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Earnings Call

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Presentation

Operator

Ladies and gentlemen, good afternoon. My name is Dara, and I will be your conference operator today. I would like to welcome everyone to the Fiscal Fourth Quarter and Full Year 2026 Financial Results Conference Call for CleanSpark.

At this time, I'd like to turn the floor over to Kyle Sourk, CleanSpark's Director of Investor Relations. You may begin.

Kyle Sourk
Director of Investor Relations

Thanks Dara, and thank you for joining us today to review the fiscal fourth quarter and full year 2026 financial results for CleanSpark. The press release was issued about 30 minutes ago and is available on our website at www.cleanspark.com. Additionally, the 10-K will be filed shortly. Today's call is also being webcast, and a replay and transcript will be available on our website.

On the call today are Matt Schultz, our Founder, CEO and Chairman; Gary Vecchiarelli, our President and CFO; and Harry Sudock, our Chief Business Officer.

Keep in mind that some of the statements we make today are forward-looking and based on our best view of the world and our business as we see them today. The statements and information provided remain subject to the risk factors disclosed in our most recently filed annual report on Form 10-K.

We will also discuss certain non-GAAP financial measures concerning our performance during today's call. You can find the reconciliation of non-GAAP financial measures in our press release, which is available on our website.

And with that, it is my pleasure to introduce Matt Schultz.

S. Matthew Schultz
Founder, CEO and Chairman

Thanks, Kyle, and good afternoon, everyone. I'll start with our principles and our positioning. The market is volatile across our sector and well beyond it. In moments like this, the companies that hold up are the ones that know exactly what they are and what they are building. We do. CleanSpark is an energy native data center developer. We control multiple gigawatts of power, land and digital infrastructure across the United States. Our focus is simple: convert scarce grid-connected power into long-term contracted cash flow.

Our priorities have been consistent all year, commercialize the power and land we already control, acquire and build scalable infrastructure and sign leases only where they clear our return standards, finance projects primarily through derisked lease structures with high-quality counterparties as we did at Sandersville and preserve financial flexibility at every step.

Over the past year, we turned that strategy into signed contracts, committed capital and a clear path to continued execution. These are not isolated events. They show a platform that can deliver across the entire development life cycle. Fiscal 2026 was a year of discipline and execution, and the proof is in the record.

In October 2025, we announced our evolution into AI infrastructure. That same month, we acquired 271 acres in Austin County, Texas, with 285 gross megawatts of power. In November, we closed a $1.15 billion zero-coupon convertible note offering. We used the proceeds to repurchase roughly 11% of our shares outstanding and to repay our revolving credit lines, which strengthened our balance sheet and gave us room to move.

In January, we acquired our Brazoria County campus. Transmission level infrastructure supports an initial 300 megawatts and an additional anticipated 300 megawatts behind it based on available regional

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capacity. Together, Sealy and Brazoria represent up to 885 megawatts of secured and planned capacity in the Greater Houston area, and these are our first 2 purpose-acquired HPC sites.

Then in July, just 9 months after announcing our strategic evolution, we signed our first long-term AI infrastructure lease at Sandersville. It runs 20 years, triple net directly with a high investment-grade tenant. The initial term carries annual escalators, about $6.6 billion of contracted revenue and roughly $330 million of average annual net operating income. Extension options of up to 11 years would increase contracted revenue to approximately $12.2 billion if fully exercised.

Within weeks of that signing, we fully funded our anticipated equity commitment and secured all critical long-lead items. Then in September, we fully funded the development by closing nearly $2.3 billion of nonrecourse project level bonds. That is committed capital behind a contracted tenant with no recourse to our corporate balance sheet. Harry and Gary will go deeper on Sandersville in just 1 moment, but the bottom line is clear. We are on time and on budget to deliver the first data hall in the fourth quarter of calendar 2027.

Fiscal 2026 was a deliberate plan executed. And it taught us that -- what the market is now learning. In data centers, sequence matters. You acquire power and land, you build hyperscale-ready infrastructure, you secure project certainty, then you commercialize and finance in that order. Value is not created by announcements. It's created by durable revenue that comes online on schedule.

In 2027, our focus is execution. We have 3 objectives: first, deliver Sandersville on time and on budget; second, commercialize Sealy and Brazoria through high-value long-term leases. And third, keep converting our land and power pipeline into owned and operated infrastructure. This requires financial discipline and continued investment in world-class talent.

I'm pleased to announce that we recently hired Ginna Raahauge as our SVP of AI Data Centers. Ginna will lead strategy, commercialization and growth of our AI data center business, and she brings deep expertise from World Wide Technology, AWS and Cisco Systems, among others. She has hit the ground running at CleanSpark, accelerating our large campus initiatives. She also brings extensive relationships that are generating significant interest across our entire portfolio, including our smaller sites with currently energized power.

Now let me update you on Texas. The exclusivity period for Sealy and Brazoria has expired. That exclusivity was short term by design. The Texas regulatory landscape for data center development is evolving, and that has extended project time lines across the state. Signing leases against that backdrop would not have been prudent and prudence is the point. The benefit of the longer time line is that the value of these leases or these sites, pardon me, continue to go up. Their updated ERCOT status, near-term power availability and sheer scale all strengthened their commercial position.

We firmly believe that availability of 2027 power at multi-hundred megawatt scale is among the most sought-after campus profiles in the market today. We remain actively engaged with a range of market-leading counterparties, including our Sandersville tenant. We are also encouraged that deal structures are being executed creatively to manage capital burdens for developers while maintaining premium lease rates. The structure of this process has changed. Our objectives have not. We are seeking terms that reflect the strategic value of these assets and deliver attractive risk-adjusted returns for shareholders. As at Sandersville, we're not focused on simply getting a deal done. We're focused on getting the right deal done.

None of this happens in a vacuum. Political and regulatory considerations are evolving. Capital markets are shifting and community engagement is now table stakes. These conditions present challenges. They also play to the strengths we've built at CleanSpark since day 1.

Discussing policy and regulation. There's no question that the recent midterms have raised concerns about the direction of policy, particularly in Texas and in Georgia, but demand for reliable power and large-scale digital infrastructure has not changed. We believe the scarcity of high-value grid-connected assets like ours reinforce the strategic value of our portfolio. We've heard consistent messaging from the incoming administrations about responsible data center development, and we could not agree more. Our

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approach is grounded in accountability, transparency and respect. Bring your own power, pay your fair share and improve the lives of the communities where you operate. We engage actively with policymakers, regulators, utilities and local leaders, so our plans reflect real requirements. We focus on what we can control, we adapt to what we can't, and we keep executing.

Thinking about capital markets. The market is rewarding project certainty, counterparty credit quality, permitting clarity and the developer's proven ability to execute. This is exactly the playbook we ran at Sandersville. Gary will discuss it in more detail, but access to capital and balance sheet strength are real competitive advantages, and we intend to stay disciplined in how we deploy them.

And finally, communities. Power and capital are essential, but so is earning the trust of the communities where we build. We've operated in Sandersville for 4 years. And this year, we've contributed to local organizations and initiatives in Sandersville and Greater Washington County, supporting education, youth programs and families alongside the jobs and tax revenue we bring. We're taking that same approach in Texas. This summer, we hosted a community open house in Sealy, so residents could ask questions and understand our plans, including how we're addressing power, water and other local considerations. Projects at this scale bring both opportunity and responsibility, engaging early, listening and delivering on commitments is how we earn the right to build.

And here is why we believe so strongly in what data centers bring to communities. Austin County, Texas covers 413,760 acres. CleanSpark purchased 271 acres for our Sealy campus. And based on early test fits, our build footprint will cover approximately 11 of those acres or roughly 0.0027% of the county. Our external independent tax advisers estimate that the data center will grow property tax receipts for the entire county by 24% and our closed-loop design contemplates water consumption equivalent to fewer than 1 dozen homes. That is a project with a small footprint and a big benefit to the community around it.

That brings me back to where I started, discipline and execution. We have the power, the capital structure, the team and the track record, and we're just getting started. Ultimately, execution comes down to advancing projects by securing the power and the approvals necessary to develop them.

With that, I'll turn it over to Harry for a detailed update on our development pipeline and how we're approaching portfolio growth. Harry?

Harry E. Sudock
Chief Business Officer

Thanks, Matt. As you outlined, we've made significant progress over the past year in expanding our infrastructure portfolio and establishing a foundation for long-term growth. My focus today is on the work happening behind the scenes to translate that portfolio into development-ready infrastructure.

First priority is to continue the development of our hyperscale-ready assets. Second, over the past year, we have identified a broader set of site conversion opportunities across our operating mining site portfolio as compute demand continues to rise. Third, our energy team is working around the clock on a range of growth opportunities that grow existing site capacity and to acquire large-scale campuses that further diversify us into new states.

In addressing those 3 priorities, I'll start with development. In Sandersville, our permitting status is straightforward. We have the building permit in hand. At this stage, nothing else is required, and we are actively building.

At Sealy, we have 285 megawatts of gross capacity with Conditional Batch Zero Baseload designation. The substation build is on schedule. All transformers are stateside and in transit and all permits required to complete the substation ahead of the mid-2027 energization date are in hand.

At Brazoria, we have 300 megawatts of gross capacity with Conditional Batch Zero Baseload designation and another 300 megawatts in the Conditional Batch Zero Studied Load with ERCOT. Both designations are as expected. Substation construction is on track for the initial 300 megawatts by end of 2027 and mid-2028 for the second tranche. As it stands, we have procured and paid for all long-lead items and are on track to meet our energization dates.

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From an interconnection standpoint, we continue to work through the remaining requirements at both Sealy and Brazoria. TCEQ permits are once again being approved, and the upcoming ERCOT meeting on December 10 and the PUCT hearing on December 17 are the next gating items as we work towards commercialization. In fact, just last week, we received our TCEQ permits for Brazoria and will be shortly filed in Sealy.

Overall, Governor-elect Hinojosa's stated focus is on how new data center approvals are handled going forward, with protections for ratepayers, water resources and communities. We welcome consistent standards and the regulatory certainty that gives responsible projects a clear path forward.

Turning to the broader portfolio. While commercializing our Texas assets and delivering Sandersville remain our immediate priorities, we're also evaluating opportunities to create additional value from the infrastructure we already control. A good example is Washington, Georgia. On our last call, we discussed the potential to expand this facility from its current 86 megawatts to as much as 500 megawatts. We've since received preliminary load study results that suggest this expansion could be achievable in multiple phases over the next several years, but subject to further technical review. Importantly, we also recently acquired approximately 500 acres to support the development of a data center campus as this future capacity becomes available. The immediate availability of power and opportunity for scale makes Washington more commercially viable today than it was 3 months ago.

We have a long operating track record in Washington and have been by far the largest taxpayer in both the city and the county. We go beyond just our tax contributions, however. We also invest locally and stand behind our commitment to be a good neighbor everywhere we operate.

Another example lies in the opportunity to commercialize approximately 600 megawatts spread across 30 locations. In the past, these sites were deemed either too small or too remote to be viable for AI deployment. Today, that conversation is changing, and it's changing rapidly. Modular deployments on powered pads offer a real opportunity and meaningful upside to our existing asset base. While conversations are preliminary, we are tremendously encouraged and look forward to sharing more in future quarters.

Finally, when it comes to converting our pipeline to contracted power, expect us to remain aggressive yet selective. Any potential acquisition will need to meet our high standards for power quality, development readiness, capital requirements and importantly, risk-adjusted returns.

At the end of the day, our priority is execution, advancing the assets we already control, reducing development risk and optimizing our portfolio for commercialization and growth.

With that, I'll turn it over to Gary.

Gary A. Vecchiarelli
President & CFO

Thank you, Harry. Fiscal 2026 was a year of significant progress for CleanSpark, both in terms of portfolio expansion and executing our strategy towards AI infrastructure development. From a financial perspective, our priorities have remained consistent: maintain a strong balance sheet, allocate capital with discipline and structure financing solutions to support our growth while preserving financial flexibility.

With that context, let's review the financial results for the fourth quarter and fiscal year ended September 30.

Before I walk through the quarter, let me frame the year against fiscal '25. Full year revenue was $577 million compared to $766 million a year ago, a decrease of 25%. The average value of Bitcoin we mined was approximately $79,500, down from approximately $97,600 and we mined approximately 7,200 Bitcoin compared to approximately 7,900 as network difficulty rose and we curtailed miners during periods when mining economics deteriorated or we deployed new power management strategies to avoid coincidence of peaks and manage our energy costs. These power management strategies translated to lower power costs of 5 and a half cents per kilowatt-hour in '26 compared to 5.7 cents per kilowatt-hour in '25.

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Cost of revenue was essentially flat at $342 million. So the decline in gross margin to 41% from 55% came from revenue and not from costs or uptime. We ended the year with approximately 200,000 miners in operation, down 17%, a deliberate reduction that improved fleet efficiency by more than 11% to 14.8 joules per terahash.

Net loss for the year was $987 million compared to net income of $364 million in fiscal 2025. About 2/3 of that swing is the noncash mark-to-market on Bitcoin. For reference, Bitcoin ended the fiscal year at approximately $83,600, down from approximately $114,000 as of the end of last fiscal year. We also recognized $177 million of noncash impairment, primarily tied to our decision to transition Sandersville from Bitcoin mining to data center operations.

Our adjusted EBITDA does not include changes in the fair value of Bitcoin, so it moves significantly with the Bitcoin price. Reported adjusted EBITDA was a loss of $304 million compared to positive $823 million in fiscal '25. Excluding the fair value changes on our Bitcoin holdings, normalized adjusted EBITDA was $96 million compared to $306 million, which reflects a net margin of approximately 17% compared to 40% in the prior year. Nearly all of that decline is $189 million reduction in gross profit, also directly attributed to the decline in Bitcoin price.

Average Bitcoin price in Q4 was $71,000, relatively flat compared to the prior quarter. However, revenue of $121 million represented a 12% decrease from third quarter revenue as the increased price in Bitcoin was offset by an 11% decrease in the total number of Bitcoin mined. Throughout the quarter, we mined approximately 1,700 Bitcoin compared to 1,900 in Q3. The decrease was due to several reasons, including our continued optimization of the fleet.

We ended the period with an average hashrate of 36 exahash and 200,000 operating miners compared to 42.6 exahash and 225,000 miners in the third quarter. Most importantly, the efficiency of our active fleet improved to 14.8 joules per terahash at year-end compared to 15.8 at the end of Q3.

We believe our fleet is among the most efficient in the world, and that efficiency should enable us to remain mining profitably even if mining economics deteriorate as we approach the halving in '28. Gross margin was 34% for Q4 compared to 38% in Q3 as our cost per kilowatt-hour increased 11% to 5.9 cents per kilowatt-hour from 5.3 cents in the third quarter. This increase was expected and is primarily due to seasonality and warmer weather as typically experienced in Q4. I also want to point out that Q4 power costs in the same quarter last year were 5.9 cents per kilowatt-hour, and the decrease this year was due to the power management efforts I previously mentioned.

Net income was $9.8 million in the fourth quarter compared to a net loss of $240 million in Q3. The largest driver in the quarter-over-quarter change was related noncash mark-to-market adjustments on Bitcoin balances. In Q3, we had mark-to-market charge of approximately $133 million compared to a gain of approximately $345 million in Q4. Finally, we had an impairment expense of $172 million as the timing of our Sandersville lease announcement triggered an accounting analysis as previously discussed.

Our adjusted EBITDA in the fourth quarter was $345 million compared to an adjusted EBITDA loss of $113 million in the preceding third quarter. Of note, these figures do not adjust for the changes in fair value of Bitcoin. And on a normalized basis, adding back the mark-to-market adjustments, normalized adjusted EBITDA was a positive $96 million in '26 compared to $306 million in '25.

Turning to the balance sheet, we ended the fiscal year with approximately $1.3 billion of liquidity, comprised of approximately $200 million of unrestricted cash and $1.1 billion of Bitcoin. As of September 30, we also had approximately $310 million of undrawn capacity on our Bitcoin-backed line of credit.

As Matt stated, our Sandersville project is fully funded. In September, we closed on a $2.3 billion senior secured note priced at 7.875% due 2031. This project-level financing has no recourse to the parent company and is structured as a 5-year no-call 2. As part of the financing, the entity CSDC Finance 1 was formed as the issuer, and its fiscal 2026 results cover the period from formation through September 30. As expected at this stage, the issuer is pre-revenue and in construction. It ended the year with total assets of approximately $2.5 billion, including liquidity of approximately $2.2 billion. The project is fully funded with the note proceeds and the parent's contributed equity covering the remaining cost to complete. The

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detailed consolidating financial information for the issuer is being made available to bondholders in the data site in connection with the filing of our Form 10-K.

With respect to development, construction at Sandersville is underway, and the project will be delivered in 6 phases. The project remains on time and on budget for delivery of the first data hall in the fourth quarter of calendar '27. Lease revenue at the issuer begins as data halls are delivered with the final data hall delivery anticipated in spring '28.

We took a deliberate approach to risk management throughout the commercialization of Sandersville. For example, we reached 100% basis of design alignment between our tenant and EPCM prior to signing the lease. We also executed on a fixed-fee sum turnkey contract with our EPCM that materially reduces our exposure to potential cost overruns. As a result of this approach, our offering was over 4x oversubscribed, representing more than $10 billion in demand, among the strongest in our space, and our loan-to-cost ratio was 92%. Important to note that our equity contribution was fully funded for less than $100 million and is expected to deliver at least $6.6 billion in NOI.

Meanwhile, our Bitcoin operations generate positive gross margin and fund our day-to-day cash obligations. This gives us tremendous flexibility as it pertains to using our balance sheet for future project equity contributions and/or highly accretive asset acquisitions for which we have a robust pipeline. With respect to our Bitcoin balance, we continue to view it as a liquid source of nondilutive capital. It is reasonable to expect that we will fund highly accretive acquisitions and development of projects by selling or borrowing against our Bitcoin.

I also want to point out that our digital management team continues to generate yield through derivative transactions, contributing to covering operational expenditures. This past year, we generated $30 million of incremental cash returns through these derivative transactions, and through our spot sales, we stay ahead of VWAP by several points.

One housekeeping item before I move on. In conjunction with the filing of the 10-K, we will also file a new shelf registration statement, replacing our prior shelf, which was scheduled to expire early next year. I want to be very clear that this is a routine filing and should not be viewed as an indication that we have decided to undertake any equity or equity-linked financing transaction. To that extent, we have incredible optionality with no need and zero appetite to issue equity or equity-linked products to achieve our current objectives.

With that, I'll turn it over to the operator for Q&A.

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Question and Answer

Operator

Your first question comes from Paul Golding with Macquarie.

Paul Alexander Golding
Macquarie Research

Congrats on all the progress. I wanted to ask around the TCEQ permitting. The permits have been granted for -- presumably for backup generation at Brazoria and now it seems submitted for Sealy. Is the permitting process for emissions through TCEQ, the fact that that's up and running, is that at all changing how you're approaching net new site acquisition around behind-the-meter versus front-of-the-meter grid-connected generation?

And I guess, how is that maybe prioritizing the way you think about sites in Texas versus other markets, given that it seems that most of those sites are grid connected for now, but potentially behind the meter is something you're looking at? Just looking for color there.

S. Matthew Schultz
Founder, CEO and Chairman

Paul, great to hear from you, and thank you for the question. Harry has spent a disproportionate amount of his time on the ground in Texas. So I'll hand it over to him to address that directly.

Harry E. Sudock
Chief Business Officer

Thanks, Matt. Thanks, Paul. I appreciate the kind words.

I just need to reframe the premise of the question a little bit. The TCEQ permits that we're through the gate on are for water. We're not contemplating the air permit and backup gen side of the house at this time. And that's really driven from the basis of design alignment that we've arrived at both through Sandersville as well as through a more diverse range of commercial partners for Texas. So just wanted to kind of clarify on the specifics of the permit there.

Taking on the second half, what's really important to us, one, is that we continue to prioritize the risk-reward relationship on net new growth opportunities above all else. And I think that the way the market is continuing to demonstrate relentless demand makes the reward side of the equation very clear to us. And so we get the opportunity to spend a lot of our brain power on the risk side of the equation.

What that's meant for us is, #1, we think that there's going to be tremendous data center growth in the state of Texas for many, many, many years to come, and that's exciting to us. It also means that there are other jurisdictions that we're excited about as well. You've seen this over the past for us as we've expanded from Georgia to Mississippi to Tennessee to Wyoming. We've had a multistate national-level strategy for power acquisition for the entire time that we've been growing our infrastructure portfolio.

And I think you're going to see the same type of posture from us as we look to bring in additional regional and jurisdictional diversity to the portfolio moving forward, but I also think that the growth opportunity in Texas is meaningful.

Operator

Your next question comes from Joseph Vafi with Canaccord Genuity.

Joseph Anthony Vafi
Canaccord Genuity Corp., Research Division

My congratulations on the great results too. I wanted to maybe double-click a little bit on the modular opportunity that you brought up here this quarter. What's changed in the environment? Is it technology?

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Is it tenants' willingness to look at these kinds of sites, other things that may be going on that is kind of opening this opportunity up?

S. Matthew Schultz
Founder, CEO and Chairman

Joseph, great question. Thank you for joining.

I can tell you that the overarching focus on the modular deployment really comes down to one thing, and that's time to token. You may have seen 3 weeks ago, Jensen was on stage and spoke specifically about shortening the supply chain and getting certainty for timelines for execution, and he stood in front of a modular data center.

Well, CleanSpark has really kind of plowed the road, so to speak, when it comes to modular data center deployment, and we did so in our immersion-cooled Bitcoin mining operations that have some of the highest uptime and greatest efficiency of any Bitcoin miners on the planet. So certainly a new discipline. But what we found in working with companies like Vertiv, like Taurus, like a multitude of other providers, the timeline for deployment isn't measured in quarters or years. It's measured in high single-digit months.

So with the demand being what it is and the NIMBYism specific to large-format large-scale data centers, many of these sub-50-megawatt sites fall below the moratoria that you've seen throughout the nation. And so the ability to deploy rapidly with a simple path to permitting and a lower time to token in a more cost-effective deployment has really become the standard.

And we've seen a number of RFPs from hyperscalers looking for sites from 10 to 50 megawatts within 150 miles of 35 or 40 different cities around the country. So the geographic diversity and secured grid-connected power, we believe, is a massive differentiator for us.

Joseph Anthony Vafi
Canaccord Genuity Corp., Research Division

Great. I appreciate those comments. And then just real quick, I know you're not in the market now on the debt side of things. But -- and I know we saw the really large SpaceX GPU financing, I think, last week. Just kind of maybe some of your updated thoughts on the market's sustained ability to keep financing the run rate of CapEx that they've financed over the last year over the -- as we look into 2027.

Gary A. Vecchiarelli
President & CFO

Yes. Thanks for the question. Well, I'll start by saying that there continues to be a high demand of compute and limited availability of grid power in 2027 and '28. And I think that ultimately, a lot of the financing we see will be repeatable going forward.

So -- but we see multiple paths to victory here. Really, the focus is going to be on having high-quality lease terms and high credit quality tenants. And we think that those 2 combined will allow us to make sure that we get the financing we need to bring these sites to market.

Operator

Your next question comes from Greg Lewis with BTIG.

Gregory Robert Lewis
BTIG, LLC, Research Division

I guess my first question is around -- it was definitely good to see the potential expansion in Washington. So really, I guess, as we think about the timeline of that expansion, it sounds like it's going to be a multiyear process of expanding. Any kind of thoughts around what else needs to happen, the timing of that?

And also just piggybacking on that, is -- should we expect the company to kind of move forward with potentially look at expanding Sandersville? I remember visiting there, and it seemed like that was a

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potential area -- location where there should be or could be opportunities for expansion. And that's kind of my first question.

S. Matthew Schultz
Founder, CEO and Chairman

Greg, thank you. I really appreciate you being on the call and being one of the OG guys that initiated coverage on us. So thank you for your support over all these years.

The way we think about Washington, I think in our prepared remarks, we talked about the fact that we believe it has greater value today than it did 90 days ago. 90 days ago, it had 86 megawatts of power. Today, it has 86 megawatts of power. The differentiated approach that we believe applies is the fact that the tenants that we are in active conversations with are in favor of a scaled approach. And if you can give a path to certainty of grid-connected megawatts -- that is -- that's first prize.

So the ability to begin the deployment of a multiphase data center, starting with that first 86 megawatts and expanding up from there. We funded that line study with MEAG to identify and understand the cadence of that energization. We found that there is, in fact, 500 megawatts of capacity in transmission and generation over the coming few years. And so to present that as a solution that we can decrease the time to token by getting the first data halls built and operating while the transmission and generation is being built to stack on behind it creates tremendous value.

Beyond that, we have line studies across a multitude of sites within our portfolio to include Wyoming, to include Tennessee, to include other sites within Georgia for those exact reasons. And having the opportunity to start with a site that may be 50 or 60 megawatts and have the ability to expand but deliver either a powered land lease or a modular data center deployment really decreases the CapEx requirement for building a full-scale data center. It decreases the requirements to have that high investment-grade tenant in many of these situations and cuts the time to token, as I mentioned before, down to the high single digits a month.

So we really like the grid-connected assets that we have. And throughout the exercises we've worked with our existing tenant at Sandersville as well as a number of other hyperscale tenants, we found that the desire is for grid-connected assets or a path to achieve grid-connected assets. There's less demand for behind the meter without certainty of grid connection. So we like the idea of kind of a land and expand, start the project with the energized electrons we currently have and then grow with our tenant.

Gregory Robert Lewis
BTIG, LLC, Research Division

Okay. Super helpful. And then I guess my other question is around capital allocation. I mean, clearly, you have the good contract at Sandersville, a lot of Bitcoin on the balance sheet, a lot of power already in play. I guess, Gary, I'm kind of curious how you're thinking -- it did -- I don't know if there's any -- I don't know if this is an indication of anything, but it seemed like last quarter, you sold less than 100% of your Bitcoin mined in the, I guess, fiscal Q3, where this quarter, it was a little bit above.

But just kind of curious how you're thinking about that and just how you balance the fact that -- I mean, I guess the whole group is cheap. I would argue you guys are cheaper than others. Like how are you thinking -- from a stock perspective, how you're thinking about capital allocation versus kind of the growth opportunities you have ahead in kind of building out the HPC business?

Gary A. Vecchiarelli
President & CFO

Greg, thanks for the question. Capital allocation is something we talk about just about daily here.

Let me address the first part of your question about the Bitcoin production. I think what you're seeing is potentially just a timing between the quarters, but we do aim to sell 100% of the production virtually in any given month or quarter, and we're using that cash flow to operate the business on a day-to-day basis. I'll also tell you, this is consistent with -- over the past couple of years, we always say that we're not ideological. We're very strategic about the Bitcoin balance. And subsequent to year-end, we've sold

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some Bitcoin to pad the balance sheet with cash to prepare for some acquisitions that we expect to make in the near future.

So we are going to utilize Bitcoin and potentially sell or, as I mentioned in my comments, borrow against Bitcoin if needed, to fund those acquisitions because, again, we see that as a form of nondilutive capital. Otherwise, when it comes to financing, we look at this -- the high-yield market, we would do that deal again because that was a 5-year no-call 2, which allows us to refinance at some point in years 2 to 5 once the lease is stabilized and recycle that nondilutive capital in the future projects. Plus we received like a 95% cash-on-cash loan to cost, which was attractive.

So we'll continue to allocate capital towards AI data centers and our land and power acquisitions. And frankly, that's where we want to use our dry powder because even though the stock price is nowhere close to a respectable valuation in our minds, we think that there's highly accretive opportunities in the marketplace. And frankly, if we were to draw down on that capital for the stock, we really wouldn't have much left or we'd have to be back in the market for liquidity to make those acquisitions.

Operator

Your next question comes from Brett Knoblauch with Cantor Fitzgerald.

Brett Anthony Knoblauch
Cantor Fitzgerald & Co., Research Division

As we look at Texas, right, there's been a lot of concern, and I know we spoke about this a few weeks ago, but I'm just curious for any updated thoughts from you guys as the December 10 and 17 date is approaching. Is that the final clearing event we're looking for before we start to see maybe lease activity pick up?

I know you talked about the exclusivities expiring given the uncertainty. Does the uncertainty end with those events or at least reduces to the point where you can go out and sign leases and others can go out and sign leases?

Harry E. Sudock
Chief Business Officer

Yes, Brett, I appreciate the question and really appreciate the quality of meetings down at the conference that you guys hosted a few weeks back.

I think that from a macro perspective, yes, that is the largest unblocking piece for commercialization to happen in Texas for the entire sector. I think that what's important is that regulatory and project-level certainty is the first step in making sure that the deck is clear for commercial activity.

These are still large-scale complex negotiated agreements, both between developers and tenants as well as EPCM partners and developers. And so what you saw us do at Sandersville was really a very derisked and properly sequenced transaction, where we arrived at that 100% basis of design alignment between tenant and developer. We were able to knit those 2 agreements together back-to-back. And that really, 1, facilitated the quality, I think, of the technical and commercial product. But #2, it significantly facilitated our capital markets activity and the strength of the financing that we pulled through behind it.

And so while, yes, I think from a regulatory overhang perspective, that is the first gate, I still don't think that that's a reason for any developer to take any compromise position on needing to sequence and qualify the execution of leases properly.

Operator

Your next question comes from Mike Grondahl with Northland Securities.

Michael John Grondahl
Northland Capital Markets, Research Division

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It looks like the exclusivity period has expired post Sandersville. Could you talk a little bit about the demand for Brazoria and Sealy and a rough outlook on what you think improved lease terms might look like for Brazoria and Sealy?

S. Matthew Schultz
Founder, CEO and Chairman

Yes, Mike, thank you for the question. So obviously, the 2 projects went under exclusivity back in July with the initial tenant. The governor's mandate to pause that development and to engage in this new process, obviously created uncertainty. And so for us, the idea was that we still are in active conversation with our tenant. But like in Sandersville, we have an expectation to deliver the first data hall in 4Q '27. So to work against those kind of timelines without regulatory clarity that we can actually pull the permits and build within that time frame created too much exposure and risk to proceed, both on behalf of CleanSpark and our tenant.

Since that time, obviously, credit costs have changed substantially throughout the sector. In conjunction with the increase in credit costs, the price of energized megawatts has gone up accordingly. So we're seeing increased demand. We've had inquiries not only from our existing Sandersville tenant, but across a wide section of the hyperscale and neocloud community.

And I think what we're now seeing that's interesting is there are new creative structures to bring these parcels to market: powered land leases, modular developments, a multitude of different solutions that are very financially appealing to a landlord like we are. So while obviously, first prize would have been to execute rinse and repeat, so to speak, the lease that we had in Sandersville, the market has changed a bit, and so it's created a tremendous amount of new opportunity for us going forward.

Michael John Grondahl
Northland Capital Markets, Research Division

Sounds like a good position to be in. And then as a follow-up, maybe for Harry, you mentioned the Brazoria TCEQ permit. What permits, what approvals are still left that we should be watching for Brazoria and Sealy?

Harry E. Sudock
Chief Business Officer

Yes. So I appreciate the question, Mike. From a TCEQ perspective, what we went through was water and drainage. And so that really clears the state-level backdrop for the project to be in a position to proceed.

What remains is really the permitting steps that are required at the local and community level. And we have a phenomenal relationship. Matt mentioned the ratio between acreage to tax revenue. That was for our Sealy Austin County campus, but the same dynamics extend all over Brazoria as well as elsewhere in the country.

And so what we're excited about in the Texas commercialization initiative from here is that things are moving and the strength of the assets are in a phenomenal position, and that's just been reflected in the broader commercial conversations that Matt mentioned related to your first question. So I think the demand activity is really speaking for itself for us around those 2 assets, and it's great to see the TCEQ roadblock cleared at this stage.

Operator

Your next question comes from Kevin Dede with JonesTrading.

Scott Moore
JonesTrading

This is Scott Moore calling for Kevin Dede.

My first one is, could you guys give us some more color on the plan for the mining fleet? With the average hash rate at 36 exahash against the 50 operational, where do the Sandersville machines go once the power moves to the data center? And what does that mean for Bitcoin and HPC revenue mix 12 to 24 months out?

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Gary A. Vecchiarelli
President & CFO

Thanks for the question. As we've mentioned on prior calls, we're not allocating any material amounts of capital for CapEx to refresh the fleet. We've made the investment in recent years. And so we intend on seeing that investment through by really keeping the machines active.

We are spending a little bit of money in repairs and maintenance, and we've optimized that process to make sure that the machines we do have stay up and running. And as you heard in the prepared remarks, we did downsize the fleet by about 25,000 miners or so for which we're selling those for residual value and putting those cash in the coffers.

But going forward, in terms of hash rate, that will probably fluctuate, but we will continue to mine so as long as it's profitable. And with respect to Sandersville, we'll start unplugging those miners late '27 as the pods for Sandersville come online for the AI data center. And then we'll deal with those machines then as to whether we go place them somewhere else or we sell them, but we'll be months off from the '28 halving by then, and we don't expect there to be any significant value unless obviously hash price and Bitcoin price rips.

Scott Moore
JonesTrading

Fantastic. My second question would be, could you guys provide me some color on the tenant fit-out work at Sandersville? How large it is, if it sits on top of the $6.6 billion lease and whether the tenant funds it upfront or you carry the cost?

Gary A. Vecchiarelli
President & CFO

Yes. Good question. Thanks. We haven't disclosed what the size of that is, but there is a tenant fit-out component. We'll make a small margin on it, and we will be reimbursed by the tenant. So the float is really a matter of weeks, and it's not rentalized.

Operator

Your next question comes from John Todaro with Needham.

John Todaro
Needham & Company, LLC, Research Division

I had a follow-up on Brett's question earlier. Is there any like date or item that is known at this time that would be needed once you get the December approvals for baseload from ERCOT and the PUC?

Harry E. Sudock
Chief Business Officer

I appreciate the question, John. It's Harry.

So realistically, the 2 pieces that are moving in parallel within the ERCOT approval process are the interconnection approval, which is the finalization of the batch process that is wrapping up here in the middle of next month. The other component is the more technical side of the house with the energization QSA process as well. Those have been moving forward even through the pause period in an orderly fashion. If you'll harken back to late summer, then those were where the 23 projects that were designated to be QSA pulled through during both the August and November periods.

And so really, those are the 2 components to successful energy project certainty inside of Texas. And so we're excited for the middle of next month. We're really committed to the community engagement all the way through the process because we think we bring true value to each of these places from a tax receipt perspective as well as more broadly in the way that we engage. And so we're looking forward to the middle of December.

John Todaro

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Needham & Company, LLC, Research Division

Got it. And then, Harry, as it relates to the permits at Brazoria and Sealy, like those local permits you mentioned, should typically, we think that's a faster process or maybe a little bit slower process than the water permitting you received recently?

Harry E. Sudock
Chief Business Officer

I think that like with everything, there's always going to be nuance to each individual jurisdiction in the way that they interact with these types of permitting processes. What's important is that we have enormously successful internal engineering capabilities as well as third-party support on each of those processes as well as making the investment in having a deep understanding from a legal and regulatory perspective in each of those counties.

And so by leveraging both those relationships as well as the in-house capabilities, we think that these are going to be straightforward interactions between us and the local jurisdictions over time.

Operator

Your next question comes from Brian Dobson with Clear Street.

Jonah Henschel
Clear Street

This is Jonah Henschel on for Brian Dobson here at Clear Street.

So you guys have mentioned a couple of times that the price per energized megawatt has gone up. Could you provide some color on where powered land per megawatt is trading in Texas today?

Harry E. Sudock
Chief Business Officer

What's challenging about trying to set a mark on per megawatt powered land from an acquisition basis is that there's so much individual project-level nuance and complexity. Some of that happens at the land level and the entitlement level and easements that sit along these things from 150 years ago.

And so yes, there's obviously pressure to the upside on powered land pricing if you take a 1-, 2- and 3-year kind of look back over this market. But ultimately, by investing in in-house corp dev and energy capabilities, their bread and butter is digging through the project-level complexity and arriving at a risk-adjusted acquisition price where we can commercialize and deliver the expected shareholder rate of return that we have internally to be able to make these successful projects.

And so it's a chunky market. It's not trading on a daily liquid basis, so it's hard to set a price mark. But so rather than set our North Star against that type of market metric, what we do is make sure that we have the internal hurdle rate expertise to be able to make sure that projects that we do acquire are, 1, sufficiently derisked; and 2, have a path to commercialization that are attractive for shareholders.

Operator

Your next question comes from Nick Giles with B. Riley Securities.

Henry Hearle
B. Riley Securities, Inc., Research Division

This is Henry Hearle on for Nick.

Harry, you mentioned in your prepared remarks the modular deployments on powered pads. Which sites do you see that for the best use case? And then would CleanSpark be comfortable partnering with non-IG counterparties if the terms are strong enough for those sites?

Harry E. Sudock
Chief Business Officer

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I would welcome comments from Matt and Gary on this one as well because I think it touches each of our scopes. But the first piece is that we have strategic latitude across our portfolio. We are going to be able to do stick build traditional developed data centers when the economics make sense, when the counterparty makes sense and when the interaction with utilities supports that type of build. We also have broad capability to engage with a range of market-leading modular developers to go through a deployment exercise against those types of technology stacks.

And so what is exciting about it is that it puts more sites in play, especially out the smaller site curve for our portfolio. It brings more of our addressable market into the commercialized bullseye. And then ultimately, where it lands us is as deal creativity continues to ratchet up, constraint breeds creativity is the way that we view it internally. And so as the financing burden becomes a more challenging needle to thread, we have the ability to look out beyond just the high IG counterparties so long as the deal's commercial structure and risk management profile supports our interaction with them.

Henry Hearle
B. Riley Securities, Inc., Research Division

Got it. Any sites in particular or just...

Harry E. Sudock
Chief Business Officer

Well, I think that Matt mentions this all the time, and I think it's exactly right that time to token is at the heart of some of these commercial conversations. And we know that the modular deployments are going to shorten that time skew.

And so when we look at sites like our Wyoming assets, sites like Jackson, Tennessee, sites like Washington, Georgia, even with the upside on the power capability there, those are places where time-to-token speed can be accelerated to the fullest degree. And so I think that makes them stronger candidates for modular deployments.

But ultimately, the technology around the data center delivery life cycle is going to continue to advance the same way that the reference architecture is going to support additional rack density and additional shrinking of the footprint inside the building or inside the pod. And so we're going to see technical evolution happen over time. It's going to bring more powered land assets into play, and it's going to make more of our portfolio accelerated commercial opportunities.

And so we love this opportunity from our standpoint because we think that it makes a broader market available to us. And ultimately, that's just going to benefit the shareholder returns because more megawatts means more revenue.

Henry Hearle
B. Riley Securities, Inc., Research Division

Got it. That's very helpful. And then one for Gary. So you mentioned selling Bitcoin or borrowing against it to fund accretive acquisitions. What does this ultimately mean for the digital asset management business? And do you guys have a limited Bitcoin balance that you could successfully run the business at? Is there like a threshold you need to maintain?

Gary A. Vecchiarelli
President & CFO

Yes. Good question. So really, our digital asset management team is basically a treasury team, right? So as long as we have a Bitcoin balance or cash to manage, that team is the one that manages it.

We don't have exactly a target in mind, but we'll continue to go ahead and derisk the book as much as we can. We see the selling of a small amount of Bitcoin in excess of the quarterly production to be one way of derisking. But again, we're going to be sensitive and very reactionary to markets. And we're going to use that capital to make sure that we prevent dilution or bringing on additional debt just to grow the company.

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Operator
There are no further questions at this time. I'll turn the call back to Matt Schultz for closing remarks.

S. Matthew Schultz
Founder, CEO and Chairman

Thank you very much, Dara, and thank you, everyone, for joining today's call.

I'd also like to thank our employees and partners for their dedication, hard work and relentless pursuit of excellence. While 2026 proved to be a transformational year for CleanSpark, we're positioned to accomplish even more in the quarters and years ahead.

Happy holidays, everyone.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

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