

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 31, 2024**
 Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number: **001-39187**

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

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 Redeemable warrants, each exercisable for 0.069593885 shares of common stock at an exercise price of \$165.24 per whole share	CLSK	The Nasdaq Stock Market LLC
	CLSKW	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. 280,807,606 shares as of February 4, 2025.

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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 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 subject 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;
- our ability to repay our convertible senior notes upon their maturity, unless earlier converted, redeemed or repurchased in accordance with their terms;
- bitcoin halving;
- our ability to execute on our business strategy;
- our ability to remediate the material weaknesses identified in our internal control over financial reporting included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024;
- 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 bitcoin holdings; and

•other risks described in our prior press releases and in our filings with the Securities and Exchange Commission (the “SEC”), including under the headings “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024, 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. 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.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

Condensed Consolidated Balance Sheets as of December 31, 2024 (unaudited) and September 30, 2024;	F-1
Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended December 31, 2024 and 2023 (unaudited);	F-3
Condensed Consolidated Statements of Stockholders' Equity for the three months ended December 31, 2024 and 2023 (unaudited);	F-5
Condensed Consolidated Statements of Cash Flow for the three months ended December 31, 2024 and 2023 (unaudited); and	F-7
Notes to Condensed Consolidated Financial Statements (unaudited).	F-9

This Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2024, filed with the SEC on December 3, 2024.

The accompanying condensed 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's 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, 2024 are not necessarily indicative of the results that can be expected for the full fiscal year.

CLEANSPARK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and share amounts)

	December 31, 2024 (Unaudited)	September 30, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 276,599	\$ 121,222
Restricted cash	3,408	3,056
Prepaid expense and other current assets	10,732	7,995
Bitcoin (see Note 4)	929,080	431,661
Receivable from bitcoin collateral (See Note 9)	—	77,827
Note receivable from GRIID (see Note 5)	—	60,919
Derivative investments	4,496	1,832
Investment in debt security, AFS, at fair value	950	918
Total current assets	\$ 1,225,265	\$ 705,430
Property and equipment, net	\$ 1,256,000	\$ 869,693
Operating lease right of use assets	4,293	3,263
Intangible assets, net	5,945	3,040
Deposits on miners and mining equipment	126,867	359,862
Other long-term assets	25,671	13,331
Goodwill	135,251	8,043
Total assets	<u>\$ 2,779,292</u>	<u>\$ 1,962,662</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 27,622	\$ 82,992
Accrued liabilities	51,006	43,874
Other current liabilities	5,693	2,240
Current portion of loans payable	7,215	58,781
Dividends payable	5,141	—
Total current liabilities	\$ 96,677	\$ 187,887
Long-term liabilities		
Loans payable, net of current portion, debt discount and debt issuance costs	641,433	7,176
Deferred income taxes	14,978	5,761
Other long-term liabilities	4,618	997
Total liabilities	<u>\$ 757,706</u>	<u>\$ 201,821</u>

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except par value and share amounts)

Stockholders' equity

Preferred stock; \$0.001 par value; 10,000,000 shares authorized;		
Series A shares; 2,000,000 authorized; 1,750,000 issued and outstanding (liquidation preference \$0.02 per share)		
Series X shares; 0 and 1,000,000 authorized, issued and outstanding, respectively	2	3
Common stock; \$0.001 par value; 600,000,000 and 300,000,000 shares authorized; 292,566,230 and 270,897,784 shares issued; 280,806,295 and 270,897,784 shares outstanding, respectively	293	271
Additional paid-in capital	2,403,409	2,239,367
Accumulated other comprehensive income	450	418
Accumulated deficit	(237,568)	(479,218)
Treasury stock at cost; 11,759,935 and 0 shares held, respectively	(145,000)	—
Total stockholders' equity	2,021,586	1,760,841
Total liabilities and stockholders' equity	\$ 2,779,292	\$ 1,962,662

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Uaudited, in thousands, except per share and share amounts)

	For the three months ended	
	December 31, 2024	December 31, 2023
Revenues, net		
Bitcoin mining revenue, net	\$ 162,306	\$ 73,786
Costs and expenses		
Cost of revenues (exclusive of depreciation and amortization shown below)	70,290	28,896
Professional fees	3,885	1,572
Payroll expenses	20,869	15,321
General and administrative expenses	10,054	5,003
(Gain) loss on disposal of assets	(791)	677
Gain on fair value of bitcoin (see Note 2 and Note 4)	(218,206)	(36,041)
Depreciation and amortization	66,229	29,847
Total costs and expenses	\$ (47,670)	\$ 45,275
Income from operations		28,511
Other income (expense)		
Gain on bitcoin collateral	42,493	—
Gain (loss) on derivative securities	3,622	(1,243)
Interest income	1,476	586
Interest expense	(1,559)	(546)
Total other income (expense)	\$ 46,032	\$ (1,203)
Income before income tax expense		27,308
Income tax expense	9,217	1,399
Net income	\$ 246,791	\$ 25,909
Preferred stock dividends	5,141	579
Net income attributable to common shareholders	\$ 241,650	\$ 25,330
Other comprehensive income	32	29
Total comprehensive income attributable to common shareholders	\$ 241,682	\$ 25,359

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Continued)
(Uaudited, in thousands, except per share and share amounts)

	For the three months ended December 31, 2024	December 31, 2023
Income from operations per common share - basic	\$ 0.85	\$ 0.14
Weighted average common shares outstanding - basic	<u>284,549,900</u>	<u>178,809,264</u>
Income from operations per common share - diluted	\$ 0.83	\$ 0.14
Weighted average common shares outstanding - diluted	<u>291,887,140</u>	<u>180,783,535</u>

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands, except share amounts)

Three months ended December 31, 2024

							Accumulated Other Comprehensive Income			Total Stockholders' Equity	
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit				
	Shares	Amount	Shares	Amount							
Balance, September 30, 2024	2,750,000	0	\$ 3	270,897,784	\$ 1	27	\$ 67	\$ 418	\$ (479,218)	\$ 41	
Options and restricted stock units issued for services	—	—	—	—	—	3,021	—	—	—	3,021	
Shares issued for business acquisition	—	—	5,031,221	5	—	60,672	—	—	—	60,677	
Warrants issued for business acquisition	—	—	—	—	—	3,798	—	—	—	3,798	
Purchase of capped call	—	—	—	—	—	(90,350)	—	—	—	(90,350)	
Exercise of options	—	—	17,864	—	—	110	—	—	—	110	
Shares issued under equity offering, net of offering costs	—	—	16,619,361	17	—	186,791	—	—	—	186,808	
Preferred stock dividends	—	—	—	—	—	—	—	(5,141)	(5,141)		
Preferred stock series X redemption	(1,000,000)	(1)	—	—	—	—	—	—	—	(1)	
Purchase of treasury stock	—	—	—	—	(145,000)	—	—	—	—	(145,000)	
Net income	—	—	—	—	0	—	—	246,791	246,791		
Other comprehensive income	—	—	—	—	—	—	32	—	—	32	
Balance, December 31, 2024	1,750,000	0	\$ 2	292,566,230	\$ 3	29	\$ 09	\$ 450	\$ (237,568)	\$ 86	

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(Uaudited, in thousands, except share amounts)

Three months ended December 31, 2023

	Preferred Stock Shares	Stock Amou nt	Common Stock Shares	Common Stock Amou nt	Additional Paid-in Capital	Accumulated Other Comprehens ive Income	Accumulated Deficit	Total Stockholde rs' Equity
Balance, September 30, 2023	1,750,000	\$ 2	160,184,92	1	\$ 160	\$ 82	\$ 226	\$ (334,202)
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
Shares withheld for net settlement of restricted stock units related to tax withholdings	—	—	(553,390)	(1)	(5,532)	—	—	(5,533)
Exercise of options and warrants	—	—	6,096	—	36	—	—	36
Shares issued under equity offering, net of offering costs	—	—	24,475,832	25	99,311	—	—	99,336
Preferred stock dividends	—	—	—	—	—	—	(579)	(579)
Net income	—	—	—	—	—	—	25,909	25,909
Other comprehensive income	—	—	—	—	—	29	—	29
Balance, December 31, 2023	1,750,000	\$ 2	185,554,61	1	\$ 186	\$ 48	\$ 255	\$ (304,689)
								\$ 809,002

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited, in thousands)

	Three Months Ended December 31, 2024	December 31, 2023
Cash Flows from Operating Activities		
Net income	\$ 246,791	\$ 25,909
Adjustments to reconcile net income to net cash used in operating activities:		
Bitcoin mining revenue, net	(162,306)	(73,786)
Gain on fair value of bitcoin (see Note 2 and Note 4)	(218,206)	(36,041)
Bitcoin issued for services	414	265
(Gain) loss on derivative securities	(3,622)	1,243
Gain on bitcoin collateral	(42,493)	—
Stock based compensation	3,021	9,953
Depreciation and amortization	66,229	29,847
Deferred income taxes, net	9,217	1,399
(Gain) loss on disposal of assets	(791)	677
Other	373	121
Changes in operating assets and liabilities		
Decrease in operating lease liabilities	(148)	(50)
Decrease in accounts payable and accrued liabilities	(4,654)	(6,315)
Increase in prepaid expenses and other current assets	(800)	(498)
Increase in other long-term assets	(12,477)	—
Net cash used in operating activities - Continuing Operations	\$ (119,452)	\$ (47,276)
Net cash used in operating activities of Discontinued Operations	—	(408)
Net cash used in operating activities	\$ (119,452)	\$ (47,684)
Cash Flows from Investing Activities		
Payments on miners and mining equipment (including deposits)	\$ (222,028)	\$ (48,858)
Purchase of fixed assets	(57,359)	(27,503)
Proceeds from sale of bitcoin	—	43,035
Acquisition of GRIID Infrastructure	1,411	—
Asset acquisition - Tennessee Locations	(8,105)	—
Proceeds from sale of miners	30,134	508
Net cash used in investing activities - Continuing Operations	\$ (255,947)	\$ (32,818)
Net cash used in investing activities	\$ (255,947)	\$ (32,818)

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

CLEANSPARK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Continued)
(Unaudited, in thousands)

	Three Months Ended December 31, 2024	December 31, 2023
Cash Flows from Financing Activities		
Purchase of treasury stock	\$ (145,000)	\$ —
Payments for capped call	(90,350)	—
Payments on loans	(52,158)	(1,701)
Payments of loan issuance costs	(2,007)	—
Payments on finance leases	(26)	(43)
Proceeds from loans payable, net of issuance fees	635,695	—
Payments of taxes on shares withheld for net settlement of restricted stock units	(1,943)	(7,473)
Proceeds from exercise of options and warrants	110	36
Proceeds from equity offerings, net	186,807	108,926
Net cash provided by financing activities - Continuing Operations	\$ 531,128	\$ 99,745
Net cash provided by financing activities	\$ 531,128	\$ 99,745
 Net increase in cash, cash equivalents and restricted cash	 \$ 155,729	 \$ 19,243
 Cash, cash equivalents and restricted cash, beginning of period	 \$ 124,278	 \$ 29,215
 Cash and cash equivalents, and restricted cash, end of period	 \$ 280,007	 \$ 48,458
 Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,399	\$ 519
 Non-cash investing and financing transactions		
Fixed asset and miner purchases accrued not paid	\$ 3,335	\$ 3,462
Fixed assets purchased through finance transactions	\$ 1,000	\$ 240
Software purchased with bitcoin	\$ 4,000	\$ —
Preferred shares dividends accrued	\$ 5,141	\$ 579
Unrealized gain on investment in available-for-sale debt security	\$ 32	\$ 29
Bitcoin transferred to collateral account	\$ 8,860	\$ —
Bitcoin transferred from collateral account	\$ 129,180	\$ —
Shares issued in connection with GRIID Acquisition	\$ 60,677	\$ —
Change in accounting principle	\$ —	\$ 4,183
 Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 276,599	\$ 46,742
Restricted cash	3,408	1,716
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 280,007	\$ 48,458

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

CLEANSPARK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, \$ in thousands, except share, per share and per bitcoin amounts)

1. ORGANIZATION

CleanSpark, Inc. (the "Company") is a bitcoin mining company. The Company independently owns and operates eleven data centers in Georgia, five data centers in Mississippi, twelve data centers in Tennessee and one active data center, with another under development, in Wyoming as of December 31, 2024.

The Company had bitcoin miners hosted in New York under a hosting agreement which expired on January 1, 2025; the Company has a short-term arrangement to continue operating in New York until all its miners are removed from the site approximately by the end of March 2025. The Company does not currently host miners for any other companies. The Company designs its infrastructure to responsibly secure and support the bitcoin network, the world's most recognized digital commodity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. The unaudited condensed consolidated interim financial statements 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, 2024, filed with the SEC on December 3, 2024 (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 fiscal year.

The accompanying unaudited condensed consolidated financial statements include the accounts of CleanSpark, Inc., and the Company's wholly owned subsidiaries. All intercompany transactions have been eliminated upon consolidation of these entities. The Company has a sole reportable segment which is the bitcoin mining segment.

There were no changes to the Company's most significant estimates and assumptions, significant accounting policies, or recent accounting pronouncements that were disclosed in *Note 2. Summary of Significant Accounting Policies* included in the Form 10-K other than as discussed below.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. This includes the grouping of certain balance sheet and statement of cash flow items into new or revised categories to improve clarity and consistency with current-year classifications.

Recently Issued Accounting Pronouncements

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

- (1) meet the definition of intangible assets as defined in the Codification;
- (2) do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets;
- (3) are created or reside on a distributed ledger based on blockchain or similar technology;
- (4) are secured through cryptography;
- (5) are 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 crypto assets.

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 consolidated 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 accumulated deficit as of October 1, 2023. The tax effect of the adjustment to record the adoption of ASU 2023-08 was to both decrease the deferred tax asset related to cumulative losses from the fair value adjustments of bitcoin held by the company and decrease the valuation allowance for gross deferred tax assets by the same amount as the adjustment to record the adoption of the ASU.

In March 2024, the FASB issued ASU 2024-01, *Scope Application of Profits Interest and Similar Awards* ("ASU 2024-01"), which clarifies how an entity determines whether a profits interest or similar award is (1) within the scope of Accounting Standards Codification ("ASC") 718 - *Compensation - Stock Compensation* 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 evaluated and concluded that there is no impact this new guidance will have on its financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires public business entities to provide additional disclosures in the notes to financial statements, disaggregating specific expense categories within relevant income statement captions. The prescribed categories include purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depreciation, depletion, and amortization related to oil-and-gas producing activities. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its financial statement disclosures.

In November 2024, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2024-04, *Debt—Debt with Conversion and Other Options: Induced Conversions of Convertible Debt Instruments* ("ASU 2024-04"), which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion or extinguishments of convertible debt. ASU 2024-04 is effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements and related disclosures.

Stock Warrants

The Company accounts for stock warrants as either equity instruments, liabilities or derivative liabilities in accordance with FASB ASC 480, Distinguishing Liabilities from Equity and/or FASB ASC 815, Derivatives and Hedging, depending on the specific terms of the agreement. Liability-classified warrants are recorded at their estimated fair values at each reporting period until they are exercised, terminated, reclassified or otherwise settled. Changes in the estimated fair value of liability-classified warrants are included in interest and other income in the Company's condensed consolidated statements of operations.

Convertible Debt

The Company accounts for its convertible senior notes under FASB ASC 470-20—Debt with Conversion and Other Options and Derivatives and Hedging—Contracts in Entity's Own Equity and/or FASB ASC 815, Derivatives and Hedging, depending on the specific terms of the debt agreement. The Company records the convertible senior notes as a long-term liability at face value net of debt issuance costs. If any of the conditions to the convertibility of the convertible senior notes are satisfied, or the convertible senior notes become due within one year, then the Company may be required under applicable accounting standards to reclassify the carrying value of the convertible senior notes as a current, rather than a long-term liability.

Debt issuance costs related to the convertible senior notes were capitalized and recorded as a contra-liability and are presented net against the balance of the convertible senior notes on the condensed consolidated balance sheets. Debt issuance costs consist of underwriting, legal and other direct costs related to the issuance of the convertible senior notes and are amortized to interest expense over the term of the convertible senior notes using the straight-line method which approximated the effective interest method.

Capped Call

Capped call transactions cover the aggregate number of shares of the Company's common stock that will initially underlie the convertible senior notes. The Company accounts for capped calls as either equity instruments, liabilities or derivative liabilities in accordance with FASB ASC 480, Distinguishing Liabilities from Equity and/or FASB ASC 815, Derivatives and Hedging, depending on the specific terms of the agreement. Equity-classified capped calls, are not remeasured each reporting period and are recorded as a reduction to additional paid-in-capital within shareholders' equity when purchased.

Stock Compensation

The Company measures 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 established the 2025 Long Term Incentive Plan in October 2024 (see Note 13 – Stock-based compensation). In accordance with ASC 718 - Compensation - Stock Compensation, no stock-based compensation expense has been recognized for awards under the 2025 Long Term Incentive Plan because a mutual understanding of the awards' key terms and conditions has not been determined and communicated to the grantees.

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 reflects the potential dilution of securities that could share in the earnings of an entity. The calculation of diluted net income per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive.

Common stock issuable upon the exercises of outstanding stock options, vesting of restricted stock and warrants are computed using the treasury method. Potential shares of common stock issuable upon conversion of the convertible notes and Series A preferred stock are computed using the if-converted method.

Provided below is the income per share calculation for the three months ended December 31, 2024 and 2023:

(\$ in thousands, except share and per share amounts)	For the Three Months Ended December 31,	
	2024	2023
Numerator		
Net income attributable to common shareholders - Basic	\$ 241,650	\$ 25,330
Non-cash interest expense on convertible notes	119	—
Net income attributable to common shareholders - Dilutive	241,769	25,330
Denominator		
Weighted-average common shares outstanding - Basic	284,549,900	178,809,264
Dilutive impact of stock options and other share-based awards	652,120	1,974,271
Dilutive impact of convertible notes	6,685,121	—
Weighted-average common shares outstanding - Dilutive	291,887,141	180,783,535
(Loss) income per common share attributable to common shareholders		
Basic	\$ 0.85	\$ 0.14
Diluted	\$ 0.83	\$ 0.14

Fair Value Measurement of Financial Instruments, Derivative Assets 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:

- 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 in the circumstances. Due to the use of significant unobservable inputs, a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

The carrying value of cash, accounts payable, accrued expenses and short-term portion of loan payable are level 1 and approximate their fair values because of the short-term nature of the instruments. The carrying amount of the Company's long-term interest bearing portion of loan payable is also stated at fair value since the stated rate of interest approximates market rates available to the Company for a similar duration. Given that the debt was issued Management believes the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of warrants (see Note 12 - Stock Warrants) was determined based on Black Scholes option-pricing model using Level 2 inputs.

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, 2024 and September 30, 2024:

December 31, 2024

	(\$ in thousands)	Amount	Level 1	Level 2	Level 3
Cash equivalents ⁽¹⁾	\$ 275,894	\$ 275,894	\$ 275,894	\$ —	\$ —
Bitcoin	929,080	929,080	—	—	—
ILAL derivative asset	4,445	—	—	—	4,445
Investment in debt security	950	—	—	—	950
Interest rate swap derivative	51	—	—	51	—
Warrant liabilities	1,441	—	—	1,441	—
Total	\$ 1,211,861	\$ 1,204,974	\$ 1,492	\$ 5,395	

September 30, 2024

	(\$ in thousands)	Amount	Level 1	Level 2	Level 3
Cash equivalents ⁽¹⁾	\$ 120,638	\$ 120,638	\$ 120,638	\$ —	\$ —
Receivable from bitcoin collateral ⁽²⁾	77,827	—	—	77,827	—
Bitcoin	431,661	431,661	—	—	—
ILAL derivative asset	1,832	—	—	—	1,832
Investment in debt security	918	—	—	—	918
Interest rate swap derivative	(100)	—	—	(100)	—
Total	\$ 632,776	\$ 552,299	\$ 77,727	\$ 2,750	

⁽¹⁾ Represents money market funds.

⁽²⁾ See Note 9 - Loans for more information.

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

The activities of the financial instruments that were measured and recorded at fair value on the Company's balance sheets on a recurring basis during the three months ended December 31, 2024 and year ended September 30, 2024 and are described in Note 6 - Investments and Derivatives.

3. ACQUISITIONS

Business Combination

GRIID Infrastructure Inc.

On October 30, 2024 (the "Effective Time"), the Company completed the acquisition of GRIID Infrastructure Inc., a Delaware corporation ("GRIID"), and Tron Merger Sub, Inc. ("Merger Sub"), a Delaware corporation and a wholly owned subsidiary of the Company (the event collectively known as the "GRIID Acquisition" or the "Merger"). The Agreement and Plan of Merger (the "GRIID Agreement") entered into on June 26, 2024, provided that, among other things and subject to the terms and conditions of the GRIID Agreement, (1) the Merger Sub will be merged with and into GRIID (the "Sub Merger"), with GRIID surviving and continuing as the surviving corporation in the Sub Merger, and, (2) at the Effective Time of the Sub Merger, holders of each outstanding share of common stock, par value \$0.0001 per share, of GRIID ("GRIID Common Stock") would receive, in exchange for each share of GRIID Common Stock held immediately prior to the Merger (other than certain excluded shares), that number of shares of common stock, par value \$0.001 per share, of the Company's common stock ("Company Common Stock") equal to the quotient obtained by dividing the Aggregate Merger Consideration (as defined in the GRIID Agreement) by the total number of shares of GRIID Common Stock issued and outstanding as of the closing date of the Merger (the "Exchange Ratio").

Upon closing, the Company issued 5,031,221 shares of Company Common Stock on October 30, 2024 with a \$12.06 per common share for a total value of \$60,677. Pursuant to the GRIID Agreement, the Exchange Ratio determined the total number of shares issued, which includes the conversion of most GRIID restricted stock units and GRIID options into Company Common Stock. Options that had an exercise price per share of GRIID Common Stock that was equal to or greater than the Merger Consideration Value were canceled for no consideration.

GRIID warrants outstanding and unexercised immediately prior to the Effective Time were automatically converted into warrants to purchase an aggregate of 960,395 shares of Company Common Stock, at an exercise price of \$165.24

per share of Company Common Stock (the "Public Warrants"), and GRIID's private warrants were converted or assumed. Pursuant to the GRIID Agreement, three types of warrants were issued: (1) Public Warrants, which were classed as equity warrants, (2) private warrants classed as liability warrants (the "Private Warrants"), and (3) warrants related to an agreement with GEM Yield Bahamas Limited (the "GEM Warrants"), which agreement had been established in a previous acquisition and also classed as liability warrants (both subject to quarterly assessment). The private warrants and GEM Warrants are classed as liability warrants. The total number of warrants issued was 22,803,726, with a total value of \$6,097 as part of consideration transferred.

Concurrent with the GRIID Agreement, the Company and GRIID entered into a senior secured term loan credit agreement (the "GRIID Credit Agreement") and a co-location mining service agreement (the "Hosting Agreement") on June 26, 2024. See Note 5 - Note Receivable for more information on the GRIID Credit Agreement. Pursuant to the Hosting Agreement, GRIID hosted certain of the Company's bitcoin mining equipment at GRIID facilities for a fee defined in the Hosting Agreement. The Hosting Agreement had an initial service term of one year with seven additional renewal terms, each for six months.

As of October 30, 2024, the Company consolidated the activities of GRIID including the GRIID Credit Agreement and balances of receivables and payables under the Hosting Agreement, which effectively settled and is considered as additional purchase consideration and eliminates on the condensed consolidated balance sheets.

The GRIID Acquisition enhances the Company's bitcoin mining capacity, particularly in Tennessee, where it plans to expand in the coming years. The GRIID Merger also broadens the Company's operational footprint within the Tennessee Valley Authority service territory, offering greater geographic and power supply diversification. Goodwill recognized related to the preliminary purchase price represents the future economic benefits arising from planned operational synergies, expanded geographic space, operational facilities and data centers, and a bitcoin mining workforce. The results of GRIID have been included in the condensed consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company's sole reportable segment, which is the bitcoin mining segment. Goodwill is not deductible for income tax purposes. No deferred tax assets or liabilities are expected in relation to this amount.

On October 30, 2024, CleanSpark completed the GRIID Acquisition for a total preliminary purchase consideration of \$128,247, which is comprised of the following:

(\$ in thousands, except price per share)	GRIID
Shares of CleanSpark common stock issued	5,031
Closing price per share of CleanSpark common stock on October 30, 2024	\$ 12.06
Fair value of CleanSpark common share issued as a portion of purchase price	\$ 60,677
Fair value of CleanSpark warrants issued as a portion of purchase price	6,097
Fair value of equity portion of purchase price	\$ 66,774
Cash consideration	1
Settlement of amounts payable by Company to GRIID under Hosting Agreement	(1,164)
Settlement of the GRIID Credit Agreement as a portion of purchase price	62,636
Settlement of preexisting relationship, including interest, as a portion of purchase price	\$ 61,472
Preliminary purchase price	\$ 128,247

The amounts in the table below represent the preliminary allocation of the purchase price to the acquired assets and liabilities assumed based on their preliminary respective estimated fair values on the date of acquisition. Certain of the amounts are subject to revision during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date.

Adjustments to the provisional values, which may include other long-term assets, deferred taxes, income tax payables, and other estimates, during the measurement period will be recorded in the reporting period in which the adjustment amounts are determined. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill.

The excess purchase price over the net assets acquired has been recorded as goodwill. The preliminary net assets acquired as of the acquisition date are presented as follows:

(\$ in thousands)	Allocation as of October 30, 2024	
Tangible assets		
Cash and cash equivalents	\$ 1,089	
Restricted cash	323	
Accounts receivable	172	
Prepaid expense and other current assets	193	
Property and equipment	18,493	
Other long-term assets	5,593	
Operating lease right of use assets	1,100	
Total tangible assets acquired	26,963	
Intangible assets		
Goodwill	127,208	
Total assets acquired	154,171	
Liabilities assumed		
Accounts payable	1,753	
Accrued liabilities	18,789	
Finance lease obligations	2	
Operating lease liabilities	2,458	
Other liabilities	2,922	
Total liabilities assumed	25,924	
Net assets acquired	\$ 128,247	

The preliminary purchase price for GRIID has been allocated to assets acquired and liabilities assumed based on the Company's best estimates and assumptions using the information available as of the acquisition date and throughout measurement period (up to one year from the acquisition date). The provisional measurements of identifiable assets and liabilities, and the resulting goodwill related to the acquisition are subject to adjustments in subsequent periods as the Company finalizes its purchase price allocation, including the third-party valuation. This also includes finalizing the review and valuation of deferred income taxes and the federal and state accrued tax provisions. Actual values may differ (possibly materially) when final information becomes available that differs from current estimates. The Company believes that information gathered to date provides a reasonable basis for estimating the preliminary fair values of assets acquired and liabilities assumed. The Company expects to finalize the valuation as soon as practicable, but no later than one year from the acquisition date.

The Company recognized merger costs of \$396 related to the acquisition of GRIID, consisting primarily of legal fees, during the three months ended December 31, 2024. The condensed consolidated financial statements includes these costs in professional fees account.

Consolidated revenues generated from the locations acquired from GRIID from the acquisition date through December 31, 2024 were \$10,572. It is impracticable to determine the earnings recorded in the condensed consolidated statements of operations for the three month period ended December 31, 2024 as we initiated the integration of a substantial portion of GRIID into our ongoing operations during the current period.

Unaudited supplemental pro forma financial information

The financial information in the table below summarizes the combined results of operations of CleanSpark and GRIID, on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on October 1, 2023 or of results that may occur in the future.

The following unaudited pro forma information for the three month periods ended December 31, 2024 and December 31, 2023 combines the historical results of CleanSpark and GRIID, as converted to U.S. GAAP, for the respective periods:

	Three Months Ended	
	December 31, 2024	December 31, 2023
Pro forma revenue	\$ 162,306	\$ 79,340
Pro forma net income from continuing operations	237,264	43,469

We based the foregoing pro forma results on estimates and assumptions that we believe are reasonable. The pro forma results include adjustments primarily related to purchase accounting.

Asset Acquisitions

Tennessee Acquisition

On September 10, 2024, CleanSpark TN, LLC, a wholly-owned subsidiary of the Company (the "TN MIPA Buyer"), entered into three definitive Membership Interest Purchase Agreements (each, a "MIPA", and collectively, the "TN MIPAs") with Exponential Digital, LLC (the "TN MIPA Seller") to acquire seven bitcoin mining facilities located in Tennessee for a total purchase price of \$25,000. Also on September 10, 2024, CSRE Properties Tennessee, LLC, a wholly-owned subsidiary of the Company, entered into a Real Estate Purchase and Sale Agreement (the "RE PSA") with US Farms & Mining, Inc. to purchase real property that was leased by the TN MIPA Seller for purposes of conducting operations of four of the mining locations. Under the terms of the RE PSA, CSRE Properties Tennessee, LLC will pay US Farms & Mining, Inc. an aggregate consideration of \$2,500. The total cash consideration set forth per the agreements is \$27,500.

The cities of the bitcoin mining facilities for each MIPA are as follows:

- MIPA 1: Jellico, TN and West Crossville, TN;
- MIPA 2: Campbell Junction, TN and Decatur, TN; and
- MIPA 3: Winfield, TN; Oneida, TN; and Tazewell, TN.

The Company completed the acquisition of MIPA 1, MIPA 3 and MIPA 2 on September 16, September 25, and October 11, 2024, 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 combined purchase price is \$29,854, which includes \$27,500 in cash considerations payable to the TN MIPA Seller per the MIPAs and RE PSA, transfer of mining data center containers worth \$1,750, \$232 incurred for direct acquisition costs and \$372 in assumed lease liabilities.

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

(\$ in thousands)	Allocation at Final Acquisition Date
Land	\$ 6,187
Land improvements	648
Building	805
Infrastructure	22,153
Right of use assets	61
Operating lease liability	(372)
Total	\$ 29,482

Mississippi Acquisition - Clinton, MS

On September 16, 2024, CSRE Properties Mississippi, LLC, a Mississippi limited liability company and wholly-owned subsidiary of the Company, entered into definitive agreements with Eyas Investment Group and Makerstar Capital, Inc. ("Makerstar") to acquire bitcoin mining facilities in Clinton, Mississippi (the "Clinton Property").

The combined purchase price (including direct acquisition costs of \$129) for the real property, construction in progress and personal property was approximately \$3,020. The transaction was consummated in September 2024 and 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	\$ 734
Construction in progress	\$ 2,286
Total	\$ 3,020

In connection with the acquisition of the Clinton Property, CSRE Properties Mississippi, LLC entered into a Construction Management Services Agreement dated September 16, 2024 with Beast Power, Inc. ("Beast Power"), pursuant to which Beast Power was engaged to manage the completion of the construction of a data center facility on the Clinton Property for aggregate consideration of \$2,888. The construction was substantially complete in December 2024.

4. BITCOIN

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

Bitcoin holdings	As of	
	December 31, 2024	September 30, 2024
Number of bitcoin held	9,952	6,819
Cost basis - per bitcoin	\$ 72,104	\$ 55,408
Fair value - per bitcoin	\$ 93,356	\$ 63,301
Cost basis of bitcoin (in '000s)	\$ 717,578	\$ 377,839
Fair value of bitcoin (in '000s)	\$ 929,080	\$ 431,661

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

The following table presents information based on the activity of bitcoin for the three months ended December 31, 2024 and 2023:

(\$ in thousands)	Three months ended December 31, 2024	Three months ended December 31, 2023
Beginning Balance - before cumulative effect change	\$ 431,661	\$ 56,241
Cumulative effect of the adoption of ASC 350-60	—	4,183
Adjusted beginning balance after cumulative effect change	\$ 431,661	\$ 60,424
Addition of bitcoin from mining activities ⁽¹⁾	162,306	73,786
Bitcoin sold & issued for services and purchase of software	(3,413)	(43,300)
Bitcoin transferred to collateral account	(8,860)	—
Bitcoin received from collateral account	129,180	—
Gain on fair value of bitcoin	218,206	36,041
Ending Balance	\$ 929,080	\$ 126,951

⁽¹⁾ Net of mining pool fees.

The Company's bitcoin holdings shown in this note, excluding the bitcoin posted as collateral to the Coinbase Line of Credit as described in Note 9 - Loans, are not subject to rehypothecation and do not serve as collateral for any existing loans or agreements. As of December 31, 2024, the Company held no other crypto-assets; approximately 99% of its bitcoin is held in cold storage and 1% is held in hot wallets.

The Company recognized cumulative realized gains of \$6,704 and \$12,087 from dispositions of bitcoin during the three months ended December 31, 2024 and 2023, respectively. There were no cumulative realized losses from dispositions of bitcoin during the three months ended December 31, 2024 and 2023.

5. NOTE RECEIVABLE FROM GRIID

On June 26, 2024, concurrent with the GRIID Agreement (see Note 3 - Acquisitions), the Company entered into the GRIID Credit Agreement, which is a senior secured term loan under which the Company provided a term loan of \$55,919 to GRIID, which GRIID was permitted to use solely for certain purposes as set forth in the GRIID Credit Agreement.

On August 2, 2024, the Company and GRIID amended and restated the GRIID Credit Agreement (as amended and restated, the "A&R GRIID Credit Agreement") to include, in addition to the term loan amount, an additional delayed draw term loan facility of \$40,000, which amounts GRIID was permitted to request pursuant to the terms of the A&R GRIID Credit Agreement and use solely for certain purposes as set forth in the A&R GRIID Credit Agreement. The outstanding amounts of the draw loans bear interest of 8.5% per annum.

On October 30, 2024, concurrent with the acquisition of GRIID, the term loans and the associated interest receivable in the amount of \$62,636 were effectively settled and included as consideration for the acquisition of GRIID (see Note 3 - Acquisitions).

As of December 31, 2024 and September 30, 2024, the Note receivable from GRIID balance was \$0 and \$60,919, respectively, and interest receivable balance included in Prepaid expenses and other current assets was \$0 and \$1,286, respectively, within the condensed consolidated balance sheets.

6. INVESTMENTS AND DERIVATIVES

As of December 31, 2024 and September 30, 2024, the Company had total investments of \$5,446 and \$2,750, respectively.

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

(\$ in thousands)	Interest Rate Swap Derivative ⁽¹⁾⁽²⁾	ILAL Debt Securities	ILAL Derivative Asset ⁽¹⁾
Balance as of September 30, 2024	\$ (100)	\$ 918	\$ 1,832
Unrealized gain on derivative asset	—	—	2,613
Unrealized gain on fair value recognized in other comprehensive income	151	32	—
Balance as of December 31, 2024	\$ 51	\$ 950	\$ 4,445

(1) The "Derivative investments" caption in the condensed consolidated balance sheets consists of Interest Rate Swap Derivative and ILAL Derivative Asset

(2) See Note 9 - Loans

Interest Rate Swap Derivative

In relation to the Company's Western Alliance Bank Credit Agreement entered into in August 2024, the Company has an interest rate swap agreement (see Note 9 - Loans) for which the interest rate swap is not a designated hedge. As of December 31, 2024, the Interest Rate Swap Derivative was fair valued at \$51, reflecting a gain of \$151. As of September 30, 2024, the Interest Rate Swap Derivative was fair valued at a \$100 unrealized loss.

International Land Alliance, Inc.

On November 6, 2019, the Company entered into a Securities Purchase Agreement ("SPA") with International Land Alliance, Inc. ("ILAL"), a Wyoming corporation, to support the power and energy needs of ILAL's development and construction of certain projects.

ILAL Series B Preferred Stock (Investment in Debt Securities) and Embedded ILAL Derivative Asset

Pursuant to the terms of the SPA with ILAL, the Company purchased 1,000 shares of Series B Preferred Stock of ILAL (the "Series B Preferred Stock") for an aggregate purchase price of \$500 less certain expenses and fees. The Series B Preferred Stock accrues cumulative dividends in-kind at a rate of 12% per annum and was redeemable on August 6, 2020. The Series B 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 Series B Preferred Stock is recorded as an available for sale ("AFS") debt security and is reported at its estimated fair value as of December 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 of allowance) on its available-for-sale debt securities as of December 31, 2024 and September 30, 2024, respectively. The fair value of the Company's investment in the Series B Preferred Stock was \$950 and \$918 as of December 31, 2024 and September 30, 2024, respectively. The Company has included gain on fair value of Series B Preferred Stock amounting to \$32 and \$29 for the three months ended December 31, 2024 and 2024 and 2023, respectively, as part of other comprehensive income in the condensed consolidated statements of operations and comprehensive income.

The Company has deemed the variable conversion feature (the "ILAL Derivative Asset") of Series B Preferred Stock an embedded derivative instrument in accordance with ASC 815, *Derivatives and Hedging*. This topic requires the Company to account for the ILAL Derivative Asset on its balance sheet at fair value and account for changes in fair value as a derivative gain or loss. Changes in fair value of the ILAL Derivative Asset are presented as Other income (expense) in the condensed consolidated statements of operations and comprehensive income.

Total fair value of investment in ILAL Derivative Asset as of December 31, 2024 and September 30, 2024 was \$4,496 and \$1,832, respectively, and as included in "Derivative investments" on the condensed consolidated balance sheet. The Company fair values the debt security as a straight debt instrument based on liquidation value, accrued interest to date, and an estimated 60% recovery rate for first-lien debt, which is an unobservable input. The fair value of the ILAL Derivative Asset is based on the difference in the fair value of the Series B Preferred Stock determined as a straight debt instrument and the fair value of the Series B Preferred Stock if converted as of the reporting date.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(\$ in thousands)	December 31, 2024	September 30, 2024
Land	\$ 39,034	\$ 32,190
Land improvements	6,110	5,449
Building and improvements	78,919	76,719
Leasehold improvements	1,995	1,995
Miners	1,371,015	1,035,128
Mining equipment	23,169	23,066
Infrastructure	201,117	155,191
Machinery and equipment	16,310	15,061
Furniture and fixtures	2,014	1,706
Construction in progress	52,467	19,455
Total	\$ 1,792,150	\$ 1,365,960
Less: accumulated depreciation	(536,150)	(496,267)
Property and equipment, net	<u>\$ 1,256,000</u>	<u>\$ 869,693</u>

Total depreciation expense for the three months ended December 31, 2024 and 2023 was \$65,125 and \$29,333, respectively.

The Company had additions to property and equipment of \$417,182 during the three months ended December 31, 2024, which included \$362,281 in miners acquired, which is the primary cause in the increase of fixed assets. Assets acquired through acquisition transactions (see Note 3 - Acquisitions) resulted in an additional \$32,395 in total assets placed in service.

Construction in progress: The Company is expanding its mining facilities, including infrastructure, building, and land improvements to grow its mining operations.

As of December 31, 2024 and September 30, 2024, the Company had outstanding deposits for miners and mining equipment totaling \$126,867 and \$359,862, respectively. Such deposits are recorded as long-term assets on the condensed consolidated balance sheets.

8. INTANGIBLE ASSETS

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

(\$ in thousands)	Intangible assets	December 31, 2024		Intangible assets	September 30, 2024		Net intangible assets
		Accumulated amortization	Net intangible assets		Accumulated amortization	Net intangible assets	
Software	\$ 4,981	\$ (833)	\$ 4,148	\$ 981	\$ (230)	\$ 751	
Websites	15	(15)	0	15	(13)	2	
Strategic Contract	9,800	(8,003)	1,797	9,800	(7,513)	2,287	
Total	\$ 14,796	\$ (8,851)	\$ 5,945	\$ 10,796	\$ (7,756)	\$ 3,040	

Amortization expense for the three months ended December 31, 2024 and 2023 was \$1,104 and \$513, respectively.

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

Fiscal Year (\$ in thousands)	December 31, 2024
2025	\$ 2,568
2026	1,790
2027	1,420
2028 and thereafter	167
Total	\$ 5,945

9. LOANS

As of December 31, 2024, the Company had a gross balance outstanding of \$664,966, netted against discount on loans payable of \$16,318. Total principal payments on loans during the three months ended December 31, 2024 were \$52,158.

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

(\$ in thousands)	Maturity Date	Rate	As of				
			December 31, 2024	September 30, 2024			
Convertible Note	Jun-30	0.00%	\$ 633,812	\$ —			
Coinbase Line of Credit	Not specified	8.50%	—	50,000			
Western Alliance Bank Credit Agreement	Aug-29	6.75%	6,644	6,839			
Trinity Master Equipment Financing Arrangement	Apr-25	13.80%	3,417	5,171			
Mortgage - Corporate Facility	Apr-25	10.00%	1,989	1,981			
Marquee Funding Partners	Aug-26 to Mar-27	13.00%	1,143	1,267			
Auto & Equipment Loans and Financing	Jun-26 to Dec-29	0.0-11.3%	1,643	699			
Total Loans Outstanding			\$ 648,648	\$ 65,957			
Less: current portion of long-term loans			(7,215)	(58,781)			
Loans payable, net of current portion, debt discount and debt issuance costs			\$ 641,433	\$ 7,176			
5-Year Loan Maturities							
Fiscal Year							
(\$ in thousands)	2025 (Remainder)	2026	2027	2028	2029	Thereafter	Total
Outstanding Loan							
Total principal amount of loan payments by fiscal year	\$ 6,754	\$ 1,862	\$ 1,408	\$ 1,299	\$ 3,415	\$ 650,228	\$ 664,966
Unamortized deferred financing costs and discounts							(16,318)
Total loan book value as of December 31, 2024							\$ 648,648

2030 Convertible Note

In December 2024, we issued \$650,000 aggregate principal amount of 0% convertible senior notes due 2030 (the "2030 Notes"), including the exercise in full by the initial purchasers of the 2030 Notes of their option to purchase up to an additional \$100,000 principal amount of the 2030 Notes. The 2030 Notes were issued in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2030 Notes will mature on June 15, 2030. The net proceeds from the sales of the 2030 Notes were approximately \$633,688 after deducting \$16,312 of offering and issuance costs related to the 2030 Notes and before the capped call transactions, as described below. The Company used \$145,000 of the proceeds to repurchase its common stock, see Note 11 – Stockholders' Equity. The fair value of the 2030 Notes was determined to be \$538,464 as of December 31, 2024 based on quoted prices in markets that are not active, which is considered a Level 2 valuation input.

Holders of the 2030 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding December 15, 2029 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on March 31, 2025 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price per one thousand dollars (\$1,000) of principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (iii) if we call such notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the applicable redemption date; or (iv) upon the occurrence of specified corporate events. On or after December 15, 2029 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their notes at any time, regardless of the foregoing circumstances.

Holders of the 2030 Notes have a one-time noncontingent right to require the Company to repurchase for cash all or any portion of their respective notes at a repurchase price equal to 100% of the principal amount of such notes to be repurchased, plus any accrued and unpaid interest to, but excluding the repurchase date on June 15, 2028.

As of December 31, 2024, none of the conditions permitting the holders of the 2030 Notes to convert their notes early had been met, and to require the Company to repurchase the 2030 Notes for cash. Therefore, the 2030 Notes are classified as long-term.

The initial conversion rate for the 2030 Notes is 67.5858 shares of common stock per one thousand dollars (\$1,000) of principal amount of 2030 Notes, which represents an initial conversion price of approximately \$14.80 per share of common stock. The conversion rate and conversion price are subject to customary adjustments upon the occurrence of certain events. In addition, in connection with a make-whole fundamental change (as defined in the Indenture, dated as of December 17, 2024 (the "Indenture"), by and between the Company and U.S. Bank Trust Company, National Association, as trustee (the "Trustee")), which shall include among other things the Company's delivery of a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or redemption, as the case may be.

Subsequent to June 20, 2028, we may redeem for cash all or part of the 2030 Notes, at our option, if the last reported sales price of common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related notice of the redemption. However, we may not redeem less than all of the outstanding notes unless at least \$75,000 aggregate principal amount of notes are outstanding and not called for redemption as of the time we send related redemption notices. The redemption price of each note to be redeemed will be the principal amount of such note, plus accrued and unpaid special interest, if any. Upon the occurrence of a fundamental change (as defined in the Indenture), subject to a limited exception described in the Indenture governing the notes, holders may require us to repurchase all or a portion of their notes for cash at a price equal to plus accrued and unpaid special interest to, but not including, the fundamental change repurchase date (as defined in the Indenture).

Upon conversion of the 2030 Notes, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. We may not redeem the 2030 Notes prior to June 20, 2028. We may redeem for cash all or any portion of the 2030 Notes, at our option, on or after June 20, 2028 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for each of at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which such notice of redemption is provided, during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we send the notice of redemption, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Indenture contains customary terms and covenants, including that upon certain events of default either the Trustee or the holders of at least 25% in principal amount of the outstanding 2030 Notes may declare 100% of the principal of, and accrued and unpaid special interest, if any, on, all the 2030 Notes to be due and payable.

Capped Calls

In connection with the issuance of the 2030 Notes, the Company entered into privately negotiated capped call transactions (the "2030 Capped Calls") with certain financial institutions at an aggregate cost of approximately \$90,350. The 2030 Capped Calls cover, subject to anti-dilution adjustments, the number of shares of common stock underlying the 2030 Notes sold in the offering. By entering into the 2030 Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the 2030 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2030 Notes the trading price of the Company's common stock price exceeds the conversion price of the 2030 Notes. The cap price of the 2030 Capped Calls is initially \$24.66 per share and is subject to certain adjustments under the terms of the 2030 Capped Calls.

The 2030 Capped Calls meet the criteria for classification in equity, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within shareholders' equity.

Coinbase Line of Credit and Receivable For Bitcoin Collateral

On August 7, 2024, the Company signed a Master Loan Agreement (the "Master Loan") with Coinbase Credit, Inc. (the "Lender") for a line of credit in which the Lender will lend the Company certain digital assets or cash. The Master Loan has a credit limit of \$50,000. On or prior to a drawdown, the Company is required to pledge collateral, and the Company has opted to pledge bitcoin to be held in a segregated custody account, such that the loan-to-value ratio of principal outstanding of the loan and the fair value of collateral is equal to or less than 64%. If the value of the collateral under the credit facility decreases past a specified margin, the Company may be required to post additional bitcoin as collateral.

The Master Loan includes embedded redemption features, which allows the lender to redeem the security before its maturity date ("redemption feature"). The Master Loan also includes a contingent interest feature that requires additional interest to be paid only if certain conditions are met. One such redemption feature and contingent interest feature is in the event of default, including failure to maintain sufficient collateral, the Lender may liquidate the collateral to satisfy the outstanding loan balance or charge incremental interest at the federal funds rate upon the under-collateralized portion of the loan. The Company assessed the embedded redemption features and the contingent interest feature and determined the features are clearly and closely related to the line of credit and do not require bifurcation. Upon transfer of the bitcoin, the Lender has the exclusive right to sell, pledge and rehypothecate the bitcoin without notice to the Company. Either party can terminate a loan with two days' notice to the other party. As of the date of this report, no such termination has occurred.

The Company drew \$50,000 from the line of credit in August 2024, and concurrently transferred bitcoin to the Lender as collateral at fair value of \$78,130. Pursuant to its terms, the line of credit initially bore interest of 9% per annum and has no defined maturity date but is terminable by either the Lender or the Company with notice. During September 2024, the interest rate on the line of credit was adjusted to 8.5% per annum and has not been subsequently amended.

Since the Lender has the rights to sell, pledge and rehypothecate the bitcoin during the term of the Master Loan, the Company derecognized the bitcoin transferred as collateral. As the Company has the right to receive the bitcoin back from the Lender upon the repayment of the line of credit, the Company recorded a corresponding Receivable for bitcoin collateral. The Receivable for bitcoin collateral is measured at fair value. Changes in fair value as well as gains and losses from bitcoin transferred to and received from collateral are recorded as Gain on bitcoin collateral under the Other Income category in the condensed consolidated statements of operations and comprehensive income.

During the three months ended December 31, 2024, the Company repaid the \$50,000 outstanding balance on the line of credit and received 100% of the bitcoin transferred as collateral from the Lender. As of December 31, 2024, there is no outstanding balance on the Coinbase line of credit and no bitcoin was posted as collateral for the line of credit.

Western Alliance Bank Credit Agreement

On August 14, 2024, the Company entered into a credit agreement that provides for borrowings under a promissory note with Western Alliance Bank (the "Western Alliance Bank Credit Agreement"). Pursuant to this agreement, the Company executed a promissory note in the amount of \$7,000 in order to finance the purchase of an aircraft for operational use. The aircraft is pledged as collateral for the note. The notes bears a variable interest rate equal to the 30 day Secured Overnight Financing Rate plus 3% per annum, payable monthly, and matures on August 14, 2029.

The credit agreement contains financial covenants, including a minimum loan-to-value ratio, a minimum debt service coverage ratio, and a minimum average deposit balance. As of December 31, 2024, the Company has \$6,731 principal payments outstanding. The Company was in compliance with all covenants, and no events of default had occurred under the credit agreement.

Concurrently with the credit agreement, on August 14, 2024, the Company entered into a plain vanilla interest rate swap agreement with a counterparty in which the Company effectively pay a fixed rate of 6.75% on the Western Alliance Bank Credit Agreement. The interest rate swap has an initial notional value of \$7,000. This interest rate swap has a maturity date of August 14, 2029. This interest rate swap was not designated as a hedge and is presented within Note 6 - Investments and Derivatives.

Mortgage - Corporate Office

On May 10, 2023, CleanSpark HQ, LLC, a single member limited liability company and subsidiary wholly owned by the Company, completed a refinancing transaction whereby it borrowed a net \$1,937 against the equity of the real property purchased in April 2023 that is utilized as the Company's corporate office. The loan agreement has a two year term, 10% interest rate and monthly interest only payments until maturity.

Trinity 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. that could provide \$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 an interest rate of 13.80%. 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. The loan matures in April 2025, and the Company has current unpaid principal payments of 3,449 as of December 31, 2024.

Marquee Funding Partners

The mortgages assumed from the acquisition of a bitcoin mining facility from WAHA Technologies Inc. in August 2022 have an unpaid principal balance of \$1,143 as of December 31, 2024, the remaining payment terms range from 20-36 months and annual interest of 13%.

Auto and Equipment Loans and Western Alliance Equipment Financing Agreement

The Company has entered into various financing arrangements to purchase vehicles and non-miner equipment with combined principal outstanding at December 31, 2024 of \$643. 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.

Additionally, on August 28, 2024, the Company entered into an equipment financing agreement with Western Alliance Bank for borrowings of up to \$1,000 to finance new equipment for operational purposes. The Company can continue to secure equipment with this equipment financing agreement until February 28, 2025. This instrument bears interest at the Floating Wall Street Journal Prime Rate plus 1.00% per annum, calculated on the basis of a 360-day year consisting of twelve (12) consecutive thirty (30)-day months, and will be charged for each day there is an outstanding balance. As of December 31, 2024, the financing agreement had an outstanding balance of \$1,000. The Floating Wall Street Journal Prime Rate was 7.5% at the end of the period, resulting in an interest rate of 8.5% per annum as of December 31, 2024. The financing agreement contains financial covenants, including a minimum loan-to-value ratio, a minimum debt service coverage ratio, and a minimum average deposit balance. As of December 31, 2024, the Company was in compliance with all covenants, and no events of default had occurred under the financing agreement.

10. INCOME TAXES

The Company has calculated the tax provision using a cutoff approach based on year-to-date actual amounts and adjusts for discrete items in the quarter. The approach is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, that the use of this cutoff approach is more appropriate than the annual effective tax rate method due to the high degree of uncertainty in estimating annual pre-tax income. The quarterly tax provision 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 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 \$9,217 and \$1,399 for the three months ended December 31, 2024 and 2023, respectively. The Company's effective income tax rate (including discrete items) was 3.6% and 5.1% for the three months ended December 31, 2024 and 2023, respectively. The Company's effective tax rate differs from the U.S. statutory rate of 21% primarily due to maintaining a valuation allowance on the deferred tax assets.

11. STOCKHOLDERS' EQUITY

Overview

The Company's authorized capital stock consists of 600,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share. On October 25, 2024, the Company's stockholders approved another amendment to the Company's articles of incorporation to increase the number of shares of common stock authorized for issuance to from 300,000,000 to 600,000,000. As of December 31, 2024, there were 292,566,230 and 280,806,295 shares of common stock issued and outstanding, respectively, and 1,750,000 shares of Series A Preferred Stock issued and outstanding. As of September 30, 2024, there were 270,897,784 shares of common stock issued and outstanding, 1,750,000 shares of Series A Preferred Stock issued and outstanding, and 1,000,000 shares of Series X Preferred Stock outstanding. The 1,000,000 shares of Series X Preferred Stock outstanding as of September 30, 2024 were redeemed on October 29, 2024 and were automatically retired and restored to the status of authorized but unissued shares of the Company's preferred stock upon such redemption. The Company filed a certificate of withdrawal with the state of Nevada withdrawing its designation of Series X Preferred Stock on December 3, 2024.

For the three months ended December 31, 2024, the Company recorded \$5,141 and \$579, respectively, as dividends to holders of the Series A Preferred Stock, pursuant to the requirements listed in the certificate of designation.

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 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 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). As of December 31, 2024, the Company had issued all of the ATM's remaining capacity.

Common stock issuances during the three months ended December 31, 2024

The Company issued 5,031,221 shares of common stock in connection with the GRIID Acquisition.

The Company issued 16,619,361 shares of common stock under the March 2024 ATM Amendment, resulting in gross proceeds of \$191,603 and issuance costs of \$4,795.

The Company issued 17,864 shares of common stock in connection with the exercise of stock options and warrants. Cash received from such issuance was \$110.

Common stock repurchased during the three months ended December 31, 2024

In connection with the issuance of the 2030 Notes in December 2024 (see Note 9 - Loans), the Company repurchased 11,759,935 shares of its common stock for from investors in privately negotiated transactions for an aggregate repurchase price of approximately \$145,000. The shares were repurchased at fair value and the entire repurchase price was allocated to the repurchase of the shares.

Common stock issuances during the three months ended December 31, 2023

The Company issued 24,475,832 shares of common stock under the ATM Agreement resulting in net proceeds of \$99,336 during the three months ended December 31, 2023.

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

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

12. STOCK WARRANTS

As part of the GRIID Acquisition on October 30, 2024, the Company issued several warrants to former holders of GRIID warrants. Those issued warrants include 13,800,000 Public Warrants, 7,270,000 Private Warrants, and approximately 1,734,000 GEM Warrants, of which approximately every 14 warrants are exercisable for one share of the Company's common stock at \$165.25, \$165.25, and \$69.55 per share, respectively.

Management has determined that the Public Warrants are subject to accounting treatment as equity, while the Private Warrants and GEM Warrants are subject to accounting treatment as liabilities. At the consummation of the GRIID Acquisition, all warrants were measured at their fair value using the Black-Scholes option pricing model and included in the purchase price calculation.

At December 31, 2024, the Company used the Black-Scholes option-pricing model to estimate the fair value of the Private Warrants and the GEM Warrants using Level 3 inputs. The fair value of the Private Warrants and GEM Warrants are included in the Other liabilities caption on the condensed consolidated balance sheets and the changes in fair value are included in Gain (loss) on derivative securities on the condensed consolidated statements of operations.

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

	Number of Warrants Outstanding	Number of Shares to be Issued Upon Exercise of Warrants	Weighted Average Exercise Price (\$) ⁽¹⁾
Balance, September 30, 2024	17,560	17,560	\$ 6.12
Warrants granted	22,803,726	1,586,999	\$ 157.96
Warrants expired	—	—	\$ —
Warrants canceled	—	—	\$ —
Warrants exercised	—	—	\$ —
Balance, December 31, 2024	<u>22,821,286</u>	<u>1,604,559</u>	\$ 156.30

⁽¹⁾ Weighted average calculated weighting the exercise price versus the number of common shares that would be granted on exercise.

As of December 31, 2024, there were warrants exercisable to purchase 1,604,559 shares of common stock in the Company and there were no warrants that were unvested. These warrants have a weighted average exercise price of \$156.30. Most outstanding warrants contain provisions allowing a cashless exercise at their respective exercise prices.

As of December 31, 2024, 22,813,726 of the outstanding warrants had a weighted average remaining term of 3.8 years and an intrinsic value of \$12. The remaining 7,560 of the outstanding warrants do not have expiration dates and have an intrinsic value of \$42.

13. STOCK-BASED COMPENSATION

The Company sponsors a stock-based incentive compensation plan known as the 2017 Incentive Plan, as amended, (the "Plan"). As of December 31, 2024, there were 8,021,006 shares available and authorized for issuance under the Plan.

STOCK OPTIONS

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

	Number of Option Shares	Weighted Average Exercise Price (\$)
Balance, September 30, 2024	2,285,462	\$ 15.58
Options granted	193,280	\$ 10.19
Options expired	(68,122)	\$ 19.08
Options forfeited	(25,554)	\$ 12.80
Options exercised	(17,864)	\$ 6.17
Balance, December 31, 2024	<u>2,367,202</u>	\$ 15.15

As of December 31, 2024, there were options exercisable to purchase 1,424,951 shares of common stock in the Company. As of December 31, 2024, the outstanding options had a weighted average remaining term of 7.5 years and an intrinsic value of \$2,296.

For the three months ended December 31, 2024, the Company also granted 193,280 options to purchase shares of common stock to employees with a total fair value of \$1,749.

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

Fair value assumptions Options:	December 31, 2024
Risk free interest rate	3.56% - 4.48%
Expected term (years)	1.0 - 6.21
Expected volatility	121.86% - 123.02%
Expected dividends	0 %

The Company recognized stock-based compensation expense relating to stock options of \$1,078 and \$1,812 for the three months ended December 31, 2024 and 2023, respectively. As of December 31, 2024, the Company expects to recognize \$8,883 of stock-based compensation for the non-vested outstanding options over a weighted-average period of 2.27 years.

RESTRICTED STOCK UNITS

The following table summarizes the activity for all restricted stock units ("RSUs") during the three months ended December 31, 2024:

	Number of Shares	Weighted Average Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at September 30, 2024	1,674,211	\$ 7.56	\$ 12,649
Granted	148,715	\$ 8.78	
Vested	-	-	
Outstanding at December 31, 2024	1,822,926	\$ 7.65	\$ 16,789

On October 1, 2024, the Company granted 136,520 time-based RSUs to its board members as part of their annual compensation. These RSUs vest 25% quarterly and have a combined grant-date fair value of \$1,200. The 25% quarterly vesting will occur on February 13, 2025, May 13, 2025, August 13, 2025 and December 3, 2025.

As of December 31, 2024, the Company had 1,822,926 outstanding unvested time-based restricted stock awards, which will vest over the weighted average 2.0 years. As of December 31, 2024, the unrecognized compensation costs related to all RSU awards is 11,603.

The Company recognized stock-based compensation expense relating to restricted stock units of \$1,943 and \$8,141 for the three months ended December 31, 2024 and 2023, respectively.

2025 Long-Term Incentive Plan

On October 1, 2024, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") approved the establishment of the Company's Long-Term Incentive Program (the "2025 LTIP"), which permits the issuance of RSUs to executive officers and other executives. Awards granted pursuant to the 2025 LTIP are in addition to cash annual bonus awards and annual time-based RSU awards, if any, and are a key element of the Company's compensation program.

On October 2, 2024, the Compensation Committee, with the consultation of independent compensation firm, performed an analysis to evaluate the structure of the 2025 LTIP with the combined goal of retention and performance of the senior leadership team. The number of awards will vary based on a year-end evaluation of the Compensation Committee against a currently undetermined group of metrics and the range of the awards can be between 0% and 200% at the discretion of the Compensation Committee. The number of awards at 100% is 5,381,021.

The awards will vest over a 4-year period, whereby 40% will vest at the end of fiscal 2025, and the remaining 60% will vest quarterly over the subsequent 3-years based on continuing employment of the grantee. In addition, the number of awards that will vest depends on the achievement of certain performance metrics. As of December 31, 2024, the specific performance metrics have not been determined with enough specificity to allow for a mutual understanding of the terms, and hence, there is no grant date nor service inception date. Therefore, as of December 31, 2024, there is no stock-based compensation expense recorded under the 2025 LTIP, until such time as the performance metrics are finalized and determined.

14. COMMITMENTS AND CONTINGENCIES

Purchase of modular immersion data centers

The Company entered into a \$165,000 contract subject to certain discounts in June 2024 for the purchase and on-site construction and installation of modular immersion data centers. The \$49,500 remaining balance of the contract is expected to be paid in installments between January 2025 through April 2025.

Purchase of bitcoin miners

The Company had \$1,290 in unrecorded open purchase commitments for miners or mining equipment as of December 31, 2024 in relation to the purchase transactions with Bitmain Technologies Delaware Limited.

Commitments under open construction projects

The Company has open commitments relating to the construction and development of new mining locations and operational facilities of \$32,058.

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, 2024 (Fiscal Year 2025 excludes three months ended December 31, 2024):

(\$ in thousands)	Fiscal Year 2025 (Remainder)
Contractual obligations:	
Modular immersion data centers	\$ 49,500
Construction in progress	32,058
Purchase of bitcoin miners	1,290
Total	\$ 82,848

State Tax Incentives

When the Company enters new jurisdictions, it seeks incentives on taxes including; sales and use taxes, property taxes, employment taxes and income taxes. The Company has been previously successful obtaining such incentives and is currently seeking additional incentives, which if the Company is unsuccessful in obtaining may result in a liability of approximately \$18,290.

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.

Hasthantra v. CleanSpark, Inc. et al.

On January 20, 2021, Scott Bishins ("Bishins"), individually, and on behalf of all others similarly situated (together, the "Class"), filed a class action complaint in the United States District Court for the Southern District of New York against the Company and certain of its officers, including the Company's CEO and the Executive Chair (such action, the "Class Action").

On December 2, 2021, the court appointed Bishins and Darshan Hasthantra ("Hasthantra") as lead plaintiffs, and on February 1, 2024, the Court entered a voluntary dismissal on behalf of Bishins, leaving Hasthantra as the sole lead plaintiff.

On February 28, 2022, Plaintiff filed an Amended Class Complaint alleging that, between December 10, 2020 and August 16, 2021, Defendants made material misstatements and omissions related to the Company's acquisition of ATL Data Centers LLC and its anticipated expansion of bitcoin mining operations. Plaintiff seeks certification of the Class, an award of compensatory damages, and reimbursement of costs and expenses.

To date, no class has been certified in the Class Action. Discovery is currently proceeding.

The Company believes that the claims asserted are without merit and intends to defend against them vigorously. At this time, the Company is unable to estimate potential losses, if any, that may arise.

Consolidated Smith Derivative Actions

Between February 21, 2023, and March 8, 2023, four shareholder derivative actions were filed in the Eighth Judicial District Court of the State of Nevada in Clark County against certain officers and directors of the Company, including its Executive Chair, Chief Executive Officer, and former Chief Financial Officer. Each of these actions was consolidated in the Eighth Judicial District Court of Nevada in Clark County (the "Consolidated Smith Action"). The claims asserted include breach of fiduciary duties, unjust enrichment and corporate waste, with the plaintiffs seeking monetary damages, restitution, declaratory relief, litigation costs, and the imposition of additional corporate governance and internal controls.

The Company's Board of Directors formed a Special Litigation Committee ("SLC") to investigate and evaluate the claims. On November 6, 2023, the court granted the SLC's motion to intervene and stayed the case through November 30, 2024. On October 16, 2024, the SLC filed a motion to defer to its determination that the claims should be dismissed. On December 2, 2024, the court approved a protective order governing the SLC's report, and on December 6, 2024, the parties jointly informed the court that plaintiffs required additional time to review the report.

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

Consolidated Ciceri Derivative Actions

On May 26, 2021, Andrea Ciceri filed a shareholder derivative action in the United States District Court for the District of Nevada against officers and directors of the Company, including the Company's Executive Chair, CEO, former CFO, and certain other members of the Board of Directors. This and other related filings were consolidated by the Court on June 29, 2021 (the "Consolidated Ciceri Action").

The claims asserted in the Consolidated Ciceri Action include breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The plaintiffs seek declaratory relief, monetary damages and the imposition of additional corporate governance and internal controls.

On December 12, 2024, the federal court dismissed the Consolidated Ciceri Action with prejudice.

15. MAJOR CUSTOMERS AND VENDORS

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

For the three months ended December 31, 2024 and 2023, the Company had the following significant suppliers of miners:

	Three Months Ended	
	December 31, 2024	December 31, 2023
Bitmain Technologies	94%	100%
Canaan U.S. Inc	6%	0%

16. SUBSEQUENT EVENTS

Georgia 2025 Asset Acquisition

In January 2025, the Company completed the \$5,400 asset acquisition of a bitcoin mining facility and certain infrastructures located in Georgia. The definitive agreements include the purchase of mining data centers, and the assumption of the underlying real property lease. The transaction is 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.

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 condensed 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, 2024 (the "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 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 independently own and operate a large portfolio of data centers across the United States with locations in Georgia, Mississippi, Tennessee and Wyoming for a total contracted power capacity of approximately 853 megawatts ("MW") as of December 31, 2024. We intend to continue our growth in these regions and are actively developing plans for additional capacity in Wyoming, Georgia, and Tennessee. We have an independent data center operation in Massena, NY subject to a hosting agreement that operated 50 MW, which expired on December 31, 2024. The parties commenced wind-down procedures upon expiration, during this time miners will operate until they are removed in batches from allocated rack space. All MW allocated to the Company are expected to be vacated no later than March 31, 2025. We have no intention to mine, purchase or hold any other cryptoassets at this time or in the foreseeable future, and we did not hold any other cryptoasset as of December 31, 2024.

We design our infrastructure to efficiently, profitably, and responsibly secure and support bitcoin, the world's most recognized digital commodity. We cultivate trust and transparency among our employees, the communities where we operate, our public market stakeholders, and the people around the world who depend on 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 and every transaction. To be recorded on the blockchain, each bitcoin transaction is validated through a proof-of-work consensus method, which entails demonstrating sufficient computation through the "proof of work" process 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 transaction fees paid in bitcoin, for successfully constructing a block with the required network difficulty and disseminating that block to the global network of nodes. The mining process now represents the largest distributed computing network on Earth due to demand for bitcoin, the commodity, and the revenues associated with securing it.

Factors such as access to specialized mining servers, energy, electricity cost, environmental factors (such as cooling capacity) and location play important roles in mining. As of December 31, 2024, our operating mining units were capable of producing over 39.1 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 2025 and beyond as we expand our infrastructure at our owned sites in Wyoming, Tennessee, and Georgia, seek regional expansion opportunities, and evaluate strategic acquisition targets. As of January 31, 2025, we operated a high of 40 EH/s of computing power. A company's computing power measured in hashrate is a significant factor in its bitcoin mining revenue.

We owned approximately 285,098 miners as of December 31, 2024, of which approximately 201,808 were in service as of December 31, 2024 and the remainder pertain to new machines ready to install in the Cheyenne, WY expansion and Jackson, TN and other expansion opportunities, are being evaluated for relocation or are pending repair. Our miners range in age from 1-48 months and have an average age of approximately 13 months. Effective May 2024, we estimate the useful lives of our miners to be three years. We do not have 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 with a substitute miner to limit overall downtime. The miners owned as of December 31, 2024 had a range of energy efficiency (watts per terahash – "w/TH") of 13.5 to 29.5 w/TH with an average operating energy efficiency of 17.6 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 also will utilize our bitcoin as collateral for lending arrangements. We do not currently engage in regular trading of bitcoin (other than as necessary to convert our bitcoin into U.S. dollars) or 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. As hedging, derivative, lending, and other structured products mature, we will evaluate them and consider integrating them into our regular treasury management activities. Treasury management activities may serve cash management, strategic growth, revenue or bitcoin balance hedging, incremental revenue or other general corporate purposes. 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 the need for working capital, 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 September 30, 2023 through December 31, 2024.

Range of intraday bitcoin prices

Quarterly Reporting Periods Ended

	Minimum Price	Maximum Price
September 30, 2023	\$ 24,900	\$ 31,862
December 31, 2023	\$ 26,521	\$ 45,000
March 31, 2024	\$ 38,501	\$ 73,836
June 30, 2024	\$ 56,500	\$ 72,777
September 30, 2024	\$ 49,050	\$ 70,000
December 31, 2024	\$ 58,864	\$ 108,389

As of December 31, 2024, we held 9,952 bitcoins. As of December 31, 2024, we held 99% of our bitcoin in cold storage and 1% in hot wallets. The fair value of our bitcoins as of December 31, 2024 was \$929,080 on our condensed consolidated balance sheets. Effective October 1, 2023, we adopted ASC 350-60, which requires bitcoin to be measured at fair value; as a result, the carrying value of each bitcoin we held at October 1, 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, decreases in the market price of bitcoin could have a material impact on our earnings and on the carrying value of our bitcoin. See Note 2 - Summary of Significant Accounting Policies for more details on the impact of implementation in the Form 10-K.

As of December 31, 2024 and September 30, 2024, the Company did not hold any digital currency other than bitcoin.

We maintain real property holdings through our wholly owned and consolidated subsidiaries.

Results of continuing operations for the three months ended December 31, 2024 and 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 (or joules) of energy required to produce each terahash of processing power. We believe we operate a highly efficient fleet of miners.

The table below describes our fleet as of December 31, 2024 and 2023 and our miner efficiency and computing power as compared to the global computing power.

	<u>As of</u>	
	December 31, 2024	December 31, 2023
Combined facilities		
Global hashrate (in terms of EH/s) ⁽¹⁾	803.0	558.4
Miner efficiency (w/ th) ⁽²⁾	17.6	26.4
CleanSpark hashrate (in terms of EH/s)	39.1	10.0
CleanSpark percentage of total global hashrate	4.87 %	1.80 %

(1) Total global hashrate obtained as of December 31, 2024 and 2023 were from Hashrate index (<https://data.hashrateindex.com/network-data/network>) using SMA 7 days and YCHARTS

(https://ycharts.com/indicators/bitcoin_network_hash_rate), respectively.

(2) Watts of energy required to produce each terahash of processing power. Based on miner fleet operating at period end.

As of December 31, 2024, our operating hashrate was approximately 4.87% of the total global hashrate, and we received approximately the same percentage of the global blockchain rewards, which as of that date equaled approximately 21-22 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 months ended December 31, 2024 and 2023 and the total energy usage and cost per each kilowatt hour ("KWH") utilized within our owned facilities.

	<u>For the Three Months Ended</u>	
	December 31, 2024	December 31, 2023
Cost of Revenues - Analysis of costs to mine one bitcoin (per bitcoin amounts are actual)		
Cost of Mining - Owned Facilities		
Cost of energy per bitcoin mined	\$ 33,928	\$ 12,783
Other direct costs of mining - non energy utilities per bitcoin mined	83	25
Cost to mine one bitcoin - Direct Energy Cost - Owned facilities	\$ 34,011	\$ 12,808
Miner depreciation per bitcoin mined	31,949	11,384
Financing costs per bitcoin mined	98	237
Direct cost to mine including non-cash depreciation and financing costs - Owned facilities	\$ 66,058	\$ 24,429
 Average revenue of each bitcoin mined ⁽¹⁾	 \$ 83,962	 \$ 36,472
Direct cost to mine one bitcoin as % of average bitcoin mining revenue - Including direct energy cost only	40.5%	35.1%
Direct cost to mine one bitcoin as % of average bitcoin mining revenue - Including miner depreciation expense	78.7%	67.0%
 Statistics		
Owned Facilities		
Total bitcoin mined at owned facilities	1,817	1,711
Bitcoin mining revenue - Owned facilities - (\$ in thousands)	\$ 152,561	\$ 62,400
Total miners in service in owned facilities - as of the periods ended	186,878	72,234
Total KWHs utilized	1,251,929,017	495,197,028
Total energy expense - (\$ in thousands)	\$ 61,649	\$ 21,871
Cost per KWH	\$ 0.049	\$ 0.044
Energy expense as percentage of bitcoin mining revenue, net	40.4%	35.0%
Other direct costs of mining - non energy utilities - (\$ in thousands)	\$ 150	\$ 42
Depreciation Expense - Miners Only - (\$ in thousands)	\$ 58,052	\$ 19,477
Direct miner financing costs - (\$ in thousands)	\$ 178	\$ 405

⁽¹⁾ Average revenue of each bitcoin mined is calculated by dividing the sum of bitcoin mining revenue for our owned facilities by the total number of bitcoin mined by our owned facilities during the respective periods. We have determined that Coinbase is the principal market for valuing bitcoin transactions and use the closing price of bitcoin at 23:59:59 UTC 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 September 30, 2023.

Power prices are the most significant cost driver for our wholly owned locations, and energy expense represented 40.4% and 35.0% as expressed as a percentage of bitcoin mining revenues during the three months ended December 31, 2024 and 2023, respectively.

Energy prices can be highly volatile and global events can impact energy rates. We have a diverse portfolio of power contracts across our wholly owned and operated sites in the State of Georgia, Mississippi, Tennessee and Wyoming. The majority of these contracts and our previously 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 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 a goal of increasing profitability and energy efficiency. Energy prices are also highly sensitive to weather events, such as winter storms and polar vortices, which periodically increase the demand for power regionally. When such events occur, we may curtail our operations to avoid using power at increased rates, at the request of grid operators in cases of emergencies or to support utility grid resiliency efforts. The average power prices we paid under our power contracts at our owned facilities for the three months ended December 31, 2024 and 2023 were \$0.049 and \$0.044 per KWH, respectively.

The management and operations teams make real-time determinations on the need and timing during which we should curtail our operations. We curtail when power prices exceed the value we would receive for the corresponding fixed bitcoin reward in response to utility programs. This means if bitcoin's value decreases or energy prices increase, our curtailment may increase; likewise, when bitcoin's value increases and energy prices decrease, our curtailment may decrease. The management and operations teams manage these decisions on an hour-by-hour basis across all our sites, both wholly owned and hosted. The Company did not have significant curtailment and maintained an average uptime greater than 90% during the three months ended December 31, 2024. A large portion of the curtailment during the quarter related to Hurricane Helene which affected our Georgia sites at the end of September 2024 to the beginning of October 2024. The southeast Georgia sites were shut down as the hurricane began impacting the region, thus at the beginning of the October 2024, these sites were operating on approximately 200 MW which gradually increased during the same week to its full 365 MW capacity when utilities were restored to the communities.

The Company records depreciation expense (a non-cash expense) on its miners on a straight-line basis over the miners' expected useful life. Such non-cash depreciation amounts are recorded within the condensed consolidated statements of operations and comprehensive income as "Depreciation and Amortization". Although the Company recognizes depreciation with respect to its mining assets, it does not consider depreciation in determining whether it is economical to operate its mining equipment since depreciation expense is not an avoidable operating cost, such as energy costs. The table above presents the non-cash miner depreciation expense on a "per bitcoin" basis, calculated by dividing miner depreciation expense in our owned facilities by the number of bitcoin mined in the owned facilities. On a "cost per bitcoin" ratio, miner depreciation expense was \$31,949 and \$11,384 for the three months ended December 31, 2024 and 2023, respectively. The number of bitcoin received by all the miners, including the Company was reduced by 50% effective April 19, 2024 when the bitcoin algorithm halved the rewards from 6.25 per block to 3.125 per block increasing depreciation expense on a comparable per bitcoin basis as it takes more miners to produce the same number of bitcoin.

We have financing costs for a limited number of miners in our miner fleet and such costs are recorded within Interest Expense in our condensed consolidated statements of operations and comprehensive income. The table above presents financing costs per bitcoin calculated by dividing direct interest expense on our miner financing agreement by the number of bitcoin mined in our owned facilities. On a cost per bitcoin ratio, financing costs were \$98 and \$237 for the three months ended December 31, 2024 and 2023, respectively.

The table below describes the average cost of mining each bitcoin for the three months ended December 31, 2024 and 2023 and the total energy usage and cost per each KWH utilized within our hosted facilities.

	For the Three Months Ended	
	December 31, 2024	December 31, 2023
Cost of Revenues - Analysis of costs to mine one bitcoin (per bitcoin amounts are actual)		
Cost of Mining - Hosted Facilities		
Direct hosting fees expense per one bitcoin	\$ 66,288	\$ 22,621
Miner depreciation per bitcoin mined	4	19,564
Direct cost to mine including non-cash depreciation - Hosted facilities	\$ 66,292	\$ 42,185
 Average revenue of each bitcoin mined ⁽¹⁾	 \$ 76,080	 \$ 36,884
Direct cost to mine one bitcoin as % of average bitcoin mining revenue - Direct Hosting fees only	87.1%	61.3%
Direct cost to mine one bitcoin as % of average bitcoin mining revenue - Including miner depreciation expense	87.1%	114.4%

Statistics

Hosted Facilities

Total bitcoin mined at hosted facilities	128	309
Bitcoin mining revenue - Hosted facilities - (<i>\$ in thousands</i>)	\$ 9,746	\$ 11,386
Total miners in service in hosted facilities - as of the periods ended	14,930	16,325
Total KWHs utilized	121,977,227	104,598,890
Total hosting fee expense - (<i>\$ in thousands</i>)	\$ 8,491	\$ 6,983
Hosting fee per KWH	\$ 0.070	\$ 0.067
Hosting fee expense as percentage of bitcoin mining revenue, net	87.1%	61.3%
Depreciation Expense - Miners Only - (<i>\$ in thousands</i>)	\$ 1	\$ 6,039

(1) Average revenue of each bitcoin mined is calculated by dividing the sum of bitcoin mining revenue for hosted facilities by the total number of bitcoin mined within the hosted facilities during the respective periods. We have determined that Coinbase is the principal market for valuing bitcoin transactions and use the closing prices as of 23:59:59 UTC 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 September 30, 2023.

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 87.1% and 61.3% as a percentage of bitcoin mining revenues during the three months ended December 31, 2024 and 2023, respectively.

At our hosted facilities, the hosting fee as compared to KWHs utilized in the hosted facilities was \$0.070 and \$0.067 per KWH for the three months ended December 31, 2024 and 2023, respectively. The Company did not have significant curtailment greater than 20% of total operating time during the three months ended December 31, 2024.

On a "cost per bitcoin" ratio, miner depreciation expense was \$4 and \$19,564 for the three months ended December 31, 2024 and 2023, respectively. The decrease presented was mainly due to the miners being nearly fully depreciated as of September 30, 2024.

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

Bitcoin mining revenue

We earned \$162,306 in bitcoin mining revenue during the three months ended December 31, 2024, which was an increase of \$88,520, or 120%, as compared with \$73,786 for the three months ended December 31, 2023. Bitcoin mining revenues are recorded net of bitcoin mining fees charged by our sole mining pool operator that equaled approximately 0.15% of gross bitcoin mining revenues for the three months ended December 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, 2024, we mined 1,945 bitcoin with an average bitcoin price of \$83,443 as compared to 2,020 bitcoin with an average bitcoin price of \$36,535 during the three months ended December 31, 2023. The increase in bitcoin mining revenue for the three months ended December 31, 2024 was attributable to the increase in the average bitcoin price offset by the decrease in the bitcoin mined during the period and as compared to the three months ended December 31, 2023. The decrease in the quantity of bitcoin mined was primarily driven by the reduction in bitcoin block rewards from 6.25 per block recognized during the three months ended December 31, 2023 as compared to 3.125 per block recognized during the three months ended December 31, 2024. This reduction in block rewards due to the halving in April 2024 was offset by the increased number of our miners in operation, which increased to 201,808 compared to 88,559, an increase of 128% between December 31, 2023 and December 31, 2024. The increase in our 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.

Cost of revenues (exclusive of depreciation and amortization expense)

Our cost of revenues was \$70,290 for the three months ended December 31, 2024, an increase of \$41,394, or 143%, as compared with \$28,896 for the three months ended December 31, 2023. These costs were primarily related to energy costs to operate the miners within our owned facilities, which were \$63,075 for the three months ended December 31, 2024, an increase of \$41,244, or 189%, as compared to \$21,831 for the three months ended December 31, 2023. The increase in energy costs was due to the increases in the volume of 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.

We also incurred hosting fees of \$6,350 and profit sharing fees of \$683 for the three months ended December 31, 2024, an increase of \$776, or 14%, and a decrease of \$727, or 52%, as compared to \$5,574 and \$1,411, respectively, for the three months ended December 31, 2023. The hosting fees and profit sharing fees were primarily the result of our co-location agreement with Coinmint. The hosting fees increased period over period due to increased rates charged per KWH even though KWHs utilized decreased slightly.

Professional fees

Professional fees, which consisted primarily of legal, accounting and consulting fees, were \$3,885 for the three months ended December 31, 2024, an increase of \$2,313, or 147%, from \$1,572 for the three months ended December 31, 2023. Legal expenses were \$1,445 for the three months ended December 31, 2024, as compared to \$173 for the three months ended December 31, 2023. This increase was primarily attributable to legal and other professional fees in connection with merger and acquisition transactions of \$396 during the three months ended December 31, 2024, as compared to \$0 during the three months ended December 31, 2023. Other professional fees, namely accounting and consulting, were \$2,445 for the three months ended December 31, 2024, as compared to \$1,403 for the three months ended December 31, 2023, representing an increase of \$1,042. The increase in accounting fees was primarily related to tax services and consulting.

Payroll expenses

Payroll expenses were \$20,869 for the three months ended December 31, 2024, an increase of \$5,549, or 36%, from \$15,320 for the three months ended December 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 \$17,847 for the three months ended December 31, 2024, representing an increase of 232% from \$5,368 for the three months ended December 31, 2023, mainly attributed to an increase in employee headcount along with employee bonuses.

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 \$3,021 for the three months ended December 31, 2024, a decrease of \$6,931, or 70%, from \$9,953 for the three months ended December 31, 2023. The decrease in stock based compensation was mainly attributed to the vesting of a certain performance based restricted stock awards vesting in the three months ended December 31, 2023.

General and administrative expenses

General and administrative expenses increased to \$10,054 for the three months ended December 31, 2024 from \$5,003 for the three months ended December 31, 2023, representing an increase of \$5,051. 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

Gain on fair value of bitcoin for the three months ended December 31, 2024 was \$218,206 as compared to \$36,041 for the three months ended December 31, 2023, an increase of \$182,165. 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 for the three months ended December 31, 2024 pertains to the change in bitcoin's fair value from approximately \$63,300 per bitcoin on September 30, 2024 to approximately \$93,400 per bitcoin on December 31, 2024.

Depreciation and amortization

Depreciation and amortization expense increased to \$66,229 for the three months ended December 31, 2024, from \$29,847 for the three months ended December 31, 2023, an increase of \$36,382, or 122%. Depreciation expense increased by \$35,792, or 122%, during the three months ended December 31, 2024, to \$65,125 from \$29,333, mainly due to an increase in miners and mining-related equipment being placed in service during the comparative period. Additionally, effective May 1, 2024, all miners would be adjusted to a useful life of 3 years, a reduction from 5 years.

Amortization expense for the three months ended December 31, 2024 was \$1,104, an increase of \$591, or 115%, from \$513 for the three months ended December 31, 2023. In the three months ended December 31, 2024, the Company acquired software in the total amount of \$4,000, which was the primary cause for the increase in amortization expense.

Other Income (Expenses)

Other income, net was \$46,032 for the three months ended December 31, 2024, compared with other expense, net of \$1,203 for the three months ended December 31, 2023, which is a change of \$47,235. Other income (expenses) for the three months ended December 31, 2024 consisted primarily of gain on bitcoin collateral returned of \$42,493. The Company did not have any bitcoin collateral in the three months ended December 31, 2023.

Interest expense in the three months ended December 31, 2024 increased by \$1,013 to \$1,559 from \$546 for the three months ended December 31, 2023 due to the line of credit with Coinbase, which was outstanding for the majority of the three months ended December 31, 2024.

Net income

Net income for the three months ended December 31, 2024 was \$246,791, an increase of \$220,882 compared to net income of \$25,909 for the three months ended December 31, 2023, for the reasons stated above.

Non-GAAP Measure

We present adjusted EBITDA, which is not a measurement of financial performance under 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 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; (iv) realized gains and losses on sales of equity securities, the amounts of which are directly related to the unrealized gains and losses that are also excluded; (v) legal fees related to litigation and various transactions, which fees management does not believe are reflective of our ongoing operating activities; (vi) gains and losses on disposal of assets, the majority of which are related to obsolete or unrepairable machines that are no longer deployed; (vii) gains and losses related to discontinued operations that would not be applicable to our future business activities; and (viii) severance expenses.

We previously excluded non-cash impairment losses related to bitcoin and realized gains and losses on sales of bitcoin from our calculation of adjusted EBITDA but have determined such items are part of our normal ongoing operations and will no longer be excluding them from our calculation of adjusted EBITDA.

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 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 (loss) income 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 condensed 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,	
Reconciliation of non-GAAP Adjusted EBITDA	2024	2023
Net income	\$ 246,791	\$ 25,909
Depreciation and amortization	66,229	29,847
Share-based compensation expense	3,021	9,953
Unrealized (gain) loss of derivative securities	(3,622)	1,243
Interest income	(1,476)	(586)
Interest expense	1,559	546
(Gain)/Loss on disposal of assets	(791)	677
Income tax expense	9,217	1,399
Fees related to financing & business development transactions	373	—
Litigation & settlement related expenses	348	—
Severance and other expenses	—	102
Non-GAAP adjusted EBITDA*	\$ 321,649	\$ 69,090

* We have not excluded our net gain on fair value of bitcoin (\$218,206 and \$36,041 in the three months ended December 31, 2024 and 2023, respectively), which we now record in our condensed consolidated statements of operations and comprehensive income as provided in ASC 350-60, as discussed in the Form 10-K.

Liquidity and Capital Resources

(\$ presented in 000's)

Our primary requirements for liquidity and capital are working capital, capital expenditures, loan payments, 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, bitcoin inventory and proceeds from our convertible note.

As of December 31, 2024, we had total current assets of \$1,225,265, 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 \$2,779,292. Our total current liabilities and total liabilities as of December 31, 2024 were \$96,677 and \$757,706, respectively. We had working capital of \$1,128,588 as of December 31, 2024. We may sell the bitcoin we mine to fund operations and to fund capital expenditures. In addition, we have \$633,812 zero-coupon convertible notes and a \$50,000 line of credit with Coinbase as discussed in Note 9 - Loans.

Based on our current plans and business conditions, we believe that existing cash and cash equivalents and bitcoin, together with cash generated from operations, will be sufficient to satisfy our anticipated cash requirements for the next 12 months and for the reasonably foreseeable future until we reach consistent profitability, and we are not aware of any trends or demands, commitments, events or uncertainties that are reasonably likely to result in a decrease in the liquidity of our assets. We are likely to require additional capital to respond to technological advancements, competitive dynamics or technologies, 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 fluctuations in interest rates, global conflicts including the conflict between Russia and Ukraine, and increases in tariffs, 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 condensed consolidated balance sheets as of December 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 14 - Commitments and Contingencies in this Quarterly Report on Form 10-Q for the period ended December 31, 2024, and Note 18 - Commitments and Contingencies included in our Annual Report on Form 10-K as filed with the SEC on December 3, 2024.

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

The Company generates non-cash revenue through mining Bitcoin, which it retains the majority based on its long-term value strategy, while funding all operating expenses with cash. As a result, net cash used in operating activities for the three months ended December 31, 2024 was \$119,452 primarily due to cost of revenues of \$70,290 and payroll expenses of \$20,869, in spite of a net income of \$246,791, due to the increase of the non-cash gains in the held bitcoin balance. Changes in operating assets and liabilities used a net total of \$18,079 of cash.

Operating activities from continuing operations for the three months ended December 31, 2023, resulted in a net cash outflow of \$47,276 . This was primarily driven by net income of \$25,909, which included significant non-cash revenue and gains, in the form of bitcoin. The non-cash adjustments to reconcile net income to net cash included \$29,847 for depreciation and amortization and \$9,953 for stock-based compensation, offset by \$73,786 of non-cash bitcoin mining revenues. Additionally, changes in operating assets and liabilities contributed a net cash inflow of \$6,863.

Investing Activities

Investing activities from operations used \$255,947 during the three months ended December 31, 2024, as compared with using \$32,818 for the three months ended December 31, 2023. Our payments on miners (including miner deposits) of \$126,867, purchase of fixed assets of \$57,359, and payment for the asset acquisition of the Tennessee locations of \$8,105 were the main components of our investing cash outflow for the three months ended December 31, 2024. This was partly offset by cash received in the acquisition of GRIID of \$1,411 and by cash proceeds received from the sale of miners of \$30,134.

Financing Activities

Cash flows generated from financing activities of continuing operations during the three months ended December 31, 2024 amounted to \$531,128 compared to \$99,745 for the three months ended December 31, 2023. Our cash flows from financing activities for the three months ended December 31, 2024 consisted primarily of proceeds from the convertible note of \$635,695 and proceeds from equity offerings of \$186,807, partially offset by the repurchase of common stock of \$145,000, aggregate payments for capped call transactions of \$90,350, and payments on loans in the amount of \$52,158. Our cash flows from financing activities for the three months ended December 31, 2023 mainly consisted of proceeds from underwritten offerings of \$108,926.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed 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 Annual Report on Form 10-K for the fiscal year ended September 30, 2024 other than as described in Note 2 - Summary of Significant Accounting Policies in our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

Please refer to Note 2 - Summary of Significant Accounting Policies in our unaudited condensed 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, we are 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 at fair value and records changes in fair value throughout the 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 negative impact on its liquidity.

At December 31, 2024, the Company held approximately 9,952 bitcoins and the fair value of a single bitcoin was approximately \$93,356, meaning that the fair value of its bitcoin holdings on that date was approximately \$929 million. A 10% increase or decrease in the fair value of bitcoin as of December 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 \$92.9 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).

On October 30, 2024, the Company completed its acquisition of GRIID. The Company is currently integrating GRIID into our overall internal control over financial reporting process and, consistent with interpretive guidance issued by the Staff of the SEC, is excluding the business from our evaluation of disclosure controls and procedures as of December 31, 2024. In accordance with such guidance, an assessment of recent business combinations may be omitted from management's assessment of internal control over financial reporting for one year following the acquisition. This acquisition constituted approximately 6% of the Company's total consolidated assets and approximately 7% of the Company's consolidated revenues are generated from the locations acquired from GRIID as of and for the three months ended December 31, 2024, respectively.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2024, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

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 that have been previously reported have been identified and included in management's assessment:

- The Company did not design and maintain effective information systems general controls over program change management, logical access and segregation of duties for our general ledger. Specifically, we did not maintain documentation to support the operation of our controls over change management for the Company's general ledger, and the assignment or permissions to users which allowed certain users to create new users and assign those users existing predefined roles in the general ledger, which could result in an override of existing internal controls over financial reporting. The existence of this material weakness affected the design of internal controls related to various assertions in certain financial statement line items such that internal controls were not effective for cash and cash equivalents, bitcoin, receivable from bitcoin collateral, note receivable from GRIID, property and equipment, deposits on miners, accounts payable, accrued liabilities, loans payable, deferred income taxes, stockholders' equity, bitcoin mining revenue, cost and expenses, share-based payments, and income tax expense.
- The Company did not design and maintain effective controls to address the accounting for property plant and equipment, and deposits on miners.
- The Company did not design and maintain effective controls over payroll, including controls over the use of information from its third-party payroll service provider, maintaining appropriate segregation of duties and processing of payroll.
- The Company did not design and maintain effective controls to safeguard cash that could result in the issuance of cashier's checks without any independent oversight.

These material weaknesses did not result in any identified material misstatements to the condensed consolidated financial statements, and there were no changes to previously released financial results.

Remediation Efforts to Address the Material Weaknesses

The Company's Board of Directors and management take internal control over financial reporting and the integrity of its condensed consolidated financial statements seriously.

Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include the following:

Material weakness over design of information systems general controls

The remediation actions include the following:

- Removed users' access within the general ledger system that allowed a user to create users and also perform accounting transactions;
- Implemented quarterly reviews of user access logs by individuals who do not perform accounting transactions in the general ledger;
- Redesigned and implemented relevant complementary user entity controls identified in third-party service organization system organization and control reports;
- Expanded the management and governance over IT system controls, including the hiring of a Systems Analyst and an IT Analyst;
- Redesigned and implemented controls over the completeness and accuracy of information used in the operation of controls, including data used in the preparation of condensed consolidated financial statements; and
- Redesigned and implemented controls over logical access, including user access provisioning, termination, and periodic review for all financial reporting systems.

Material weakness design of property plant and equipment and deposits on miners.

The planned remediation actions include the following:

- Redesign and implementation of controls related to the counting of received property, plant and equipment;
- Design and implement controls over the completeness and accuracy of information used in the operation of controls, including data used in the preparation of condensed consolidation financial statements;
- Implement controls related to the miner receiving process to ensure adequate documentation is maintained to support the accounting for miners in transit and period-end balances; and
- Conduct training related to documentation, policies and procedures for shipping, receiving and counting of property, plant and equipment.

Material weakness in the design of controls related to the Company's use of its third-party payroll service provider and payroll processing.

The remediation actions include the following:

- Redesigned and implemented controls to address segregation of duties issues when processing, approving and submitting payroll.
- Implemented controls related to confirmation of payrolls processed are same as those approved.
- Restricted administrator access to individuals who do not have responsibility to process, approve or submit payroll.

Material weakness related to the design of internal controls to safeguard cash assets

The remediation actions include the following:

- Designed and implemented a control to require two approval signatures for cashier check requests; and
- Enhanced the design of controls related to cash reconciliation procedures verifying cashier checks issued.

While these remedial actions are designed and implemented to correct the material weaknesses, changes to internal controls over financial reporting require operation for a sufficient period of time in order for management to evaluate and test the operating effectiveness. Management will continue to monitor and evaluate the effectiveness of these changes for a sufficient period of time prior to concluding that these controls are designed and operating effectively, and the material weaknesses can be considered remediated.

Changes in Internal Control over Financial Reporting

The Company is integrating GRIID into our overall internal control over financial reporting process. At this time, we anticipate that the scope of our assessment of our internal control over financial reporting for our fiscal year ending September 30, 2025 will exclude GRIID's internal control over financial reporting. Except for the remedial measures described above, and the GRIID Acquisition, there have been no other 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, 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 14 - Commitments and Contingencies to our condensed 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, 2024, 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.

The capped call transactions may affect the value of the 2030 Notes and the market price of our common stock.

In connection with the issuance of our \$650,000,000 aggregate principal amount of 0% convertible senior notes due 2030 (the "2030 Notes"), we entered into privately negotiated capped call transactions with certain financial institutions (collectively, the "option counterparties"). The capped call transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the 2030 Notes or offset any cash payments we are required to make in excess of the principal amount of converted 2030 Notes, with such reduction or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties entered into various derivative transactions with respect to our common stock and/or purchased shares of our common stock concurrently with, or shortly after, the pricing of the 2030 Notes. They may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling shares of our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2030 Notes, and they are likely to do so during any "observation period" related to a conversion of 2030 Notes or, to the extent we exercise the relevant election under the capped call transactions, following any repurchase or redemption of the 2030 Notes, in each case as described in the Indenture, dated as of December 17, 2024, by and between the Company and U.S. Bank Trust Company, National Association, as trustee. This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the 2030 Notes.

We are subject to counterparty risk with respect to the capped call transactions.

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions and could adversely affect the option counterparties' performance under the capped call transactions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer more dilution, the effect of which would not be compensated for, than we currently anticipate with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

The accounting treatment for convertible debt securities that may be settled in cash and/or shares, such as the 2030 Notes, may have a material effect on our reported financial results.

The accounting method for reflecting the 2030 Notes on our balance sheet, accruing interest expense for the 2030 Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.

In accordance with Accounting Standards Update No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), we expect that the 2030 Notes will be reflected as a liability on our balance sheet, with the initial carrying amount equal to the principal amount of the 2030 Notes, net of issuance costs. The issuance costs will be amortized into interest expense over the term of the 2030 Notes. As a result of this amortization, the interest expense that we expect to recognize for the 2030 Notes for accounting purposes will be greater than the cash interest payments we will pay on the 2030 Notes, which will result in lower reported income.

In addition, we expect that the shares underlying the 2030 Notes will be reflected in our diluted earnings per share using the "if converted" method, in accordance with ASU 2020-06. Under that method, diluted earnings per share would generally be calculated assuming that all the 2030 Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share, and accounting standards may change in the future in a manner that may adversely affect our diluted earnings per share.

Furthermore, if any of the conditions to the convertibility of the 2030 Notes are satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the 2030 Notes as a current, rather than a long-term, liability. This reclassification could be required even if no holders convert their 2030 Notes and could materially reduce our reported working capital.

There are risks related to technological obsolescence, the vulnerability of the global supply chain for cryptocurrency hardware disruption, potential trade restrictions and difficulty in obtaining new hardware which may have a negative effect on our business.

As our mining facilities operate, our miners experience ordinary wear and tear and may face more significant malfunctions caused by a number of extraneous factors beyond our control. The degradation of our miners will also require us, over time, to repair or replace miners which are no longer functional. Additionally, as technology evolves, we may be required to acquire newer models of miners to remain competitive in the market. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis.

Further, we have faced complications related to the import of our miners and other mining equipment in the past and may again in the future. The global supply of miners is unpredictable and presently heavily dependent on manufacturers headquartered in China, with manufacturing in Asia, which was severely affected by the emergence of the COVID-19 pandemic. We currently utilize several types of ASIC miners as part of our mining operation, including Bitmain Antminers, Canaan Avalon miners and MicroBT WhatsMiners, all of which are produced in China, Malaysia, Indonesia or Thailand. Geopolitical matters, including the relationship of the U.S. with other countries, trade restrictions and tariffs, or the threat of trade restrictions or tariffs, may impact our ability to import miners or other equipment necessary for our operations. In addition, officials of the U.S. Customs and Border Protection agency ("CBP") have broad discretion regarding products imported into the United States, and the CBP has on occasion, and may again in the future, detained and/or seized imported miners and other equipment necessary to the operation of our miners, which has resulted in significant costs to us. If any of our mining equipment is detained and/or seized again in the future, we may not be able to obtain adequate replacement parts for our existing miners and other equipment or obtain additional miners and other equipment from manufacturers on a timely basis, or at all. Such events could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

The U.S. political and economic environment could materially impact our business operations and financial performance, and uncertainty surrounding the potential legal, regulatory and policy changes by the new U.S. presidential administration may directly affect us and the global economy.

The political and economic environment in the U.S. and elsewhere has resulted in, and may continue to result in, uncertainty. Changing regulatory policies because of the evolving political environment or otherwise could pose challenges to our business model and materially and adversely affect our business, financial condition and results of operations. For example, the U.S. federal government may establish a strategic bitcoin reserve, which could significantly affect bitcoin prices through large-scale purchasing programs, potentially creating increased price volatility or artificial price suppression that could make our mining operations less profitable or unprofitable.

Furthermore, the government might exercise greater influence over the bitcoin network, which could affect mining difficulty rates, transaction processing, or other technical aspects of the network in ways that could adversely impact our operations. These changes could affect market sentiment and institutional adoption of bitcoin in unpredictable ways that could impact bitcoin's value.

Our ability to conduct business can also be significantly impacted by changes in tariffs, customs policies, changes in or repeals of trade agreements and the imposition of other trade restrictions or retaliatory actions imposed by various governments. For example, the new U.S. presidential administration has imposed and has threatened to impose tariffs on foreign imports into the United States from certain jurisdictions, including jurisdictions from which we import mining equipment, or from which components of our mining equipment are manufactured.

The timeline, structure, and scope of any potential regulatory policies are uncertain, making it difficult for us to plan for or mitigate these risks effectively. In addition, we cannot predict what further action may be taken with respect to tariffs or trade relations between the U.S. and other governments. Any such changes could fundamentally alter the competitive and regulatory landscape in which we operate, potentially having a material adverse effect on our business, financial condition, and results of operation.

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

Offering of Convertible Senior Notes

On December 17, 2024, we completed the offering of the 2030 Notes. Additional information relating to the issuance of the 2030 Notes can be found in Note 10—Loans—2030 Convertible Note to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, as well as in our Current Report on Form 8-K filed with the SEC on December 17, 2024.

Issuer Purchases of Equity Securities The following table provides information on our share repurchases during the three months ended December 31, 2024:

	Total Number of Shares Purchased	Average Price Paid Per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽²⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program ⁽²⁾
October 1, 2024 to October 31, 2024	—	\$ —	—	\$ —
November 1, 2024 to November 30, 2024	—	\$ —	—	\$ —
December 1, 2024 to December 31, 2024	11,759,935	\$ 12.33	—	\$ —
Total	11,759,935			

(1)Represents the use of approximately \$145.0 million of the net proceeds from our convertible notes offering to repurchase shares of our common stock from investors in the 2030 Notes in privately negotiated transactions concurrently with the offering at a price per share of \$12.33, which was the closing price per share of our common stock on December 12, 2024. The shares were repurchased at fair value, and the entire repurchase price was allocated to the repurchase of the shares.

(2)On December 9, 2024, our board of directors authorized the repurchase of our common stock from certain investors in the 2030 Notes in privately negotiated transactions. We used approximately \$145.0 million of the net proceeds from the offering to repurchase shares of our common stock from investors in the 2030 Notes.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. Furthermore, for the three months ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified, or terminated 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) under the Exchange Act or any "non-Rule 10b5-1 arrangement" as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	Incorporated by Reference File No.	Exhibit	Filing Date	Filed/Furnished Herewith
3.1	Conformed Copy of First Amended and Restated Articles of Incorporation of CleanSpark, Inc., as amended through October 28, 2024					*
3.2	First Amended and Restated Bylaws of CleanSpark, Inc., dated September 17, 2021	8-K	001-39187	3.2	09/17/2021	
3.3	First Amendment to First Amended and Restated Bylaws of CleanSpark, Inc., dated August 28, 2024	8-K	001-39187	3.2	08/30/2024	
4.1	Amended and Restated Warrant Agreement, dated November 8, 2024, by and between CleanSpark, Inc. and Securities Transfer Corporation	8-A/A	001-39187	4.1	11/08/2024	
4.2	Form of Warrant Certificate (included in Exhibit 4.1)	8-A/A	001-39187	4.2	11/08/2024	
4.3	Indenture, dated as of December 17, 2024, by and between CleanSpark, Inc. and U.S. Bank Trust Company, National Association, as trustee, relating to the 0.00% Convertible Senior Notes due 2030	8-K	001-39187	4.1	12/17/2024	
4.4	Form of Note Representing the 0.00% Convertible Senior Notes due 2030 (included as Exhibit A to Exhibit 4.3)	8-K	001-39187	4.2	12/17/2024	
10.1	Employment Agreement by and between CleanSpark, Inc. and Brian Carson, dated October 1, 2024	8-K	001-39187	10.1	10/03/2024	
10.2	Form of Capped Call Confirmations.	8-K	001-39187	10.1	12/17/2024	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350					**

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 Documents
104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

† Certain schedules and other similar attachments to this exhibit have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. The registrant will provide a copy of such omitted documents to the SEC upon request.

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.

CleanSpark, Inc.

Date: February 6, 2025

By: /s/ Zachary K. Bradford
Zachary K. Bradford
Title: Chief Executive Officer
(Principal Executive Officer and Director)

Date: February 6, 2025

By: /s/ Gary A. Vecchiarelli
Gary A. Vecchiarelli
Title: Chief Financial Officer
(Principal Financial Officer)

Date: February 6, 2025

By: /s/ Brian Carson
Brian Carson
Title: Chief Accounting Officer
(Principal Accounting Officer)

**FIRST AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
CLEANSPARK, INC.
(A NEVADA CORPORATION)**

(Conformed copy incorporating all amendments through October 28, 2024)

CleanSpark, Inc., a corporation organized and existing under the laws of the State of Nevada (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is CleanSpark, Inc. The original Articles of Incorporation of the Corporation were filed with the Office of the Secretary of State of the State of Nevada on October 15, 1987.

2. These First Amended and Restated Articles of Incorporation were duly adopted in accordance with Sections 78.390, 78.385 and 78.403 of the Nevada Revised Statutes, and restate, integrate and further amend the provisions of the Corporation's existing Articles of Incorporation.

3. These First Amended and Restated Articles of Incorporation of the Corporation were duly approved by a vote of the stockholders of the Corporation in accordance with the provisions of Section 78.390 of the Nevada Revised Statutes.

4. A Certificate of Amendment to the Corporation's First Amended and Restated Articles of Incorporation was duly approved by a vote of the stockholders of the Corporation in accordance with the provisions of Section 78.390 of the Nevada Revised Statutes.

5. Immediately prior to the effective time of these First Amended and Restated Articles of Incorporation, the Corporation has authorized fifty million (50,000,000) shares of common stock, par value \$0.001 per share ("Common Stock"), of which, 36,497,354 shares of Common Stock are issued and outstanding, and ten million (10,000,000) shares of preferred stock, par value \$0.001 per share ("Preferred Stock"), of which 2,000,000 of such shares are designated as Series A Preferred Stock ("Series A Preferred Stock") where 1,750,000 Series A Preferred Stock are issued and outstanding.

6. The text of the original Articles of Incorporation of the Corporation is hereby amended and restated to read in its entirety as follows:

**ARTICLE 1
NAME**

The name of the corporation is CleanSpark, Inc. (the "Corporation").

**ARTICLE 2
DURATION**

The duration of the Corporation's existence shall be perpetual.

ARTICLE 3 PURPOSE

The nature of the business of the Corporation and the objects or purposes to be transacted, promoted, or carried on by it are as follows: To engage in any lawful act or activity for which corporations may be organized under Chapter 78 of the Nevada Revised Statutes (the "NRS"). The Corporation shall also have the authority to engage in any and all such activities as are incidental or conducive to the attainment of the purpose or purposes of this Corporation.

ARTICLE 4 CAPITAL STOCK

Section 4.1 Authorized Shares. The aggregate number of shares which the Corporation shall have authority to issue is Six Hundred Ten million (610,000,000) shares, consisting of two classes to be designated, respectively, "Common Stock" and "Preferred Stock," with all of such shares having a par value of \$0.001 per share. The total number of shares of Common Stock that the Corporation shall have authority to issue is Six Hundred million (600,000,000) shares. The total number of shares of Preferred Stock that the Corporation shall have authority to issue is ten million (10,000,000) shares. The Preferred Stock may be issued in one or more series, each series to be appropriately designated by a distinguishing letter or title, prior to the issuance of any shares thereof. The voting powers, designations, preferences, limitations, restrictions, and relative, participating, optional and other rights, and the qualifications, limitations, or restrictions thereof, of the Preferred Stock shall hereinafter be prescribed by resolution of the board of directors pursuant to Section 4.3 of this Article 4.

Section 4.2 Common Stock.

(a) **Dividend Rate**. Subject to the rights of holders of any Preferred Stock having preference as to dividends and except as otherwise provided by these First Amended and Restated Articles of Incorporation, as amended from time to time (hereinafter, the "Articles") or the NRS, the holders of Common Stock shall be entitled to receive dividends when, as and if declared by the board of directors out of assets legally available therefor.

(b) **Voting Rights**.

(i) Except as otherwise provided by the NRS, the holders of the issued and outstanding shares of Common Stock shall be entitled to one vote for each share of Common Stock. No holder of shares of Common Stock shall have the right to cumulate votes.

(ii) Except as otherwise required in these Articles, the holders of the issued and outstanding shares of Common Stock shall vote together as a single class on all matters (or, if any holders of Preferred Stock are entitled to vote together with the holders of Common Stock, as a single class with such holders of Preferred Stock).

(iii) The holders of the issued and outstanding shares of Common Stock, as such, shall not be entitled to vote on any amendment to these Articles or to a certificate of designation of Preferred Stock that alters or changes the powers, preferences, rights or other terms of one or more outstanding class or series of Preferred Stock if the holders of such affected class or series are entitled, either separately or together with the holders of one or more other class or series of Preferred Stock, to vote thereon as a separate class pursuant to these Articles or a certificate of designation of Preferred Stock or pursuant to the NRS as currently in effect or as the same may hereafter be amended.

(c) Liquidation Rights. In the event of liquidation, dissolution, or winding up of the affairs of the Corporation, whether voluntary or involuntary, subject to the prior rights of holders of Preferred Stock to share ratably in the Corporation's assets, the Common Stock and any shares of Preferred Stock which are not entitled to any preference in liquidation shall share equally and ratably in the Corporation's assets available for distribution after giving effect to any liquidation preference of any shares of Preferred Stock. A merger, conversion, exchange or consolidation of the Corporation with or into any other person or sale or transfer of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to stockholders) shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(d) No Conversion, Redemption, or Preemptive Rights. The holders of Common Stock shall not have any conversion, redemption, or preemptive rights.

(e) Consideration for Shares. The Common Stock authorized by these Articles shall be issued for such consideration as shall be fixed, from time to time, by the board of directors.

Section 4.3 Preferred Stock.

(a) Designation. The board of directors is hereby vested with the authority from time to time to provide by resolution for the issuance of shares of Preferred Stock in one or more series not exceeding the aggregate number of shares of Preferred Stock authorized by these Articles, and to prescribe with respect to each such series the voting powers, if any, designations, preferences, and relative, participating, optional, or other special rights, and the qualifications, limitations, or restrictions relating thereto, including, without limiting the generality of the foregoing: the voting rights relating to the shares of Preferred Stock of any series (which voting rights, if any, may be full or limited, may vary over time, and may be applicable generally or only upon any stated fact or event); the rate of dividends (which may be cumulative or noncumulative), the condition or time for payment of dividends and the preference or relation of such dividends to dividends payable on any other class or series of capital stock; the rights of holders of Preferred Stock of any series in the event of liquidation, dissolution, or winding up of the affairs of the Corporation; the rights, if any, of holders of Preferred Stock of any series to convert or exchange such shares of Preferred Stock of such series for shares of any other class or series of capital stock or for any other securities, property, or assets of the Corporation or any subsidiary (including the determination of the price or prices or the rate or rates applicable to such rights to convert or exchange and the adjustment thereof, the time or times during which the right to convert or exchange shall be applicable, and the time or times during which a particular price or rate shall be applicable); whether the shares of any series of Preferred Stock shall be subject to redemption by the Corporation and if subject to redemption, the times, prices, rates, adjustments and other terms and conditions of such redemption. The powers, designations, preferences, limitations, restrictions and relative rights may be made dependent upon any fact or event which may be ascertained outside these Articles or the resolution if the manner in which the fact or event may operate on such series is stated in these Articles or resolution. As used in this section, "fact or event" includes, without limitation, the existence of a fact or occurrence of an event, including, without limitation, a determination or action by a person, government, governmental agency or political subdivision of a government. The board of directors is further authorized to increase or decrease (but not below the number of such shares of such Series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series. Unless the board of directors provides to the contrary in the resolution which fixes the characteristics of a series of Preferred Stock, neither the consent by series, or otherwise, of the holders of any outstanding Preferred Stock nor the consent of the holders of any outstanding Common Stock shall be required for the issuance of any new series of Preferred Stock regardless of whether the rights and preferences of the new series of Preferred Stock are senior or superior, in any way, to the outstanding series of Preferred Stock or the Common Stock.

(b) Certificate. Before the Corporation shall issue any shares of Preferred Stock of any series, a certificate of designation setting forth a copy of the resolution or resolutions of the board of directors, and establishing the voting powers, designations, preferences, the relative, participating, optional, or other rights, if any, and the qualifications, limitations, and restrictions, if any, relating to the shares of Preferred Stock of such series, and the number of shares of Preferred Stock of such series authorized by the board of directors to be issued shall be made and signed by an officer of the Corporation and filed in the manner prescribed by the NRS.

(c) Series A Preferred Stock. These First Amended and Restated Articles of Incorporation, as amended from time to time, include the terms of the Corporation's Series A Preferred Stock as set forth in the Certificate of Designation filed in the office of the Nevada Secretary of State on April 15, 2015, as Document No. 20150171625-90, as the same has been and may be further amended, corrected or restated from time to time, which certificate of designation, as so amended, corrected or restated, as applicable, is hereby incorporated herein by this reference until such certificate of designation is withdrawn in accordance with the NRS.

Section 4.4 Non-Assessment of Stock. The capital stock of the Corporation, after the amount of the subscription price has been fully paid, shall not be assessable for any purpose, and no stock issued as fully paid shall ever be assessable or assessed, and these Articles shall not be amended in this particular. No stockholder of the Corporation is individually liable for the debts or liabilities of the Corporation.

Section 4.5 General.

(i) No stockholder has any right or will be permitted to cumulate votes in any election of directors.

(ii) Shares of one class or series of stock may be issued as a share dividend in respect of another class or series, Section 78.215(4) of the NRS notwithstanding.

ARTICLE 5
BOARD OF DIRECTORS

(a) The business of the Corporation shall be managed by a board of directors.

(b) Subject to the rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances, the number of directors constituting the board of directors may be increased or decreased from time to time in the manner specified in the Bylaws of the Corporation; *provided, however,* that the number shall not be less than one (1) nor more than nine (9). Any decrease in the number of directors shall not shorten the term of any incumbent director.

(c) Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, any director, or the entire board of Directors, may be removed from office by the stockholders only as provided in these Articles and the NRS.

(d) Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

ARTICLE 6 BYLAWS

The board of directors shall have the power to adopt, amend, restate, or repeal the Bylaws or adopt new Bylaws. Nothing herein shall deny the concurrent power of the stockholders to adopt, alter, amend, restate, or repeal the Bylaws, *provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by these Articles, such action by stockholders shall require the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock of the Corporation entitled to vote thereon.*

ARTICLE 7 LIMITATIONS OF DIRECTORS' LIABILITY

A director shall have no liability to the Corporation or its stockholders for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director, or a knowing violation of law by the director, or for conduct violating NRS 78.138(7), or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the NRS is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by NRS as so amended. Any repeal or modification of this Article 7 shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

ARTICLE 8 INDEMNIFICATION

Section 8.1 Indemnification and Insurance.

(a) Indemnification of Directors and Officers.

(i) For purposes of this Article, (A) "Indemnitee" shall mean each director or officer who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding (as hereinafter defined), by reason of the fact that he or she is or was a director or officer of the Corporation or member, manager or managing member of a predecessor limited liability company or affiliate of such limited liability company or is or was serving in any capacity at the request of the Corporation as a director, officer, employee, agent, partner, member, manager or fiduciary of, or in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust, or other enterprise; and (B) "Proceeding" shall mean any threatened, pending, or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative, or investigative.

(ii) Each Indemnitee shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Nevada law, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding; *provided that* such Indemnitee either is not liable pursuant to NRS 78.138 or acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any Proceeding that is criminal in nature, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the Indemnitee is liable pursuant to NRS 78.138 or did not act in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or that, with respect to any criminal proceeding he or she had reasonable cause to believe that his or her conduct was unlawful. The Corporation shall not indemnify an Indemnitee for any claim, issue or matter as to which the Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for any amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the Proceeding was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts as the court deems proper. Except as so ordered by a court and for advancement of expenses pursuant to this Section 8.1, indemnification may not be made to or on behalf of an Indemnitee if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of law and was material to the cause of action. Notwithstanding anything to the contrary contained in these Articles, no director or officer may be indemnified for expenses incurred in defending any threatened, pending, or completed action, suit or proceeding (including without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative or investigative, that such director or officer incurred in his or her capacity as a Stockholder.

(iii) Indemnification pursuant to this Section 8.1 shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or member, manager or managing member of a predecessor limited liability company or affiliate of such limited liability company or a director, officer, employee, agent, partner, member, manager or fiduciary of, or to serve in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust, or other enterprise and shall inure to the benefit of his or her heirs, executors and administrators.

(iv) The expenses of Indemnitees must be paid by the Corporation or through insurance purchased and maintained by the Corporation or through other financial arrangements made by the Corporation, as they are incurred and in advance of the final disposition of the Proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation. To the extent that a director or officer of the Corporation is successful on the merits or otherwise in defense of any Proceeding, or in the defense of any claim, issue or matter therein, the Corporation shall indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred in by him or her in connection with the defense.

(b) Indemnification of Employees and Other Persons. The Corporation may, by action of its Board of Directors and to the extent provided in such action, indemnify employees and other persons as though they were Indemnitees.

(c) Non-Exclusivity of Rights. The rights to indemnification provided in this Article 8 shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of these Articles, or the Bylaws of the Corporation, agreement, vote of Stockholders or directors, or otherwise.

(d) Insurance. The Corporation may purchase and maintain insurance or make other financial arrangements on behalf of any Indemnitee for any liability asserted against him or her and liability and expenses incurred by him or her in his or her capacity as a director, officer, employee, member, managing member or agent, or arising out of his or her status as such, whether or not the Corporation has the authority to indemnify him or her against such liability and expenses.

(e) Other Financial Arrangements. The other financial arrangements which may be made by the Corporation may include the following: (i) the creation of a trust fund; (ii) the establishment of a program of self-insurance; (iii) the securing of its obligation of indemnification by granting a security interest or other lien on any assets of the Corporation; and (iv) the establishment of a letter of credit, guarantee or surety. No financial arrangement made pursuant to this subsection may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud, or a knowing violation of law, except with respect to advancement of expenses or indemnification ordered by a court.

(f) Other Matters Relating to Insurance or Financial Arrangements. Any insurance or other financial arrangement made on behalf of a person pursuant to this Section 8.1 may be provided by the Corporation or any other person approved by the Board of Directors, even if all or part of the other person's stock or other securities is owned by the Corporation. In the absence of fraud, (i) the decision of the Board of Directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this Section 8.1 and the choice of the person to provide the insurance or other financial arrangement is conclusive; and (ii) the insurance or other financial arrangement is not void or voidable and does not subject any director approving it to personal liability for his or her action; even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

Section 8.2 Amendment. Notwithstanding any other provision of these Articles relating to their amendment generally, any repeal or amendment of this Article 8 which is adverse to any director or officer shall apply to such director or officer only on a prospective basis, and shall not limit the rights of an Indemnitee to indemnification with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

ARTICLE 9 AMENDMENTS

(a) The Corporation reserves the right to amend, alter, change or repeal any provision contained in these First Amended and Restated Articles of Incorporation, in the manner, and subject to approval by stockholders as, now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

(b) If any provision or provisions of these First Amended and Restated Articles of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of these First Amended and Restated Articles of Incorporation (including, without limitation, each portion of any sentence of these First Amended and Restated Articles of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

ARTICLE 10
EFFECTIVE TIME

The effective time of these First Amended and Restated Articles of Incorporation shall be the date and time that these First Amended and Restated Articles of Incorporation are filed with the Secretary of State of the State of Nevada, or, if later, the effective date and time specified in the certificate accompanying such filing.

IN WITNESS WHEREOF, the Corporation has caused these First Amended and Restated Articles of Incorporation to be signed by Zachary Bradford, its Chief Executive Officer and President, on September 17, 2021.

CLEANSPARK, INC.

By: */s/* Zachary Bradford
Name: Zachary Bradford
Title: Chief Executive Officer and President

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, 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 6, 2025

By: /s/ Zachary K. Bradford
Zachary K. Bradford
Chief Executive Officer

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, 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 6, 2025

By: /s/ Gary A. Vecchiarelli
Gary A. Vecchiarelli
Chief Financial Officer

**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, 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 6, 2025

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 ended December 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 6, 2025

By: /s/ Gary A. Vecchiarelli

Gary A. Vecchiarelli
Chief Financial Officer
