Company Name: CleanSpark Inc. (CLSK)
Event: 26th Annual Needham Growth Conference
Date: January 18, 2024

<<Matthew Schultz, Co-Founder and Executive Chairman>>

Thank you for being here. Appreciate your interest in CleanSpark and the Bitcoin mining space. My name is Matt Schultz. I'm the Co-Founder and Executive Chairman of CleanSpark.

Real quick, some of the stuff we're going to talk about today is, forward-looking. So there's a disclaimer available on our website at cleanspark.com. If you'd like to read that in a little more detail. Certainly, if I say the words plan to expect, anticipate, those are forward-looking statements, so please know that those are not statements of fact.

So, CleanSpark, we fancy ourselves to be America's Bitcoin Miner. Our company actually grew out of the energy space we previously built, micro grid systems for military, commercial, and industrial customers working with utility grids to avoid costs, to participate in demand response programs, to ensure resiliency, to avoid peak demand purchases, et cetera, to increase efficiency, but also increase resiliency with a focus on renewable energy and decarbonization of the power loads.

In 2020, we mined our first bitcoin. We made the decision that being energy entrepreneurs working in the bitcoin space was an entirely different approach than bitcoin entrepreneurs trying to understand energy, especially since that's the single largest input cost.

Currently, CleanSpark has about 89,000 machines operating on facilities that are mostly wholly-owned, facilities spread throughout the Southeastern United States, concentrated in Georgia. We also have a few machines in Massena, New York, in a facility that we cooperate with a company called Coinmint. What that means is, we have about 10 EH of operational processing power, which puts us in the top three largest publicly traded North American miners.

Interestingly, some of our peers have more hash rate, but produce less bitcoin. That's a function of efficiency, and we'll talk a little bit about that in a minute. We have an additional facility in Sandersville, Georgia, that has 6 EH of machines and 10 brand new buildings that have yet to be turned on. So the utility in Georgia, which is the Municipal Energy Authority of Georgia, has given us indication that the first week of February, those will be energized. So it'll take us from the 10 EH you see on your screen to 16 EH by the end of next month.

We announced a week ago that we've secured an additional distribution of the new, most efficient bitcoin mining machines on the planet. So at full deployment of the machines that we've committed to purchase within this year, we will have acquired those and plan to deploy those shortly thereafter. We'll achieve 32 EH of processing power and assuming we execute the option for the entire value, we'll be at 50 EH of processing power, which would make us the largest bitcoin miner in the world.

So, we talk a little bit about our track record. $168 million in fiscal year-to-date revenues for calendar – fiscal 2023 at a 44% gross profit margin. And over the course of that year, we mined just under 2,100 bitcoin.

We, CleanSpark is unique in that in 2021, everybody saw that bitcoin got real peaky. It was in the $50,000 to $60,000 range, and we had been hanging onto our bitcoin. We sold our bitcoin back then, got a lot of heat from the bitcoin maxis that we weren't a pure bitcoin miner, but understanding energy markets and understanding global difficulty and hash rate, it became pretty clear that the price of bitcoin was likely to be under pressure and difficulty was likely to increase. And based on future pricing models, energy was going to go up.

So, we sold all of our bitcoin and reinvested those proceeds into infrastructure, immersion cooling equipment, switch gear, transformers, power supply units, et cetera. And then when the market ultimately corrected to where we believed it would, we reentered the market to acquire mining machines and bought at each category of machines at the lowest price of any publicly traded miner. So, we've kind of set the floor there.

Back in May of this year, with the having coming up in less than a year and difficulty continuing to increase, we made a pivot and decided to start holding onto the bitcoin that we mined, selling only enough to cover our operational expenses, and instead financing our growth and CapEx through equity and looking at unique options with debt. So you see, we have 3,002 bitcoin on our balance sheet, which means we have about $800 million in assets and less than $15 million in debt.

28% year-over-year growth. Our hash rate has been particularly impressive. We've outgrown everybody in our space. To that point some of our peers that have more hash rate actually mine less bitcoin, and that's a function of our efficiency. We have an industry-leading uptime in our wholly-owned facilities exceeding 99.9% of the time. We achieved that through a combination of firmware and software, as well as the exceptional teams we have. And we've established repair labs on site that enable us to do warranty work on our own machines, and we can do repairs all the way down to the microchip level.

Market driven strategies. What we mean by that is, we're a market participant in prices. It's been in the news lately. Riot. For example, when there was a heat wave in the summer, they chose to curtail and not mine bitcoin, and the utility paid them to not mine. The challenge to that, great for the shareholders, great for the company, bad for the community, because those rates are borne, those fees are borne by the ratepayers. So what that did is it created more storyline to the negative kind of story surrounding bitcoin and that it burdens the ratepayers.

We've taken a different approach. We work in rural communities throughout the state of Georgia. We pay their cost for power plus a small margin. And then as part of the Territorial Act in the state of Georgia, sales tax on utilities stay in those jurisdictions. So different to what you're seeing on the news with people protesting sound or energy consumption or water. We're now doubling the budgets for some of these small communities in which we operate. And the sales tax that goes into those communities is finite, meaning that it has to stay there.

So because there's limited use, that sales tax is actually pushing down property taxes in the jurisdictions in which we operate. So rather than people with pitchforks and torches wanting to run us out of town, we have mayors and city council people from the surrounding communities inviting us to come duplicate what we've done within their communities.

Additionally, Zach, my colleague and I were just on a Twitter space this morning, and one of the things, one of the talking points, he was in Washington DC this week on before and on behalf of bitcoin miners. And there's kind of misinformation that bitcoin miners over consume power. In reality, the utilities have to produce a certain amount of power. And if it isn't consumed that wasted power, that wasted energy goes to ground and it's paid for by the ratepayers. So by being the purchaser of last resort, we consume power when it's available. But this week is a terrific example. 25% of the global bitcoin hash rate is offline, because of the weather system currently in Texas. Those miners have the ability to turn down their fleet or curtail, pushing all that surplus power back to heat homes and keep people safe.

So, we've created an environment where we buy at the market, creating a win-win situation between the communities that we operate in and our shareholders. We buy – our power rates are some of the lowest in the industry and like I mentioned before, we've set the floor on minor purchases. Kind of a complicated chart here, but it really talks about not wasting the bear market, when many of our peers were jumping into the market in 2021, ordering billions of dollars of machines, we looked at, for example, the Henry Hub future pricing model of natural gas, and we could very clearly see the likely increase in the price of electricity. And so we decided to wait.

So you can see that we hit 2 EH in January of 2022, shortly after we acquired an immersion facility. And then the depths of the bear market hit and so we went to work. Acquired our facility in Washington, Georgia from a little company called Waha. We purchased another 10,000 miners. We acquired a facility in Sandersville, Georgia from another public company called Mawson Technology, hit 6 EH, bought 20,000 more miners, all during the depths of the bear market, which enabled us to get the best terms, the best price and access to the best equipment for the benefit of our shareholders.

So what that does, that gets us to today, we're currently, as I mentioned, just over 10 EH/s, and within a month we'll exceed 16 EH. That doesn't come with any additional cost. The buildings are built, the machines are bought, the infrastructure is in place. It's just a matter of the utility energizing that. So, we're excited for what that means for CleanSpark.

So this is a little chart depicting our HODL or bitcoin holdings compared relative to the bitcoin price. So, you look at the price down on the lower end, excuse me the moving chart, and you compare that with the graph on the lower end showing our HODL balance. You notice that in late 2022, we liquidated pretty much everything we had. But then, as you see, the run up in the price of bitcoin, much like we timed our sale and we're able to exit the market while bitcoin prices were high, we jumped in and started to keep the bitcoin that we mined while bitcoin prices were low and you can see what happened.

With the upcoming having that is the bitcoin award gets cut in half in April of this year. Became very clear that this is the cheapest time we'll ever mine a bitcoin. It gets harder every day and

post having it basically doubles in cost. So, we shifted our strategy to continue to hold a greater percentage of those for a number of reasons. First of all, global supply gets cut in half when that having event happens, and demand we're seeing is continuing to increase. In fact, the bitcoin ETFs that launched last week have outpaced the gold ETFs that were launched 20 years ago. We're actually seeing greater inflows in bitcoin than we are in gold today.

So the adoption of bitcoin and the effective acceptance of bitcoin by the SEC and the regulatory community as an asset class is really leading to the increase in bitcoin prices. So, we felt it made sense to continue to build our HODL strategy along those lines.

So, I think everybody's pretty familiar with bitcoin. What it is? How it works? What's different? And the fact that bitcoin is finite. There will never be any more than 21 million bitcoin. Ensures that we don't have an issue where there's a devaluation of that currency, relative to gold or fiat currencies, you see, there are some distinct advantages. It's divisible. People, when I share with people that are of my mom's age, why would anyone buy a bitcoin? It's $50,000. I can't afford one. The fact is that you can buy a satoshi, which is a fraction of a bitcoin and many people have started to do that.

And I learned an interesting statistic, Anthony Pompliano was on the Twitter space we just ended, and they shared a statistic that said 80%. I just learned this today. Important enough that I wrote it down. 80% of all bitcoin transactions below $1,000 happen in Africa. So, when you think about bitcoin, not necessarily as an investment product or an asset class, but legitimately a tool to bank the unbanked, and a component that it assists in balancing the energy system, balancing the power grid, and incentivizing new energy development aside from all the features that you see here, that it's durable, it's divisible, it's fungible, it's portable.

We had the benefit, Gary and Britt and myself, we were one of the first companies that JPMorgan covered in the space. They picked us as their favorite miner in the sector. Jamie Dimon yesterday in Davos said that bitcoin has no use, it has no value. It's all this stuff. Last night we went to dinner with the research analysts from JPMorgan and interesting to all of us, the research side and the banking side has a distinctly different opinion of bitcoin than does the CEO of the company. In fact, the explanation that we got was they feel internally like those statements are more politically driven than actual fact about the underlying commodity.

So, people have asked me recently, bitcoin has had a terrific run. Is the price appreciation in bitcoin due to the enthusiasm and excitement for the bitcoin ETFs to be approved? And if so, are people that are currently investing in bitcoin miners? CleanSpark, Marathon, Riot. Are they investing in those miners as a proxy to bitcoin, because they don't understand how to own the underlying commodity? And if, in fact that's true, why would they not convert those investments into ETFs? Because now they have exposure to the underlying commodity in a regulated, well distributed investment product. And here's the answer.

A spot ETF has access to bitcoin at the defined spot price, which today is $43,000. We've disclosed on our financials our exposure to bitcoin. Our cost to mine a bitcoin is under $14,000. So, when you buy a miner, especially an efficient miner, not only are you acquiring access or

exposure to the underlying commodity, you're buying it at a discount, which is the only way that you can get access to bitcoin at a discount.

Additionally, different from an ETF, bitcoin miners receive transaction fees. And as a result of what you may have heard on the news, ordinals or inscriptions, not only were we receiving the 6.25 bitcoin for every block we completed, we were getting a premium, sometimes up to 40% additional revenue that's paid in transaction fees to accelerate transactions on the bitcoin network. Even today, when demand is down a bit, 15% of our revenue is currently coming from transaction fees and not just the mining of new virgin bitcoin. So it's not just a single function. There are a multitude of benefits that come from bitcoin mining.

So, we talk about the fact that we mine more with less. We have the most efficient machines, and without getting really complicated, that equation you see there, J/TH, is Joules per Terahash or Watts per Terahash. So, on the average around the planet, it's 38 watts of energy consumption to process 1 TH/s of data. Our fleet currently is 26 J/TH or W/TH. Our fleet efficiency, when we turn the power on in Sandersville the middle of February next month, drops to 24. And when we execute that full option that I talked about on my first slide, our efficiency will be in the teens.

What that means is, CleanSpark can spend 18 watts to produce 1 TH of data when the rest of the bitcoin network around the planet is spending 38 W/TH. That basically says that we have doubled the margin of the vast majority of our peers by investing in the most efficient fleets. We run our own facilities. As I mentioned, we have repair labs all the way down to the chip level on site. And we pride ourselves on the efficient use of our capital. By using the bitcoin that we mine to cover all of our operating expenses, we can then make the determination in real time to use additional bitcoin to pay for CapEx and growth or look to the equity markets or debt to fund that growth. We're the fastest growing miners in the industry last year.

So bitcoin mining centers that we own, Dalton, Georgia is our smallest, newest facility. 20 EH air cooled, Norcross, Georgia. That's kind of a joule in our portfolio. That building you see was a Sprint/Nextel data center that went out of business, 70,000 square feet on seven acres. And it was kind of an eyesore. It sits in between five different high density housing units. Apartments, condos, townhomes, et cetera. We bought that building because as a Sprint data center had tremendous access to power, had the infrastructure in place, but there was no need for the service it provided anymore.

We acquired that, remodeled the inside. It's full of immersion cooling equipment. So, you've been to a traditional data center or traditional bitcoin mine. There's a humming sound and a lot of airflow and a lot of heat. You walk in this, it sounds like a day spa, because we've removed all the fans. It's just the oil flowing across the machines. And those machines will last up to five times longer than they will in an air cooled environment. Massena, New York is the hosted facility that we use. Washington, Georgia. You see there in the middle of the screen that's 3.2 EH we bought that thing, little town of 3,500 people. The town was incorporated in 1,780 and it was named after the then president of the country. The town hall where we signed our contract to buy power is the same building that they signed the documents to abolish the confederacy. It was a beautiful little rural town and industry has left it behind.

We walked into this community. We've doubled the city budget from $16 million last year to $32 million this year. Their surplus revenue coming from the sales tax, this property taxes are going down. We've reduced the cost of power for the residents of that community and they're retrieving or receiving a return on their investment for the bonds they circulated to pay for the nuclear power plants in Georgia 50 years ago. So it really is a benefit to the areas in, which we do business.

Sandersville, Georgia is the bottom or the middle of the screen right there. That will go from the current 86 megawatts of power to 236 megawatts of power by the end of next month. Beautiful same little, same story. Beautiful little rural community that has excess capacity of power. And then College Park is the last one, that was actually our first one. That was the data center that printed tickets when you used to buy airplane tickets from a travel agent and receive them stapled together in a folder. That was what that building was originally built and designed to do. Obviously, that business no longer exists. We converted it to one of the world's most efficient data centers with a 1.01 power usage effectiveness.

Kind of a little overview of our fleet. The thing that's the greatest pride to us, this is an annual average. But if you look at uptime, with the exception of two facilities that were in the process of upgrading going from 6 – excuse me 30 megawatts to 80 megawatts and 86 megawatts to 236 megawatts. We got really lazy on site and we were only producing 98.8% uptime when you compare to the rest of the facility, that we were 99.8% plus. We have a very efficient operation, which kind of separates us from a lot of our peer group, that we don't waste energy, we don't waste time, we don't waste power.

So community impact, we take a lot of pride in what we do there. We reinvest in the communities in which we operate. We've revitalized these small communities. A lot of the revenue derived from the margins on utilities is earmarked for schools, parks and roads. So it's kind of a cool experience to roll into a town with our CleanSpark polo shirt and go to one of three restaurants in town. They're hesitant to allow us to pay for a meal. It's a crazy cool experience. The mayor sent out a note on his Facebook page that they were excited about CleanSpark's expansion bringing 16,000 new miners to Washington, Georgia. And somebody responded. We only have two hotels. Where are they all going to stay. So it's reeducating the community about what the bitcoin mining space is? What a miner is? How it works and we reinvest in the people building up our future workforce.

Infrastructure-first, like I mentioned, we own and operate currently 78% of our facilities. We co-locate in Massena, New York with Coinmint. Our current fleet efficiency as of the end of December is 26.4 J/TH. Kind of something that we're a little bit proud of, you look at the realized hash rate of bitcoin mining companies. Fourth place there is Riot blockchain. Terrific group of guys. Terrific company. Really well run. They have about 30% more machines operating than we do. We outproduce them by more than 100 bitcoin every month, all year long, last year and every month this year. So that really speaks to the efficiency of the deployment that we have.

Really clean balance sheet. And we really based on the stories, I've been sharing with you, the anecdotes about Georgia, we feel like we've built a home in the Southeastern United States. And

the talk about the goodwill that we've developed in those communities has begun to expand. So, I would look in the coming months to see CleanSpark have locations throughout the southeastern United States.

So with that, that concludes my presentation.

I appreciate your attention and interest, and I'm more than happy to take any questions anybody might have.

Q&A

<Q>: [Question Inaudible]

<A – Matthew Schultz>: Yeah, great question. So there's a lack of standardization in our industry. A lot of miners will say we have $0.04 power, like for example, Marathon. But when the annual report comes out, that power is actually about $0.071. So, what we wanted to do is disclose our wholesale cost of power, which is that figure. In our earnings report, and in every presentation we do, we talk about the fully burdened cost. So, transmission cost, distribution cost, sales tax, in fiscal Q3 last year, our all-in cost was $0.041. So it's that wholesale cost of power, plus transmission, distribution, and taxes. Our all-in cost for fiscal Q4 last year was $0.051.

Now, utility rates didn't go up. We made the conscious decision to overclock machines to consume more power during periods of time when we would ordinarily avoid peaks and demand charges, because of the fact that we saw the increase in bitcoin price, the inevitability of that increase coming. So, we made the decision to overclock and perform and complete mining activities when we would otherwise have curtailed for the benefit of building our HODL balance. Because, as I mentioned before, this is the cheapest we'll ever mine a bitcoin.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: 4.1, right Yep.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: Yeah. So, we feel like it does. In fact, we had a news release last month. Bloomberg called to talk about bitcoin treasuries and what we discussed with David Pan during that call was we have plans to look to generate yield on our bitcoin. So what Bloomberg published was that, CleanSpark plans to open a trading desk this year. And so our idea is that we're going to utilize our own bitcoin, not for anybody else, but we're going to look to internalize a lot of these opportunities, write covered calls, utilize our bitcoin to generate additional yield for the benefit of the shareholders.

So, we plan to continue to increase our HODL balance, in fact, through the balance of this year and into having. Our internal guidance basically is that we sell only enough bitcoin to cover OpEx and everything else we plan to HODL. And there are exclusions or incidents where we

may, in fact, based on the price of bitcoin or the price of power, choose to HODL more than that and use cash we have on hand to cover our OpEx.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: Not necessarily. In fact, Gary, you want to maybe take an answer to that question So Gary's our Chief Financial Officer. He's here with me. And Gary will be managing trading operations.

<A – Gary Vecchiarelli>: Yeah, counterparty risk is very real. So, we don't anticipate that we'll be lending out much bitcoin at all. We might, depending on what we do with derivatives. We might have some collateral, but we're going through the process to make sure that counterparties, that counterparties credit risk of the counterparty is okay.

<Q>: [Question Inaudible]

<A – Gary Vecchiarelli>: Yeah. Anything we do, we're going to do in moderation. Right. We're going to take any steps before we actually run. So, we want to make sure we get comfortable with those counterparty rates and partnerships.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: So, I think it's interesting. You're going to see machines like we saw in 2021 the S17s no longer made sense. So that hash rate comes offline. I don't think we're going to have an event like China banning bitcoin and all that hash rate coming off. But if you look anybody's research, they've taken into consideration fleet efficiencies. So, I think JPMorgan's numbers are about 35% of the hash rate comes off post having Bernstein's numbers are in that 30% to 50% range. I don't think it's necessarily for infinity. I think it'll be abbreviated.

But what I believe is more likely than not is you'll see smaller, less well capitalized miners that will close up shop. There won't be a use case for the less efficient miners, so those companies will end up selling the infrastructure. So, you're going to have some more efficient fleets come in. Bigger, more well capitalized companies will deploy that, the S21s, the M56s the different machines. So, we would anticipate that hash rate will go back up, but it's a function of also increasing the fees that are generated on the bitcoin network as transaction fees.

So, I think it changes the economics just a little bit rather than the 6.25 bitcoin order per block or the 900 per day, there's the variable of what do those fees look like, especially now with the ETFs. So we think there's room for everybody. But with the increase in difficulty and the decrease in award, we think it's likely to kind of weed out some of the smaller players.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: Correct.

<Q>: [Question Inaudible]

<A – Matthew Schultz>: We do, yeah. I think our models are 3% to 5%, today it's 12.5% or 13% even where we're at. You're right. There were times it was 35% to 40%, but we take a pretty conservative approach, but we think 3% to 5% and then obviously the net settlement on these ETFs is what goes on the blockchain. So there's going to be a drive to increased activity. Every trade on the ETF, obviously is trading an existing security between one shareholder and another. But the net settlement, as they get additional exposure, those are transactions that require settlement on the blockchain, which generate greater fees.

So, we think that's step one and step two is that with the implied blessing. And I know Gensler made really clear that he wasn't approving bitcoin, but was approving the ETFs. We believe that the market, especially older people like my generation that start to see bitcoin less as a tool for illicit activity and more as a tool for what it really is, a store of value and a transaction medium that's going to continue to increase adoption, which drives those transaction fees.

<Q>: Okay.

<<Matthew Schultz, Co-Founder and Executive Chairman>>

Any other questions I can answer? Thank you so much for your time. I appreciate it.