of \$25,909, \$185,585 and a decrease in accounts payable and accrued liabilities of \$8,255. Our cash provided by operating activities during the three months ended December 31, 2022 was primarily driven by net loss for the period of \$29,031, proceeds from the sale of bitcoin of \$34,067, gain on change in fair value of bitcoin, net of \$83, \$155,743. Changes in operating assets and liabilities generating a net total of \$18,784 of cash.

Operating activities from continuing operations for the six months ended March 31, 2023 provided \$11,127 in cash primarily due to net loss of \$47,491, adjusted by adding non-cash adjustments to reconcile net income to net cash of depreciation and amortization of \$40,675, stock based compensation of \$5,878, depreciation \$11,621 and amortization subtracting non-cash bitcoin mining revenues of \$19,329, increase \$70,234. The Company also sold bitcoin that it held for a short period of time for net cash proceeds of \$76,203. Changes in accounts payable operating assets and accrued liabilities generated a total of \$3,265, partially offset by mining \$817 of bitcoin of \$27,746, realized gain on sale of bitcoin of \$517, and increase in prepaid expenses and other current assets of \$1,862, cash.

### Investing Activities

Investing activities from continuing operations used \$32,818 \$231,565 during the three six months ended December 31, 2023 March 31, 2024, as compared with using \$59,011 \$113,525 for the three six months ended December 31, 2022 March 31, 2023. Our payments on miner miners (including miner deposits) of \$48,858, \$208,850 and purchase of fixed assets of \$27,503, \$42,986 were the main components of our investing cash outflow for the three six months ended December 31, 2023 March 31, 2024. This was offset in part by cash proceeds received from the sale of bitcoin of \$43,035, \$43,103. Our payments on miner deposits of \$31,540, \$69,238, the acquisition of Mawson of \$22,518, and the purchase of fixed assets of \$4,953 \$21,769 were the main components of our investing cash outflow for the three six months ended December 31, 2022 March 31, 2023.

### Financing Activities

Cash flows generated from financing activities of continuing operations during the three six months ended December 31, 2023 March 31, 2024 amounted to \$92,095, \$608,343, when compared to \$32,971 \$89,069 for the three six months ended December 31, 2022 March 31, 2023. Our cash flows from financing activities for the three six months ended December 31, 2023 March 31, 2024 consisted primarily of proceeds from the underwritten offering of \$99,336 \$629,074 partially offset by payments on taxes on shares withheld for net settlement of restricted stock units of \$17,139 and payments on loans in the amount of \$3,467. Our cash flows from financing activities for the six months ended March 31, 2023 mainly consisted of proceeds from underwritten offerings of \$99,506 partially offset by payments on loans in the amount of \$1,701. Our cash flows from financing activities for the three months ended December 31, 2022 mainly consisted of proceeds from underwritten offerings of \$41,344 partially offset by payments on loans in the amount of \$8,430, \$10,433.

### Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses. We evaluate our estimates and assumptions on an ongoing basis and base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for the judgments we make about the carrying value of assets and liabilities that are not readily apparent from other sources. Because these estimates can vary depending on the situation, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and statement of cash flows.

There have been no material changes to our critical accounting policies and estimates as compared to those disclosed in our Form 10-K. For a description of our critical accounting policies and estimates, see Part I, Item 1, Note 2, "Summary of Significant Accounting Policies" in our notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

### Recent Accounting Pronouncements

Please refer to Note 2 in our unaudited consolidated financial statements contained elsewhere in this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Quarterly Report on Form 10-Q.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about the Company's market risk exposures involves forward-looking statements. Actual results could differ materially from those discussed in the forward-looking statements.

**Market Price Risk of Bitcoin.** The Company holds a significant amount of bitcoin; therefore, it is exposed to the impact of market price changes in bitcoin on its bitcoin holdings. This exposure would generally manifest itself in the following areas:

- The Company accounts for its bitcoin holdings as indefinite lived intangible assets at fair value and records impairment charges whenever changes in fair value through the carrying value of bitcoin holdings on the balance sheet exceeds their fair market value. Subsequent recovery of bitcoin prices would not impact the carrying value of bitcoin on the balance sheet, as recovery of previously recorded impairment charges are not allowed under current U.S. GAAP periods being reported.
- Declines in the fair market value of bitcoin will impact the cash value that would be realized if the Company were to sell its bitcoin for cash, therefore having a net impact on its liquidity.

At December 31, 2023 March 31, 2024, the Company held approximately 3,002,502,1 bitcoins and the fair value of a single bitcoin was approximately \$42,290, \$71,300, meaning that the fair value of its bitcoin holdings on that date was approximately \$127 million \$358 million. A 10% increase or decrease in the fair value of bitcoin as of March 31, 2024, would have increased or decreased the total cash value that could be realized if the Company were to sell its bitcoin for cash by approximately \$35.8 million.

### Item 4. Controls and Procedures

#### Limitation on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2023 March 31, 2024, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

#### Material Weakness and Remediation Plan

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in

management management's assessment:



- Information and Technology Controls: Certain individual control deficiencies related to information technology ("IT") general controls and report reviews aggregate into material weakness, as follows:
  - o Controls were not fully documented responding to all of the Complementary User Entity Controls forwarded through Software as a Service (SaaS) vendor audit reports in the design and implementation of suggested controls.
  - o There were not always appropriate IT controls related to information produced by the entity (IPE), including spreadsheets, that are relevant to the preparation consolidated financial statements.

This material weakness did not result in any identified material misstatements to the financial statements, and there were no changes to previously released financial results. Based on this material weakness, management concluded that at **December 31, 2023** **March 31, 2024**, internal control over financial reporting was not effective.

Our independent registered public accounting firm, MaloneBailey, LLP, has issued an adverse audit report on the effectiveness of internal control over financial reporting as of September 30, 2023, which **appears begins** on page **F-2 F-1** in our Annual Report on Form 10-K filed on December 1, 2023.

#### Remediation

The Company's Board of Directors and management take internal control over financial reporting and the integrity of its financial statements seriously. Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include the following:

- establish more specific controls to respond to Complementary User Entity Controls forwarded through SaaS vendor audit reports in the design and implementation of suggested controls;
- expand the management and governance over IT system controls, including the creation of a Systems Analyst position and hiring to fill this position;
- establish more specific controls to gain additional comfort over the completeness and accuracy of IPE, including data used in spreadsheets used in the preparation of consolidated financial statements; and
- implement enhanced process controls around internal user access management including provisioning, removal, and periodic review.

We believe that these actions will remediate the material weakness, once management has performed its assessment of our internal controls over financial reporting including the remedial measures described above. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be fully completed prior to the end of fiscal year 2024.

#### Changes in Internal Control over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended **December 31, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION



## Item 1. Legal Proceedings

We are from time to time subject to various claims, lawsuits, and other legal and administrative proceedings arising in the ordinary course of business. See Note 15 - Commitments and Contingencies to our consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" section contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, together with the cautionary statement under the caption "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q. These described risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

None. During the three months ended March 31, 2024, we issued 42,777 shares of common stock in connection with a cashless exercise of 65,000 shares of warrants. The shares were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering.

## Item 3. Defaults upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

On December 21, 2023, S. Matthew Schultz modified, our or Executive Chairman terminated, entered into a trading arrangement any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) 10b5-1(c) under the Exchange Act ("Rule 10b5-1(c)"), authorizing (i) the sale or any "non-Rule 10b5-1 arrangement" as defined in Item 408(c) of shares of our common stock solely to satisfy the tax withholding obligations of the Company arising from the vesting of restricted stock units previously granted to Mr. Schultz under the CleanSpark, Inc. 2017 Incentive Plan (the "Plan") (which will remain active until December 21, 2024 and (ii) the potential sale of up to 1,286,000 shares of our common stock so long as the market price of our common stock is higher than certain minimum threshold prices specified in the arrangement (which will remain active from March 27, 2024 until October 11, 2024). Regulation S-K.

On December 22, 2023, Zachary Bradford, our Chief Executive Officer and President, entered into a trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c), authorizing (i) the sale of shares of our common stock solely to satisfy the tax withholding obligations of the Company arising from the vesting of restricted stock units previously granted to Mr. Bradford under the Plan (which will remain active until September 12, 2025 and (ii) the potential sale of up to 1,464,000 shares of our common stock so long as the market price of our common stock is higher than certain minimum threshold prices specified (which will remain active from March 21, 2024 until November 11, 2024).

On December 21, 2023, Gary A. Vecchiarelli, our Chief Financial Officer, entered into a trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c), authorizing the sale of shares of our common stock solely to satisfy the tax withholding obligations of the Company arising from the vesting of restricted stock units previously granted to Mr. Vecchiarelli under the Plan. The trading arrangement will be active from March 22, 2024 until December 21, 2024.

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## Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Conformed Copy of Amended and Restated Articles of Incorporation of CleanSpark, Inc., as amended through March 8, 2023</a>	S-8	333-39187	4.1	4/6/2023	
3.2	<a href="#">First Amended and Restated Bylaws of CleanSpark, Inc., dated September 17, 2021</a>	8-K	001-39187	3.2	9/17/2021	
10.1	<a href="#">Future Sales and Purchase Agreement entered into by and between the CleanSpark, Inc. and BITMAIN TECHNOLOGIES DELAWARE LIMITED on October 6, 2023</a>	8-K	001-39187	10.1	10/11/2023	
10.2	<a href="#">Amendment, dated October 24, 2023, to Employment Agreement, by and between CleanSpark, Inc. and Zachary K. Bradford</a>	8-K	001-39187	10.1	10/27/2023	
10.3	<a href="#">Amendment, dated October 24, 2023, to Employment Agreement, by and between CleanSpark, Inc. and S. Matthew Schultz</a>	8-K	001-39187	10.2	10/27/2023	
10.4	<a href="#">Amendment, dated October 24, 2023, to Employment Agreement, by and between CleanSpark, Inc. and Gary Vecchiarelli</a>	8-K	001-39187	10.3	10/27/2023	
10.5	<a href="#">At the Market Offering Agreement, dated January 5, 2024, between CleanSpark, Inc. and H.C. Wainwright &amp; Co., LLC</a>	S-3ASR	333-276409	1.2	01/05/2024	
10.6	<a href="#">Future Sales and Purchase Agreement entered into by and between the CleanSpark, Inc. and Bitmain Technologies Delaware Limited on January 6, 2024</a>	8-K	001-39187	10.1	01/08/2024	
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)</a>					*
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)</a>					*
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>					**
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>					**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Conformed Copy of Amended and Restated Articles of Incorporation of CleanSpark, Inc., as amended through March 8, 2023</a>	S-8	333-271178	4.1	04/06/2023	
3.2	<a href="#">First Amended and Restated Bylaws of CleanSpark, Inc., dated September 17, 2021</a>	8-K	001-39187	3.2	09/17/2021	
10.1	<a href="#">At the Market Offering Agreement, dated January 5, 2024, between CleanSpark, Inc. and H.C. Wainwright &amp; Co., LLC</a>	S-3ASR	333-276409	1.2	01/05/2024	
10.2	<a href="#">Future Sales and Purchase Agreement entered into by and between CleanSpark, Inc. and Bitmain Technologies Delaware Limited on January 6, 2024</a>	8-K	001-39187	10.1	01/08/2024	
10.3	<a href="#">Membership Interest Purchase Agreement, dated February 2, 2024 by and between CSRE Properties Dalton, LLC and Eyas Investment Group Limited</a>	8-K	001-39187	10.1	02/06/2024	
10.4	<a href="#">Purchase and Sale Agreement, dated February 2, 2024 by and between CSRE Properties Dalton, LLC and Makerstar Capital, Inc.</a>	8-K	001-39187	10.2	02/06/2024	
10.5	<a href="#">Construction Management Services Agreement, dated February 2, 2024 by and between CSRE Properties Dalton, LLC and Makerstar Capital, Inc.</a>	8-K	001-39187	10.3	02/06/2024	

10.6	<a href="#">Purchase and Sale Agreement with MIPA Exhibit, dated February 5, 2024 by and between CSRE Properties Mississippi, LLC and Makerstar Capital, Inc.</a>	8-K	001-39187	10.4	02/06/2024
10.7	<a href="#">Amendment No. 1 to the At the Market Offering Agreement, dated March 28, 2024, between CleanSpark, Inc. and H.C. Wainwright &amp; Co., LLC</a>	8-K	001-39187	1.1	03/28/2024
10.8	<a href="#">Option Exercise Notice from CleanSpark, Inc. to Bitmain Technologies Delaware Limited on April 9, 2024</a>	8-K	001-39187	10.2	04/12/2024
10.9	<a href="#">Supplemental Agreement entered into by and between CleanSpark, Inc. and Bitmain Technologies Delaware Limited on April 11, 2024</a>	8-K	001-39187	10.1	04/12/2024

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31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)</a>	*
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)</a>	*
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>	**
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>	**
101 INS	Inline 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	Inline XBRL Taxonomy Extension Schema with embedded linkbases Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
*	Filed herewith.	
**	Furnished herewith.	

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#### 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 thereunto duly authorized.

Date: February 8, 2024 May 9, 2024

By: /s/ Zachary K. Bradford

Zachary K. Bradford

Title: Chief Executive Officer

(Principal Executive Officer)

Date: February 8, 2024 May 9, 2024

By: /s/ Gary A. Vecchiarelli

Gary A. Vecchiarelli

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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Exhibit 31.1

#### CERTIFICATION

I, Zachary K. Bradford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2023 March 31, 2024 of CleanSpark, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2024 May 9, 2024

By: /s/ Zachary K. Bradford

Zachary K. Bradford

Chief Executive Officer

Exhibit 31.2

## CERTIFICATION

I, Gary A Vecchiarelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended **December 31, 2023** **March 31, 2024** of CleanSpark, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **February 8, 2024** **May 9, 2024**

By: /s/ Gary A. Vecchiarelli

**Gary A. Vecchiarelli**  
**Chief Financial Officer**

**Exhibit 32.1**

### **CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 CleanSpark, Inc. (the "Company") on Form 10-Q for the quarterly period ended **December 31, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zachary K. Bradford, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (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: **February 8, 2024** **May 9, 2024**

By: /s/ Zachary K. Bradford

**Zachary K. Bradford**  
**Chief Executive Officer**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER 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 CleanSpark, Inc. (the "Company") on Form 10-Q for the quarterly period ending December 31, 2023 ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary A. Vecchiarelli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (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: February 8, 2024 May 9, 2024

By: /s/ Gary A. Vecchiarelli

**Gary A. Vecchiarelli**  
Chief Financial Officer

#### DISCLAIMER

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