

## CleanSpark Reports Fourth Quarter and Fiscal Year 2021 Financial Results

*[Financial Tables]*

LAS VEGAS, NV, December 14, 2021—CleanSpark, Inc. (Nasdaq: CLSK) (the “Company”), a sustainable bitcoin mining and energy technology company today reported financial results for its fourth quarter and 2021 fiscal year.

The Company’s Annual Report on Form 10-K and accompanying financial statements are available at [www.sec.gov](https://www.cleanspark.com/investor-relations/sec-filings/) and the Company website at <https://www.cleanspark.com/investor-relations/sec-filings/>

### CLEANSPARK, INC. CONSOLIDATED BALANCE SHEETS

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents, including restricted cash	\$ 18,040,327	\$ 3,126,202
Accounts receivable, net	2,619,957	859,791
Contract assets	—	4,103
Inventory	2,672,744	247,500
Prepaid expense and other current assets	5,129,047	938,993
Digital currency	23,603,210	—
Derivative investment asset	4,905,656	2,115,269
Investment equity security	260,772	460,000
Investment debt security, AFS, at fair value	494,608	500,000
Total current assets	57,726,321	8,251,858
Property and equipment, net	137,592,871	117,994
Operating lease right of use asset	1,488,240	40,711
Capitalized software, net	503,685	976,203
Intangible assets, net	12,277,360	7,049,656
Deposits on mining equipment	87,959,910	—
Other long-term asset	875,536	—
Goodwill	19,049,198	5,903,641
Total assets	317,473,121	22,340,063
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	7,975,263	4,527,037
Contract liabilities	296,964	64,198
Operating lease liability	256,195	41,294
Finance lease liability	413,798	—
Acquisition liability	300,000	—
Contingent consideration	820,802	750,000
Total current liabilities	10,063,022	5,382,529
Long-term liabilities		

Loans payable	—	531,169
Operating lease liability, net of current portion	1,235,325	—
Finance lease liability, net of current portion	458,308	—
<b>Total liabilities</b>	<b>11,756,655</b>	<b>5,913,698</b>
<b>Stockholders' equity</b>		
Common stock; \$0.001 par value; 100,000,000 shares authorized; 37,395,945 and 17,390,979 shares issued and outstanding as of September 30, 2021 and September 30, 2020, respectively	37,394	17,391
Preferred stock; \$0.001 par value; 10,000,000 shares authorized; Series A shares; 2,000,000 authorized; 1,750,000 and 1,750,000 issued and outstanding as of September 30, 2021 and September 30, 2020 respectively	1,750	1,750
Additional paid-in capital	444,074,832	132,809,830
Accumulated other comprehensive loss	(5,392)	—
Accumulated deficit	(138,392,118)	(116,402,606)
<b>Total stockholders' equity</b>	<b>305,716,466</b>	<b>16,426,365</b>
<b>Total liabilities and stockholders' equity</b>	<b>317,473,121</b>	<b>22,340,063</b>

**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>Revenues, net</b>		
Digital currency mining revenue, net	38,846,633	—
Energy hardware, software and services revenue	9,002,636	9,018,023
Other services revenue	1,588,846	1,010,678
<b>Total revenues, net</b>	<b>49,438,115</b>	<b>10,028,701</b>
<b>Costs and expenses</b>		
Cost of revenues (exclusive of depreciation and amortization shown below)	13,964,711	7,907,849
Professional fees	8,272,967	6,521,016
Payroll expenses	25,355,684	6,813,641
General and administrative expenses	5,291,652	1,093,062
Impairment of goodwill	5,723,388	—
Other impairment expense (related to Intangible Assets)	7,162,398	—
Depreciation and amortization	12,244,368	2,836,249
<b>Total costs and expenses</b>	<b>78,015,168</b>	<b>25,171,817</b>
<b>Loss from operations</b>	<b>(28,577,053)</b>	<b>(15,143,116)</b>
<b>Other income/(expense)</b>		
Other income	544,778	20,000
Change in fair value of contingent consideration	84,198	—
Realized gain on sale of digital currency	3,104,378	—
Realized gain on sale of equity securities	179,046	—
Unrealized gain (loss) on equity security	(5,153)	116,868
Unrealized gain on derivative security	2,790,387	2,115,269
Interest income	221,488	308,804

Interest expense	(154,079)	(10,758,750)
Loss on disposal of assets	—	(5,218)
<b>Total other income (expense)</b>	<u>6,765,043</u>	<u>(8,203,027)</u>
<b>Loss before income tax (expense) or benefit</b>	(21,812,010)	(23,346,143)
Income tax (expense) or benefit	—	—
<b>Net loss</b>	(21,812,010)	(23,346,143)
Other comprehensive loss	(5,392)	—
<b>Total comprehensive loss</b>	<u>(21,817,402)</u>	<u>(23,346,143)</u>
Preferred stock dividends	177,502	—
<b>Total comprehensive loss attributable to common shareholders</b>	<u>(21,994,904)</u>	<u>(23,346,143)</u>
Loss per common share - basic and diluted	<u>(0.75)</u>	<u>(2.44)</u>
Weighted average common shares outstanding - basic and diluted	29,441,364	9,550,626

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

**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

For the Year Ended September 30, 2021

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance, September 30, 2020</b>	<u>1,750,000</u>	<u>1,750</u>	<u>17,390,979</u>	<u>17,391</u>	<u>132,809,830</u>	<u>—</u>	<u>(116,402,606)</u>	<u>16,426,365</u>
Shares issued for services	—	—	631,765	631	5,923,300	—	—	5,923,931
Exercise of options and warrants	—	—	389,745	389	3,750,542	—	—	3,750,931
Shares returned for settlement of debt	—	—	(15,000)	(15)	15	—	—	—
Shares issued for business acquisition	—	—	976,828	996	15,783,376	—	—	15,784,372
Shares in Escrow for business acquisition	—	—	1,119,160	1,100	10,580,786	—	—	10,581,886
Options and warrants issued for services	—	—	—	—	5,480,426	—	—	5,480,426
Shares issued under underwritten	—	—	16,978,734	16,978	270,639,140	—	—	270,656,118

offering, net of offering costs								
Shares returned in relation to business acquisition	—	—	(76,266)	(76)	(892,583)	—	—	(892,659)
Preferred stock dividends	—	—	—	—	—	—	(177,502)	(177,502)
Net loss	—	—	—	—	—	—	(21,812,010)	(21,812,010)
Other comprehensive loss	—	—	—	—	—	—	(5,392)	(5,392)
<b>Balance, September 30, 2021</b>	<b>1,750,000</b>	<b>1,750</b>	<b>37,395,945</b>	<b>37,394</b>	<b>444,074,832</b>	<b>(5,392)</b>	<b>(138,392,118)</b>	<b>305,716,466</b>

	For the Year Ended September 30, 2020							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance, September 30, 2019</b>	<b>1,000,000</b>	<b>\$ 1,000</b>	<b>4,679,018</b>	<b>\$ 4,679</b>	<b>\$111,936,125</b>	<b>\$ —</b>	<b>\$ (93,056,463)</b>	<b>\$ 18,885,341</b>
Shares issued for services	750,000	750	50,381	50	139,800	—	—	140,600
Options and warrants issued for services	—	—	—	—	1,912,632	—	—	1,912,632
Shares issued upon conversion of debt and accrued interest	—	—	11,330,978	11,331	14,038,669	—	—	14,050,000
Rounding shares issued for stock split	—	—	793	1	(1)	—	—	—
Shares returned and cancelled	—	—	(30,000)	(30)	30	—	—	—
Options issued for business acquisition	—	—	—	—	88,935	—	—	88,935
Shares issued for business acquisition	—	—	122,126	122	694,878	—	—	695,000
Shares issued upon exercise of warrants	—	—	6,913	7	(7)	—	—	—
Shares issued under registered direct offering	—	—	1,230,770	1,231	3,998,769	—	—	4,000,000
Net loss	—	—	—	—	—	—	(23,346,143)	(23,346,143)
Other comprehensive loss	—	—	—	—	—	—	—	—
<b>Balance, September 30, 2020</b>	<b>1,750,000</b>	<b>1,750</b>	<b>17,390,979</b>	<b>17,391</b>	<b>132,809,830</b>	<b>—</b>	<b>(116,402,606)</b>	<b>16,426,365</b>

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

**CLEANSARK, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended</b>	
	<b>September 30,</b>	<b>September</b>
	<b>2021</b>	<b>30, 2020</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	(21,812,010)	(23,346,143)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Stock based compensation including expenses in lieu of commission to brokers	8,546,712	2,053,232
Impairment expense on digital currency	6,608,076	—
Unrealized gain on equity security	5,153	(116,868)
Digital currency issued for services	296,592	—
Realized gain on sale of equity security	(179,046)	—
Realized gain on digital currency	(3,104,378)	—
Depreciation and amortization	12,244,368	2,836,249
Provision for bad debts	246,453	27,456
Gain on derivative asset	(2,790,387)	(2,115,269)
Gain on forgiveness of debt	(531,169)	—
Change in fair value of contingent consideration	(84,198)	—
Amortization of debt discount	—	9,010,547
Shares issued as interest	—	2,050,000
Loss on asset disposal	—	5,218
Impairment expense on capitalized software	554,322	—
Impairment of Goodwill	5,723,388	—
Noncash lease expense	321,758	44,569
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in prepaid expenses and other current assets	(3,216,288)	275,452
Decrease in contract assets	4,103	52,974
Decrease in contract liabilities, net	146,128	(435,203)
(Increase) in accounts receivable	(2,011,250)	(21,664)
Increase in accounts payable and accrued liabilities	5,006,403	3,415,168
(Increase) in digital currency	(38,846,633)	—
(Decrease) in lease liability	(319,061)	(43,986)
Increase in inventory	(2,238,378)	(247,500)
(Decrease) in due to related parties	—	(86,966)
<b>Net cash used in operating activities</b>	<b>(35,429,342)</b>	<b>(6,642,734)</b>
<b>Cash Flows from investing</b>		
Increase in deposits on mining equipment	(89,260,010)	—
Proceeds from sale of digital currencies	11,443,132	—
Proceeds from sale of equity securities	373,121	—
Investment in infrastructure development	(81,868)	—
Purchase of property and equipment	(139,234,948)	(34,897)
Acquisition of ATL Data Center, net of cash received	45,783	—
Acquisition of p2KLabs, net of cash received	—	(1,141,990)
Acquisition of Solar Watt Solutions	(1,000,136)	—
Cash consideration for acquisition of GridFabric, net of cash acquired	—	(371,812)
Investment in capitalized software	—	(84,924)
Investment in debt and equity securities	—	(750,000)
<b>Net cash used in investing activities</b>	<b>(217,714,926)</b>	<b>(2,383,623)</b>

<b>Cash Flows from Financing Activities</b>		
Payments on promissory notes	(5,882,553)	(217,467)
Proceeds from promissory notes	—	531,169
Payments on finance leases	(288,602)	—
Proceeds from exercise of options and warrants	3,750,932	—
Proceeds from offerings, net	270,656,118	4,000,000
Dividend paid	(177,502)	—
<b>Net cash provided by financing activities</b>	<b>268,058,393</b>	<b>4,313,702</b>
<b>Net increase (decrease) in Cash</b>	<b>14,914,125</b>	<b>(4,712,655)</b>
Cash and cash equivalents, including restricted cash, beginning of period	3,126,202	7,838,857
<b>Cash and cash equivalents, including restricted cash, end of period</b>	<b>18,040,327</b>	<b>3,126,202</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	156,204	14,162
Cash paid for tax	—	—
<b>Non-cash investing and financing transactions</b>		
Day one recognition of right of use asset and liability	1,543,719	85,280
Remeasurement of right of use asset and liability due to lease modification	695,551	—
Shares and options issued for business acquisition	25,473,675	783,935
Options issued for services	953,125	1,912,632
Shares issued for services	1,904,521	139,850
Shares issued for conversion of debt and accrued interest	—	14,050,000
Cashless exercise of warrants	74	7
Shares issued as collateral returned to treasury	15	30

## Non-GAAP Measures

Adjusted EBITDA and Adjusted EPS is not a measurement of financial performance under generally accepted accounting principles in the United States (“GAAP”). Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash operating expenses, CleanSpark management believes that providing a non-GAAP financial measure that excludes non-cash and non-recurring expenses allows for meaningful comparisons between the Company's core business operating results and those of other companies, as well as providing 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.

The Company's adjusted EBITDA measure may not provide information that is directly comparable to that provided by other companies in its industry, as other companies in its industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. The Company's adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating income or as an indication of operating performance or any other measure of performance derived in accordance with GAAP. Our management does not consider adjusted EBITDA to be a substitute for, or superior to, the information provided by GAAP financial results.

We are providing supplemental financial measures for (i) non-GAAP adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”) that excludes the impact of interest, taxes, depreciation, amortization, our share-based compensation expense, and impairment of assets, unrealized gains/losses on securities, certain financing costs, other non-cash items, certain non-recurring expenses, and impacts related to discontinued operations; and (ii) non-GAAP adjusted EBITDA and non-GAAP earnings per share that excludes the impact of interest, taxes, depreciation, amortization, our share-based compensation expense, and impairment of assets, unrealized gains/losses on securities, certain financing costs, other non-cash items, and impacts related to discontinued operations. These supplemental financial measures are not measurements of financial performance under GAAP and, as a result, these supplemental financial measures may not be comparable to similarly titled measures of other companies. Management uses these non-GAAP financial measures internally to help understand, manage, and evaluate our business performance and to help make operating decisions.

We believe that these non-GAAP financial measures are also useful to investors and analysts in comparing our performance across reporting periods on a consistent basis. The first supplemental financial measure excludes (i) impacts of interest, taxes, and depreciation; (ii) significant non-cash expenses such as our share-based compensation expense, unrealized gains/losses on securities, certain financing costs, other 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) significant impairment losses related to long-lived and digital assets, which include our bitcoin for which the accounting requires significant estimates and judgment, and the resulting expenses could vary significantly in comparison to other companies; and (iv) and impacts related to discontinued operations that would not be applicable to our future business activities.

Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements prepared in accordance with GAAP. For example, we expect that share-based compensation expense, which is excluded from the first two non-GAAP financial measures, 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.

We have also excluded impairment losses on assets, including impairments of our digital currency our non-GAAP financial measures, which may continue to occur in future periods as a result of our continued holdings of significant amounts of bitcoin. Our non-GAAP financial measures are not meant to be considered in isolation and should be read only in conjunction with our Consolidated Financial Statements, which have been prepared in accordance with GAAP. We rely primarily on such Consolidated Financial Statements to understand, manage, and evaluate our business performance and use the non-GAAP financial measures only supplementally.

The following is a reconciliation of our non-GAAP adjusted EBITDA to the most directly comparable financial measure stated in accordance with GAAP, which excludes the impact of (i) interest, taxes, depreciation, amortization; (ii) our share-based compensation expense; (iii) impairment expense; (iv) unrealized gains/losses on securities; (v) and (vi) impacts related to discontinued operations, to its most directly comparable GAAP measures for the periods indicated:

	<b>Years Ended September</b>	
	<b>30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Reconciliation of non-GAAP adjusted EBITDA</b>		
Net Loss:	\$(21,812,010)	\$(23,346,143)
Interest and taxes	(67,409)	10,449,946
Depreciation and amortization	12,244,368	2,836,249
Share-based compensation expense	8,546,712	2,053,232
Digital asset impairment losses	6,608,076	—
Energy & other goodwill impairment losses	6,277,710	—

Unrealized (gains)/losses of securities and derivatives	(2,785,234)	(2,232,137)
Discontinued operations	—	—
<b>non-GAAP adjusted EBITDA</b>	<u>9,012,213</u>	<u>(10,238,853)</u>

The following is a reconciliation of our non-GAAP adjusted EBITDA earnings per share, in each case excluding the impact of (i) interest, taxes, depreciation, amortization; (ii) our share-based compensation expense; (iii) impairment expense; (iv) unrealized gains/losses on securities; (v) certain financing costs and other non-cash items; (vi) certain non-recurring expenses; and (vii) impacts related to discontinued operations:

**Reconciliation of non-GAAP adjusted EBITDA per share:**

Non-GAAP adjusted EBITDA	\$9,012,213	\$(10,238,853)
Interest and taxes (per diluted share)	—	1.09
Depreciation and amortization (per share)	0.42	0.30
Share-based compensation expense	0.29	0.21
Digital asset impairment losses (per share)	0.22	—
Energy & other goodwill impairment losses	0.21	—
Unrealized (gains)/losses of securities and derivatives (per share)	(0.09)	(0.23)
Discontinued operations	—	—
Non-GAAP EBITDA per share	<u>\$ 0.31</u>	<u>\$(1.07)</u>

The following is a reconciliation of fair market value of our digital currency holdings to the current carrying value at September 30, 2021. We did not hold any digital currency as of September 30, 2020:

	<b>Carrying Value (1)</b>	<b>Fair Market Value (2)</b>
Number of Bitcoins held	\$ 627	\$ 627
Value per coin (1) (2)	37,645	43,929
Total	<u>\$23,603,415</u>	<u>\$27,543,483</u>

**About CleanSpark**

CleanSpark, Inc., a Nevada corporation, is a sustainable bitcoin mining and energy technology company that is solving modern energy challenges. For more information about the Company, please visit the Company's website at <https://www.cleanspark.com/investor-relations>.

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