UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **September 30, 2020**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ________

Commission file number**: 001-39187**

CleanSpark, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**87-0449945**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1185 S. 1800 W., Ste. 3 **Woods Cross, Utah**	**84087**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(702) 941-8047**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**CLSK**	**Nasdaq Stock Market**

Securities registered pursuant to Section 12(g) of the Act: **N/A**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☐ Large accelerated Filer	☐ Accelerated Filer
☒ Non-accelerated Filer	☒ Smaller reporting company
	☐ Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

The aggregate market value of the common stock held by non-affiliates as of March 31, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately $6,779,235 based on the per share closing price as of March 31, 2020 quoted on the Nasdaq Capital Market for the registrant's common stock, which was $1.18.

As of December 14, 2020, there were. 23,964,093 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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September 30, 2020

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements (such as when we describe what "will," "may," or "should" occur, what we "plan," "intend," "estimate," "believe," "expect" or "anticipate" will occur, and other similar statements) include, but are not limited to, statements regarding future operating results, potential risks pertaining to these future operating results, future plans or prospects, anticipated benefits of proposed (or future) acquisitions, dispositions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance, expected capital expenditures and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including assumptions about our future operating results and business plans. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. Furthermore, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that future events, plans or expectations contemplated by the Company will be achieved. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements:

- our ability to achieve profitability in the future;
- high volatility in the value attributable to our business;
- the rapidly changing regulatory and legal environment in which we operate, may lead to unknown future challenges to operating our business or which may subject our business to added costs and/or uncertainty regarding the ability to operate;
- our ability to keep pace with technology changes and competitive conditions;
- our ability to execute on our business strategy;
- other risks and uncertainties related to our business plan and business strategy.

For a further list and description of various risks, factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained in this document, and any subsequent reports on Form 10-Q and Form 8-K, and other filings we make with the Securities and Exchange Commission ("SEC"). Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

All forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. You should read this document completely and with the understanding that our actual future results or events may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities filings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

PART I

Item 1. Business

As used in this Annual Report on Form 10-K, the terms "we", "us", "our", the "Company", "CleanSpark, Inc." and "CleanSpark" mean CleanSpark, Inc. and its consolidated subsidiaries, unless otherwise indicated.

Overview

CleanSpark, Inc. is a Nevada corporation. We are in the business of providing advanced software and controls technology solutions to solve modern energy challenges. We have a suite of software solutions that provide end-to-end microgrid energy modeling, energy market communications and energy management solutions. Our offerings consist of intelligent energy monitoring and controls, intelligent microgrid design software, middleware communications protocols for the energy industry, energy system engineering and software consulting services.

The software platforms (the "Platforms") which are integral to our business are summarized as follows:

- **mVSO Platform:** Energy modeling software for microgrid design and sales
- **mPulse Platform:** Patented, proprietary controls platform that enables integration and optimization of multiple energy sources.
- **Canvas:** Middleware used by Grid Operators and Aggregators to administrate load shifting programs.
- **Plaid:** Middleware used by Controls and IoT Product Companies to participate in load shifting programs

The Platforms are designed to allow customers to design, build, and operate distributed energy systems and microgrids which efficiently manage energy generation assets, energy storage assets, and energy consumption assets. Our software products enable users to implement software solutions to execute on these strategies. These strategies are generally targeted to operate distributed energy assets in a manner that provides resiliency and economic optimization and/or revenue generation through wholesale market activities.

We also offer digital agency services through p2kLabs, Inc. including creative design, marketing/digital content, technical development, and engineering.

We also own patented gasification technologies. Our technology converts any organic material into SynGas which can be used as fuel for a variety of applications and as feedstock for the generation of DME (Di-Methyl Ether). As previously disclosed, we plan to continue to focus on our other product offerings, as opposed to expending significant efforts on the Gasifier side of the business.

Lines of Business

Energy Business Segment

Through CleanSpark, LLC, the Company provides microgrid engineering, design and software solutions to military, commercial and residential customers. Our services consist of distributed energy microgrid system engineering and design, and project consulting services.

Through CleanSpark Critical Power Systems, Inc., the Company provides custom hardware solutions for distributed energy systems that serve military and commercial residential properties.

Through GridFabric, LLC the Company provides Open Automated Demand response ("OpenADR") and other middleware communication protocol software solutions to commercial and utility customers.

Digital Agency Segment

Through p2kLabs, Inc., the Company provides design, software development and other technology-based consulting services.

Distributed Energy Management and Microgrid Industry

Integral to our business is our Distributed Energy Management Business (the "DER Business"). The main assets of our DER Business include our propriety software systems ("Systems") and also our engineering and methodology trade secrets. The Distributed Energy systems and Microgrids that utilize our Systems are capable of providing secure, sustainable energy with significant cost savings for its energy customers. The Systems allows customers to design, engineer, and then efficiently communicate with and manage renewable energy generation, storage and consumption. By having autonomous control over the multiple facets of energy usage and storage, customers are able to reduce their dependency on utilities, thereby keeping energy costs relatively constant over time. The overall aim is to transform energy consumers into intelligent energy producers by supplying and managing power in a manner that anticipates their routine instead of interrupting it.

Around the world, the aging grid is becoming unstable and unreliable due to increases in loads and lack of new large-scale generation facilities. This inherent instability is compounded by the push to integrate a growing number and variety of renewable but intermittent energy generation assets and advanced technologies into outdated electrical grid systems. Simultaneously, defense installations, industrial complexes, communities, campuses and other aggregators across the world are turning to virtual power plants and microgrids as a means to decrease their reliance from the grid, reduce utility costs, utilize cleaner power, and enhance energy security and surety.

The convergence of these factors is creating significant opportunities in the power supply optimization and energy management industry. Efficiently operating and managing the distributed energy management systems and microgrids of tomorrow, while maximizing the use of sustainable energy to produce affordable, stable, predictable and reliable power on a large scale, is a significant opportunity that early-movers can leverage to capture a large share of this emerging global industry.

A microgrid is comprised of any number of energy generation, energy storage, and smart distribution assets that serve a single or multiple loads, both connected to the utility grid and separate from the utility grid "islanded". In the past, distributed energy management systems and microgrids have consisted of off-grid generators organized with controls to provide power where utility lines cannot run. Today, modern distributed energy management systems and microgrids integrate renewable energy generation systems (REGS) with advanced energy storage devices and interoperate with the local utility grid. Advanced autonomous cyber-secure microgrids controls relay information between intelligent hardware and servers to make decisions in real-time that deliver optimum power where it is needed, when it is needed.

Our mPulse software is an integrated distributed energy management control platform that seamlessly integrates and controls all forms of energy generation with energy storage devices to provide energy security in real time free of cyber threats to service facility loads. DER systems are able to interoperate with the local utility grid, and bring users the ability to choose when to buy or sell power to and from the utility grid. mPulse is ideal DER systems for commercial, industrial, defense, campus and residential users and ranges in size from 4KW to 100MW and beyond.

mPulse Software Suite

mPulse is a modular platform that provides intelligent control of a Microgrid based on a systems operational goals, energy assets and forecasted energy load and generation. mPulse performs high-frequency calculations, threshold-based alarming, execution of domain-specific business rules, internal and external health monitoring, historical data persistence, and system-to-operator notifications. The modular design increases system flexibility and extensibility. In addition, the deployment of the mPulse system follows a security-conscious posture by deploying hardware-based firewalls as well as encryption across communication channels. mPulse allows configuration for site-specific equipment and operation and provides a clean, informative user interface to allow customers to monitor and analyze the data streams that describe how their microgrid is operating.

mPulse supports our innovative fractal approach to microgrid design, which enables multiple microgrids on a single site to interact in a number of different ways, including as peers, in a parent-child relationship, and in parallel or completely disconnected. Each grid can have different operational objectives, and those operational objectives can change over time. Any microgrid can be islanded from the rest of the microgrid as well as the larger utility grid. The mPulse software can control the workflow required in both the islanding steps as well as the reconnecting steps of this maneuver and coordinate connected equipment such that connections are only made when it is safe to do so.

Microgrid Value Stream Optimizer (mVSO)

The Microgrid Value Stream Optimizer (mVSO) software platform provides a robust distributed energy and microgrid system modeling solution. mVSO takes utility rate data and load data for a customer site and helps automate the sizing and analysis of potential microgrid solutions as well as providing a financial analysis around each grid configuration. mVSO uses historical data to generate projected energy performance of generation assets and models how storage responds to varying operational modes and command logics based upon predicted generation and load curves. mVSO analyzes multiple equipment combinations and operational situations to determine the optimal configuration for a site based on the financial and economic results, equipment outlay, utility cost savings, etc., to arrive at payback and IRR values. This ultimately provides the user with data to design a distributed energy and/or microgrid system that will meet the customers' performance benchmarks. The system also provides users with business development and proposal generation tools to more efficiently present the results to end-customers.

Critical power switchgear and hardware solutions – CleanSpark Critical Power Systems, Inc.

Through the Company's wholly owned subsidiary, CleanSpark Critical Power Systems, Inc. we provide parallel switchgear, automatic transfer switches and related control and circuit protective equipment solutions for commercial, industrial, defense, campus and residential users. We utilize Pioneer Power Solutions, Inc. for contract manufacturing, of our parallel switchgear, automatic transfer switches and related control and circuit protective equipment.

OpenADR and communication protocol software solutions – GridFabric

Through the Company's wholly owned subsidiary, GridFabric, LLC we offer Open ADR solutions to commercial and utility customers. GridFabric provides middleware software solutions for utilities and IoT (Internet of Things) products that manage energy loads. OpenADR 2.0b is now the basis for the standard to be developed by the International Electrotechnical Commission. GridFabric's core products are Canvas and Plaid.

Canvas

Canvas is an OpenADR 2.0b Virtual Top Node ('VTN') built for testing and managing Virtual End Nodes ('VENs') that are piloting and running load shifting programs. Canvas is offered to customers in the Cloud as a SaaS solution or as a licensed software.

Plaid

Plaid is a licensed software solution that allows any internet connected product that uses energy (i.e. Solar, Storage & Inverters, Demand Response, EV Charging, Lighting, Industrial controls, Building Management Systems, etc.) to add load shifting capabilities by translating load shifting protocols into their existing APIs. Companies that implement Plaid through GridFabric get a Certified OpenADR 2.0b Virtual End Node (VEN) upon completion of the implementation process.

Digital Agency Segment – p2kLabs

Through the Company's wholly owned subsidiary, p2kLabs, Inc. we provide a suite of digital services from creative design to technical development for products and services through the entire product/service lifecycle. P2k is made up of "labs" whereas each lab contains its own unique offering including design, marketing/digital content, engineering & SalesForce development, and strategy services.

Legacy Gasifier Business

Our Gasification technologies and prototype will need to undergo further additional testing to further establish its commercial capability of producing large volumes of clean, renewable energy from any carbon compound (Municipal Solid Waste (MSW), Coal, Sewage Sludge) into clean Synthesis Gas("SynGas"). Our prototype Gasifier is still under development and a commercially viable Gasifier is not expected to be sellable until we expend additional resources on its testing and development. A third-party consulting firm has independently tested the Gasifer's performance and certified the results of its performance. Upon completion of the testing, an initial white paper was published outlining the results and suggested improvements for commercialization. We anticipate that the investment to complete these improvements would be between approximately $500,000. Upon completion of the improvements, we would be required to conduct an extended test run with an independent third party to verify the results needed to prove its commercial viability, at which time we could begin to actively market our Gasifier units.

We own Patent Nos. 9,890,340B2, 9,359,567, 8,518,133 8,105,401 and 8,347,829 protecting our gasification technology and process for using feedstock comprising gaseous fuel Our patented process involves the grinding, drying, separating, mixing, and then pelletizing of solid waste. These pellets constitute the feedstock for the Gasifier. Gasifying feedstock using our technology converts waste and organic material into SynGas. SynGas can be converted into multiple forms of fuel for power plants, motor vehicles, jets, duel-fuel diesel engines, gas turbines, and steam boilers and as feedstock for the generation of DME (Di-Methyl Ether). The SynGas produced is mostly hydrogen and carbon monoxide which are primary building blocks for many fuels and chemicals. Syngas is sufficiently clean that it if processed directly it generally does not require costly hot-gas cleanup.

As discussed above, we do not anticipate deploying significant resources on the gasification business at this time. As opportunities arise, we intend to utilize the gasification assets and intellectual properties through licensing or sales agreements.

We have not engaged in any significant negotiations to sell or license our Gasifier products to any major customers.

Markets, Geography and Major Customers

The Company's products and services predominantly serve the North American and Latin American energy markets, and primarily the commercial and industrial space. Based on recent market experience, it appears there may be some seasonality with deliveries decreasing in November and December each year, likely as a result of the US holiday season and as a result of varied customer appropriation cycles; however, we believe these market factors will continue to evolve and the Company's insight to these trends will improve with continued commercial success and time.

For the year ended September 30, 2020 and 2019, respectively 58.3% and 34.8% of our total consolidated revenues were associated primarily with one customer. A loss or decline in business with this customer, could have an adverse impact on our business, financial condition, and results of operations.

We provide our hardware products under contract manufacturing agreements. we provide our software and services at customer locations and from our offices located in Utah, Nevada and California.

Working Capital Items

We do not maintain significant inventory. Our inventory levels are currently adequate for our short-term needs based upon present levels of demand. We consider the component parts of our different products to be generally available and current suppliers to be reliable and capable of satisfying anticipated needs.

Distribution, Marketing and Strategic Relationships

We have developed strategic relationships with well-established companies in key areas including distribution and manufacturing. We sell our products worldwide, with a primary focus on North America and Latin America, through our direct product sales force, and partner networks.

Materials and Suppliers

Although most components essential to our business are generally available from multiple sources. We believe there are component suppliers and manufacturing vendors whose loss to us could have a material adverse effect upon our business and financial condition. The Company currently engages a contract manufacturer, whereby they exclusively manufacture parallel switchgear, automatic transfer switches and related control and circuit protective equipment for us.

Historically, we have not experienced significant delays in the supply or availability of our key materials or components provided by our suppliers, nor have we experienced a significant price increase for materials or components. We do not anticipate any such delays or significant price increases in our fiscal year 2021.

Environmental Issues

No significant pollution or other types of hazardous emission result from the Company's operations and it is not anticipated that our operations will be materially affected by federal, state or local provisions concerning environmental controls. Our costs of complying with environmental, health and safety requirements have not been material.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on our business or markets that we serve, nor on our results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Competition

We experience competition in all areas of our business. The markets we address for alternative energy and microgrid markets, energy controls and communications systems are characterized by the presence of both new start-ups and well-established product providers. We believe the principal competitive factors in the markets in which we operate include product features, including scalability, relative price and performance, lifetime operating cost, including any maintenance and support, product quality and reliability, safety, ease of use, rapid integration with new and existing distributed energy assets, customer support, design innovation, marketing and distribution capability, service and support and corporate reputation.

Some of our competitors have substantially larger financial and other resources. Factors that could affect our ability increase sales of our System may include resource limitations, available information and our standards established for projected return on investment.

Distributed Energy Management Business Competition

Our DER Business and software platforms are set up to compete against larger companies. We offer an end-to-end suite of software solution that enables microgrids from design through operations and communication .Our integrated microgrid control platform seamlessly integrates energy generation with energy storage devices and controls facility loads to provide energy security in real time. The platforms are able to interoperate with the local utility grid and allows users the ability to obtain the most cost-effective power for a facility. The systems are technology agnostic and can incorporate into multiple vendors and manufacturers products and legacy systems. The systems are ideal for commercial, industrial, mining, defense, campus and community users ranging from 4 kw to 100 MW and beyond and can deliver power at or below the current cost of utility power. All of these attributes contribute to our ability to compete with the larger, more established competitors that have rely on their own manufactured products and hardware solutions.

The principal advantages of our Platforms are:

- Technology agnostic approach allows customers to leverage aged legacy systems reducing implementation costs.
- The automated process is user friendly and does not require highly qualified engineers to operate.
- We believe our project proposal tool is more accurate than any other option on the market.

Distributed Energy and Microgrid control technologies are fairly new to the market and can be deployed in various formats. Eight technologies that are predominantly used in commercial applications and/or have been extensively studied are:

- Schneider Electric
- Spirae
- Ageto Energy
- PowerSecure
- ABB

Energy Modeling Business Competition

- § Energy Toolbase
- § Homer

Gasifier Business Competition

Our Gasifier system is expected to compete against larger gasification projects. Our modular concept allows for parallel processing so a facility could be easily expanded or reduced without risk or changing the basic structure by simply adding or removing module units; it also allows for multiple end product processing, producing electricity, ethanol, and fuels simultaneously, and for universal parts which reduces maintenance costs. We expect all of these attributes contribute to our ability to compete with the larger, more established competitors that have large systems that require significant downtime for maintenance and repair. As previously disclosed, we plan to continue to focus on our other product offerings, as opposed to expending significant efforts on the Gasifier side of the business.

Intellectual Property

In relation to our microgrid business, we own the following patents: Patent No. 9,941,696 B2 "Establishing Communication and Power Sharing Links Between Components of a Distributed Energy System, awarded April 10, 2018, is a revolutionary patent that specifically addresses CleanSpark's engineering and data-analytics technologies, processes and procedures. The patent covers CleanSpark's ability to receive data from a plurality of sources within a microgrid, which is then analyzed to forecast power needs across the microgrid, or a combination of multiple 'fractal' microgrids, and then determining whether or when to share power with the requesting module.

In relation to our legacy gasifier business, we own the following patents: Patent No. 9,359,567 ‘Gasification Method Using Feedstock Comprising Gaseous Fuels’; Patent No. 8,518,133 ‘Parallel Path, Downdraft Gasifier Apparatus and Method’; and Patent No. 8,105,401 ‘Parallel Path, Downdraft Gasifier Apparatus and Method.’ ; Patent No. 8,347,829 Electrolytic Reactor and Related Methods for Supplementing the Air Intake of an Internal Combustion Engine. The second Patent, "Parallel Path Downdraft Gasifier Apparatus and Method, US 9,890, 340 B2", awarded February 13, 2018, further enhances CleanSpark's patent portfolio surrounding its proprietary gasification and waste-to-energy technologies. Our patents begin to expire between 2028 and 2035.

Government Regulation

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. It is anticipated that, absent the occurrence of an extraordinary event, compliance with existing federal, state and local laws, rules and regulations concerning the protection of the environment and human health will not have a material effect upon us, our capital expenditures, or earnings. We cannot predict what effect additional regulation or legislation, enforcement policies thereunder and claims for damages for injuries to property, employees, other persons and the environment resulting from our operations. Our operations are subject to environmental regulation by state and federal authorities including the Environmental Protection Agency (“EPA”). This regulation has not increased the cost of planning, designing and operating to date. Although we believe that compliance with environmental regulations will not have a material adverse effect on our operations or results of these operations, there can be no assurance that significant costs and liabilities, including criminal penalties, will not be incurred. Moreover, it is possible that other developments, including stricter environmental laws and regulations, and claims for damages for injuries to property or persons resulting from our activities could result in substantial costs and liabilities.

In the conduct of our activities, our operations will be subject to the requirements of the federal Occupational Safety and Health Act (“OSHA”) and comparable state statutes. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and similar state statutes require us to organize information about hazardous materials used, released or produced in its operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. We are also subject to the requirements and reporting set forth in OSHA workplace standards.

Other than the above regulations and maintaining our good standing in the State of Nevada, complying with applicable local business licensing requirements, complying with all state and federal tax requirements, preparing our periodic reports under the Securities Exchange Act of 1934, as amended, and complying with other applicable securities laws, rules, and regulations, and our discussion related to our newly acquired ATL Data Centers LLC subsidiary regarding bitcoin mining operations, we do not believe that existing or probably governmental regulations will have a material effect on our operations. We do not currently require the approval of any governmental agency or affiliated program for our operations.

Product Development

Because the distributed energy and related software industry is still in an early state of adoption, our ability to compete successfully is heavily dependent upon our ability to ensure a continual and timely flow of competitive products, services, and technologies to the marketplace. We continue to develop new products and technologies and to enhance existing products in order to drive further commercialization. We may also expand the range of our product offerings and intellectual property through licensing and/or acquisition of third-party business and technology.

Human Capital Resources; Employees; Personnel

We believe that our future success will depend, in part, on our ability to continue to attract, hire, and retain qualified personnel. As of December 14, 2020, we had 62 staff members with 56 full time salaried employees. We continue to seek additions to our staff, although the competition for such personnel in our segments is significant. None of our employees are represented by a labor union, and we have never experienced a work stoppage. We believe that our relations with our employees are good.

Company Websites

We maintain a corporate Internet website at: www.cleanspark.com and informational websites for our subsidiaries at www.p2klabs.com and www.gridfabric.io.

The contents of these websites are not incorporated in or otherwise to be regarded as part of this Annual Report.

We file reports with the SEC which are available on our website free of charge. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, "Section 16" filings on Form 3, Form 4, and Form 5, and other related filings, each of which is provided on our website as soon as reasonably practical after we electronically file such materials with or furnish them to the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company.

Item 1A. Risk Factors

We are subject to various risks that may materially harm our business, prospects, financial condition and results of operations. An investment in our common stock is speculative and involves a high degree of risk. In evaluating an investment in shares of our common stock, you should carefully consider the risks described below, together with the other information included in this report.

The risks described below are not the only risks we face. If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties later materialize, that are not presently known to us or that we currently deem immaterial, then our business, prospects, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our shares. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Business

Our business may be subject to risks arising from pandemic, epidemic, or an outbreak of diseases, such as the recent outbreak of the COVID-19 illness.

The recent outbreak of the novel strain of coronavirus, or COVID-19, which has been declared by the World Health Organization to be a "public health emergency of international concern," has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that we or our employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and adversely impact our business, financial condition or results of operations. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on our business and financial condition. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

We lack an established operating history and have incurred losses in prior periods, expect to incur losses in the future and we can give no assurance that our operations will result in profits.

We have a limited operating history that makes it difficult to evaluate our business. Historical sales pertaining to our products have been in insufficient to create positive cashflows or profitability, and we cannot say with certainty when we will begin to achieve profitability.

Since inception, we have sustained $116,402,606 in cumulative net losses and we had a net loss for the fiscal year September 30, 2020 of $23,346,143. We expect to have operating losses at least until such time as we have developed a substantial and stable revenue base. We cannot assure you that we can develop a substantial and stable revenue base or achieve or sustain profitability on a quarterly or annual basis in the future.

Our future success is difficult to predict because we operate in emerging and evolving markets, and the industries in which we compete are subject to volatile and unpredictable cycles.

The renewable energy, microgrid and related industries are emerging and evolving markets which may make it difficult to evaluate our future prospects and which may lead to period to period variability in our operating results. Our products and services are based on unique technology which we believe offers significant advantages to our customers, but the markets we serve are in a relatively early stage of development and it is uncertain how rapidly they will develop. It is also uncertain whether our products will achieve high levels of demand and acceptance as these markets grow. If companies in the industries we serve do not perceive or value the benefits of our technologies and products, or if they are unwilling to adopt our products as alternatives to traditional power solutions, the market for our products and services may not develop or may develop more slowly than we expect, which could significantly and adversely impact our operating results.

As a supplier to the renewable energy, microgrid and related industries, we may be subject to business cycles. The timing, length, and volatility of these business cycles may be difficult to predict. These industries may be cyclical due to sudden changes in customers’ manufacturing capacity requirements and spending, which depend in part on capacity utilization, demand for customers’ products, inventory levels relative to demand, and access to affordable capital. These changes may affect the timing and amounts of customers’ purchases and investments in technology, and affect our orders, net sales, operating expenses, and net income. In addition, we may not be able to respond adequately or quickly to the declines in demand by reducing our costs.

To meet rapidly changing demand in each of the industries we serve, we must effectively manage our resources and production capacity. During periods of decreasing demand for our products, we must be able to appropriately align our cost structure with prevailing market conditions, effectively manage our supply chain, and motivate and retain key employees. During periods of increasing demand, we must have sufficient inventory to fulfill customer orders, effectively manage our supply chain, and attract, retain, and motivate a sufficient number of qualified individuals. If we are not able to timely and appropriately adapt to changes in our business environment or to accurately assess where we are positioned within a business cycle, our business, financial condition, or results of operations may be materially and adversely affected.

The industries in which we compete are highly competitive and we may be unable to successfully compete to survive.

We compete in the market for renewable energy products and microgrid technology and associated services that is intensely competitive. Evolving industry standards, rapid price changes and product obsolescence also impact the market. Our competitors include many domestic and foreign companies, most of which have substantially greater financial, marketing, personnel and other resources than we do. Our current competitors or new market entrants could introduce new or enhanced technologies, products or services with features that render our technologies, products or services obsolete, less competitive or less marketable. Our success will be dependent upon our ability to develop products that are superior to existing products and products introduced in the future, and which are cost effective. In addition, we may be required to continually enhance any products that are developed as well as introduce new products that keep pace with technological change and address the increasingly sophisticated needs of the marketplace. Even if our current technologies prove to be commercially feasible, there is extensive research and development being conducted on alternative energy sources that may render our technologies and protocols obsolete or otherwise non-competitive.

There can be no assurance that we will be able to keep pace with the technological demands of the marketplace or successfully develop products that will succeed in the marketplace. As a small company, we will be at a competitive disadvantage to most of our competitors, which include larger, established companies that have substantially greater financial, technical, manufacturing, marketing, distribution and other resources than us. There can be no assurance that we will have the capital resources available to undertake the research that may be necessary to upgrade our equipment or develop new devices to meet the efficiencies of changing technologies. Our inability to adapt to technological change could have a materially adverse effect on our results of operations.

We rely on patents and proprietary rights to protect our technology and enforcing those rights could disrupt our business operation and divert precious resources that could ultimately harm our future prospects.

We rely on a combination of trade secrets, confidentiality agreements and procedures and patents to protect our proprietary technologies.

In relation to our microgrid business, we own the following patents: Patent No. 9,941,696 B2 and patent number 10,658,839 "Establishing Communication and Power Sharing Links Between Components of a Distributed Energy System, awarded April 10, 2018, The patent covers CleanSpark's ability to receive data from a plurality of sources within a microgrid, which is then analyzed to forecast power needs across the microgrid, or a combination of multiple 'fractal' microgrids, and then determining whether or when to share power with the requesting module.

We also own patent numbers 8,518,133 and 8,105,401 ‘Parallel Path, Downdraft Gasifier Apparatus and Method'’ and patent number 9,359,567 ‘Gasification Method Using Feedstock Comprising Gaseous Fuel’– which covers our Gasifier technology. We also own patent number 8,342,829 entitled ‘Electrolytic Reactor and Related Methods for Supplementing the Air Intake of an Internal Combustion Engine.’

The claims contained in any patent may not provide adequate protection for our products and technology. In the absence of patent protection, we may be vulnerable to competitors who attempt to copy our products or gain access to our trade secrets and know-how. In addition, the laws of foreign countries may not protect our proprietary rights to this technology to the same extent as the laws of the U.S.

If a dispute arises concerning our technology, we could become involved in litigation that might involve substantial cost. Litigation could divert substantial management attention away from our operations and into efforts to enforce our patents, protect our trade secrets or know-how or determine the scope of the proprietary rights of others. If a proceeding resulted in adverse findings, we could be subject to significant liabilities to third parties. We might also be required to seek licenses from third parties to manufacture or sell our products. Our ability to manufacture and sell our products may also be adversely affected by other unforeseen factors relating to the proceeding or its outcome.

As we continue to grow and to develop our intellectual property, we could attract threats from patent monetization firms or competitors alleging infringement of intellectual property rights.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. If we do not prevail in this type of litigation, we may be required to: pay monetary damages; stop commercial activities relating to our product; obtain one or more licenses in order to secure the rights to continue manufacturing or marketing certain products; or attempt to compete in the market with substantially similar products. Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue some of our operations.

A material part of our success will depend on our ability to manage our suppliers and contract manufacturers. Our failure to manage our suppliers and contract manufacturers could materially and adversely affect our results of operations and relations with our customers.

We rely upon suppliers to provide the components necessary to build our products and on contract manufacturers to procure components and assemble our products. There can be no assurance that key suppliers and contract manufacturers will provide components or products in a timely and cost efficient manner or otherwise meet our needs and expectations. Our ability to manage such relationships and timely replace suppliers and contract manufacturers, if necessary, is critical to our success. Our failure to timely replace our contract manufacturers and suppliers, should that become necessary, could materially and adversely affect our results of operations and relations with our customers.

If we are the subject of future product defect or liability suits, our business will likely fail.

In the course of our planned operations, we may become subject to legal actions based on a claim that our products are defective in workmanship or have caused personal or other injuries. We currently maintain liability insurance but there can be no guarantee that such coverage may not be adequate to cover all potential claims. Moreover, even if we are able to maintain sufficient insurance coverage in the future, any successful claim could significantly harm our business, financial condition and results of operations.

We may be exposed to lawsuits and other claims if our products malfunction, which could increase our expenses, harm our reputation and prevent us from growing our business.

Any liability for damages resulting from malfunctions of our products could be substantial, increase our expenses and prevent us from growing or continuing our business. Potential customers may rely on our products for critical needs and a malfunction of our products could result in warranty claims or other product liability. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of our products. This could result in a decline in demand for our products, which would reduce revenue and harm our business. Further, since our products are used in systems that are made up on components made by other manufacturers, we may be subject to product liability claims even if our products do not malfunction.

Any failure by management to properly manage growth could have a material adverse effect on our business, operating results, and financial condition.

If our business develops as expected, we anticipate that we will grow rapidly in the near future. Our failure to properly manage our expected rapid growth could have a material adverse effect on our ability to retain key personnel. Our expansion could also place significant demands on our management, operations, systems, accounting, internal controls and financial resources. If we experience difficulties in any of these areas, we may not be able to expand our business successfully or effectively manage our growth. Any failure by management to manage growth and to respond to changes in our business could have a material adverse effect on our business, financial condition and results of operations.

The lack of management experience in the renewable energy and microgrid industries could adversely affect our company.

Some members of management and the board of directors may not have prior experience in the energy industry. Some members do, however, have extensive work experience in the reclamation, environmental industries, energy industries, financial/accounting industries, and business management. The lack of experience in the alternative energy industry may impair our managements' and directors' ability to evaluate and make decisions involving our current operations and any future projects we may undertake in the alternative energy industry. Such impairment and lack of experience could adversely affect our business, financial condition and future operations.

If we are unable to attract and retain a sufficient number of skilled experts and workers our ability to pursue projects may be adversely affected and our costs may increase.

Our rate of growth will be confined by resource limitations as competitors and customers compete for increasingly scarce resources. We believe that our success depends upon our ability to attract, develop and retain a sufficient number of affordable trained experts that can execute our operational strategy. The demand for trained software engineers, electrical engineers and other skilled workers is currently high. If we are unable to attract and retain a sufficient number of skilled personnel, our ability to pursue projects may be adversely affected and the costs of performing our existing and future projects may increase, which may adversely impact our margins.

We have engaged in and may engage in acquisitions that could disrupt our business, cause dilution to our stockholders, reduce our financial resources and harm our operating results.

We have been involved in significant acquisitions in our lifespan. In the future, we may seek additional opportunities to expand our product offerings or the markets we serve by acquiring other companies, product lines, technologies and personnel.

Acquisitions involve numerous risks, including the following:

- difficulties integrating the operations, technologies, products, and personnel of an acquired company or being subjected to liability for the target's pre–acquisition activities or operations as a successor in interest;
- diversion of management's attention from normal daily operations of the business;
- potential difficulties completing projects associated with in–process research and development;
- difficulties entering markets in which we have no or limited prior experience, especially when competitors in such markets have stronger market positions;
- initial dependence on unfamiliar supply chains or relatively small supply partners;
- insufficient revenues to offset increased expenses associated with acquisitions;
- the potential loss of key employees of the acquired companies; and
- the potential for recording goodwill and intangible assets that later can be subject to impairment.

- Acquisitions may also cause us to:

  - issue common stock that would dilute our current shareholders' percentage ownership;
  - assume or otherwise be subject to liabilities of an acquired company;
  - record goodwill and non–amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;
  - incur amortization expenses related to certain intangible assets;
  - incur large acquisition and integration costs, immediate write–offs, and restructuring and other related expenses; and
  - become subject to litigation.

Mergers and acquisitions are inherently risky. No assurance can be given that our acquisitions will be successful. Further, no assurance can be given that an acquisition will not adversely affect our business, operating results, or financial condition. Failure to manage and successfully integrate an acquisition could harm our business and operating results in a material way. Even when an acquired company has already developed and marketed products, there can be no assurance that enhancements to those products will be made in a timely manner or that pre–acquisition due diligence will identify all possible issues that might arise with respect to such products or the acquired business.

Our business is substantially dependent on utility rate structures and government incentive programs that encourage the use of alternative energy sources. The reduction or elimination of government subsidies and economic incentives for energy-related technologies would harm our business.

We believe that near-term growth of energy-related technologies, including power conversion technology, relies partly on the availability and size of government and economic incentives and grants (including, but not limited to, the U.S. Investment Tax Credit and various state and local incentive programs). These incentive programs could be challenged by utility companies, or for other reasons found to be unconstitutional, and/or could be reduced or discontinued for other reasons. The reduction, elimination, or expiration of government subsidies and economic incentives could harm our business.

A combination of utility rate structures and government subsidies that encourage the use of alternative energy sources is a primary driver of demand for our products. For example, public utilities are often allowed to collect demand charges on commercial and industrial customers in addition to traditional usage charges. In addition, the federal government and many states encourage the use of alternative energy sources through a combination of direct subsidies and tariff incentives such as net metering for users that use alternative energy sources such as solar power. California also encourages alternative energy technology through its Self-Generation Incentive Program, or SGIP, which offers rebates for businesses and consumers who adopt certain new technologies. Other states have similar incentives and mandates which encourage the adoption of alternative energy sources. Notwithstanding the adoption of other incentive programs, we expect that California will be the most significant market for the sale of our products in the near term. Should California or another state in which we derive a substantial portion of our product revenues in the future change its utility rate structure or eliminate or significantly reduce its incentive programs, demand for our products could be substantially affected, which would adversely affect our business prospects, financial condition and operating results.

Although we have obtained sufficient funding for the foreseeable future, if we do not obtain increased revenues in 2021 and beyond, we may have to seek additional financing or scale back or cease our activities, which may significantly harm our chances of success.

Because we currently operate at a loss, we are dependent on generating additional revenue. The majority of our financing in 2020 was from the sale of our common stock. Subsequently, on October 9, 2020 we obtained approximately $40,000,000 before underwriting and offering expenses in connection with an underwritten public offering. While this financing is expected to carry us through 2021 and beyond, we need to generate cashflows from revenues. As explained in this annual report, these cashflows are needed to increase our sales and marketing efforts, for continued upgrades to our software, and for working capital.

We believe that near-term growth of energy-related technologies, including power conversion technology, relies partly on the availability and size of government and economic incentives and grants (including, but not limited to, the U.S. Investment Tax Credit and various state and local incentive programs). These incentive programs could be challenged by utility companies, or for other reasons found to be unconstitutional, and/or could be reduced or discontinued for other reasons. The reduction, elimination, or expiration of government subsidies and economic incentives could harm our business.

Risks Related to Our Securities

Our common stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

- technological innovations or new products and services by us or our competitors;
- government regulation of our products and services;
- the establishment of partnerships with other technology companies;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our common stock
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

Because we have limited revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have the right to issue shares of preferred stock. If we were to issue preferred stock, it is likely to have rights, preferences and privileges that may adversely affect the common stock.

We are authorized to issue 10,000,000 shares of "blank check" preferred stock, with such rights, preferences and privileges as may be determined from time-to-time by our board of directors. Our board of directors is empowered, without stockholder approval, to issue preferred stock in one or more series, and to fix for any series the dividend rights, dissolution or liquidation preferences, redemption prices, conversion rights, voting rights, and other rights, preferences and privileges for the preferred stock. We currently have 1,750,000 shares of our series A preferred stock outstanding, the features of which are contained elsewhere in this annual report.

The issuance of shares of preferred stock, depending on the rights, preferences and privileges attributable to the preferred stock, could reduce the voting rights and powers of the common stock and the portion of our assets allocated for distribution to common stockholders in a liquidation event, and could also result in dilution in the book value per share of the common stock. The preferred stock could also be utilized, under certain circumstances, as a method for raising additional capital or discouraging, delaying or preventing a change in control of the Company, to the detriment of the investors in the common stock offered hereby. We cannot assure you that we will not, under certain circumstances, issue shares of our preferred stock.

We have not paid dividends in the past and have no immediate plans to pay dividends.

We plan to reinvest all of our earnings, to the extent we have earnings, in order to market our products and to cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the foreseeable future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common stock as a dividend. Therefore, you should not expect to receive cash dividends on our common stock.

If securities or industry analysts do not publish or do not continue to publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us now or in the future issue an adverse opinion regarding our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Provisions in the Nevada Revised Statutes and our Bylaws could make it very difficult for an investor to bring any legal actions against our directors or officers for violations of their fiduciary duties or could require us to pay any amounts incurred by our directors or officers in any such actions.

Members of our board of directors and our officers will have no liability for breaches of their fiduciary duty of care as a director or officer, except in limited circumstances, pursuant to provisions in the Nevada Revised Statutes and our Bylaws as authorized by the Nevada Revised Statutes. Specifically, Section 78.138 of the Nevada Revised Statutes provides that a director or officer is not individually liable to the company or its shareholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that (1) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (2) his or her breach of those duties involved intentional misconduct, fraud or a knowing violation of law. This provision is intended to afford directors and officers protection against and to limit their potential liability for monetary damages resulting from suits alleging a breach of the duty of care by a director or officer.

Accordingly, you may be unable to prevail in a legal action against our directors or officers even if they have breached their fiduciary duty of care. In addition, our Bylaws allow us to indemnify our directors and officers from and against any and all costs, charges and expenses resulting from their acting in such capacities with us. This means that if you were able to enforce an action against our directors or officers, in all likelihood, we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay. Accordingly, our indemnification obligations could divert needed financial resources and may adversely affect our business, financial condition, results of operations and cash flows, and adversely affect prevailing market prices for our common stock.

Risks Related to Our ATL Data Centers Subsidiary

On December 9, 2020, we acquired ATL Data Centers LLC (“ATL”) that, in addition to being a traditional data center operation, operates, currently, 3,471 bitcoin mining units (“ASICs”), with the Company’s intent to significantly increase that number. Government regulation of blockchain and cryptocurrency is being actively considered by the United States federal government via its agencies and regulatory bodies, as well as similar entities in other countries and transnational organizations, such as the European Union. State and local regulations also may apply to our activities and other activities in which we may participate in the future. Other governmental or semi-governmental regulatory bodies have shown an interest in regulating or investigating companies engaged in the blockchain or cryptocurrency business. For instance, the SEC has taken an active role in regulating the use of public offerings of proprietary coins (so-called “Initial Coin Offerings”) and has made statements and official promulgations as to the status of certain cryptocurrencies as “securities” subject to regulation by the SEC.

Presently, we do not believe any U.S. or State regulatory body has taken any action or position adverse to our main cryptocurrency, bitcoin, with respect to its production, sale, and use as a medium of exchange; however, future changes to existing regulations or entirely new regulations may affect our business in ways it is not presently possible for us to predict with any reasonable degree of reliability. As the regulatory and legal environment evolves, we may become subject to new laws, such as further regulation by the SEC and other agencies, which may affect our mining and other activities.

If regulatory changes or interpretations of our activities require our registration as a money services business (“MSB”) under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, or otherwise under state laws, we may incur significant compliance costs, which could be substantial or cost-prohibitive. If we become subject to these regulations, our costs in complying with them may have a material negative effect on our business and the results of our operations.

To the extent that the activities of ATL cause it to be deemed an MSB under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records.

To the extent that the activities of ATL cause it to be deemed a “money transmitter” (“MT”) or equivalent designation, under state law in any state in which ATL operates, ATL may be required to seek a license or otherwise register with a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, maintenance of certain records and other operational requirements. Currently, the NYSDFS has finalized its “BitLicense” framework for businesses that conduct “virtual currency business. ATL will continue to monitor for developments in such legislation, guidance or regulations applicable to ATL.

Such additional federal or state regulatory obligations may cause ATL to incur extraordinary expenses, possibly affecting its business and financial condition in a material and adverse manner. Furthermore, ATL and its service providers may not be capable of complying with certain federal or state regulatory obligations applicable to MSBs and MTs. If ATL is deemed to be subject to and determines not to comply with such additional regulatory and registration requirements, we may act to dissolve and liquidate ATL. Any such action may adversely affect business operations and financial condition.

Current regulation of the exchange of bitcoins under the CEA by the CFTC is unclear; to the extent we become subject to regulation under the CFTC in connection with our exchange of bitcoin, we may incur additional compliance costs, which may be significant.

Current legislation, including the Commodities Exchange Act of 1936, as amended (the "CEA") is unclear with respect to the exchange of bitcoins. Changes in the CEA or the regulations promulgated thereunder, as well as interpretations thereof and official promulgations by the Commodities Futures Tradition Commission ("CFTC"), which oversees the CEA much like the SEC oversees the Securities Act and the Exchange Act, may impact the classification of bitcoins and therefore may subject them to additional regulatory oversight by the CFTC.

Presently, bitcoin derivatives are not excluded from the definition of a "commodity future" by the CFTC. We cannot be certain as to how future regulatory developments will impact the treatment of bitcoins under the law. Bitcoins have been deemed to fall within the definition of a commodity and, we may be required to register and comply with additional regulation under the CEA, including additional periodic report and disclosure standards and requirements. Moreover, we may be required to register as a commodity pool operator or as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us. As of the date of this annual report, no CFTC orders or rulings are applicable to our business.

If we acquire digital securities, even unintentionally, we may violate the Investment Company Act of 1940 and incur potential third-party liabilities.

The Company intends to comply with the 1940 Act in all respects. To that end, if holdings of cryptocurrencies are determined to constitute investment securities of a kind that subject the Company to registration and reporting under the 1940 Act, the Company will limit its holdings to less than 40% of its assets. Section 3(a)(1)(C) of the 1940 Act defines "investment company" to mean any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis. Section 3(a)(2) of the 1940 Act defines "investment securities" to include all securities except (A) Government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries which (i) are not investment companies and (ii) are not relying on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the 1940 Act. As noted above, the SEC has not stated whether bitcoin and cryptocurrency is an investment security, as defined in the 1940 Act.

The further development and acceptance of digital asset networks and other digital assets, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of digital asset systems may adversely affect an investment in us.

Digital assets such as bitcoins, that may be used, among other things, to buy and sell goods and services are a new and rapidly evolving industry of which the digital asset networks are prominent, but not unique, parts. The growth of the digital asset industry in general, and the digital asset networks of bitcoin in particular, are subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as the digital asset networks, include:

- continued worldwide growth in the adoption and use of bitcoins and other digital assets;
- government and quasi-government regulation of bitcoins and other digital assets and their use, or restrictions on or regulation of access to and operation of the digital asset network or similar digital assets systems;
- the maintenance and development of the open-source software protocol of the bitcoin network and ether network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- the impact of regulators focusing on digital assets and digital securities and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the digital asset networks of bitcoin or ether, or similar digital asset systems, could adversely affect an investment in us.

Since there has been limited precedent set for financial accounting or taxation of digital assets other than digital securities, it is unclear how we will be required to account for digital asset transactions and the taxation of our businesses.

There is currently no authoritative literature under accounting principles generally accepted in the United States which specifically addresses the accounting for digital assets, including digital currencies. Therefore, by analogy, we intend to record digital assets similar to financial instruments under ASC 825, Financial Instruments, because the economic nature of these digital assets is most closely related to a financial instrument such as an investment in a foreign currency.

We believe that the Company will recognize revenue when it is realized or realizable and earned. Our material revenue stream is expected to be related to the mining of digital currencies. We will derive revenue by providing transaction verification services within the digital currency networks of crypto-currencies, such as bitcoin commonly termed “crypto-currency mining.” In consideration for these services, ee expect to receive digital currency (also known as “Coins”). Coins are generally recorded as revenue, using the average spot price on the date of receipt. The Coins are recorded on the balance sheet at their fair value. Gains or losses on sale of Coins are recorded in the statement of operations. Expenses associated with running the crypto-currency mining business, such as equipment deprecation, and electricity cost are recorded as cost of revenues.

In 2014, the IRS issued guidance in Notice 2014-21 that classified cryptocurrency as property, not currency, for federal income tax purposes. But according to the requirements of FATCA, which requires foreign financial institutions to provide the IRS with information about accounts held by U.S. taxpayers or foreign entities controlled by U.S. taxpayers, cryptocurrency exchanges, in the ordinary course of doing business, are considered financial institutions.

On November 30, 2016, a federal judge in the Northern District of California granted an IRS application to serve a “John Doe” summons on Coinbase Inc., which operates a cryptocurrency wallet and exchange business. The summons asked Coinbase to identify all U.S. customers who transferred convertible cryptocurrency from 2013 to 2015. The IRS is trying to get cryptocurrency owners to report the value of their wallets to the federal government and the IRS is treating cryptocurrency as both property and currency.

The American Institute of Certified Public Accountants recommended in a June 2016 letter to the IRS that cryptocurrency accounts be reported in the summary information section of Form 8938, Statement of Specified Foreign Financial Assets, which breaks with the IRS’s 2014 guidance that cryptocurrency be treated as property.

Property is divided into certain sections within the Internal Revenue Code (“IRC”) that determine everything from how the property is treated at sale, to how the property is depreciated, to the nature and character of the gain on sale of the asset. For instance, IRC §1231 property (real or depreciable business property held for more than one year) is treated as capital in nature when sold for a profit, but it is treated as ordinary when the property is sold for a loss. IRC §1245 property, on the other hand, is treated as ordinary in nature. IRC §1245 property encompasses most types of property. IRC §1250 property covers everything else. IRC §1250 states that a gain from selling real property that has been depreciated should be taxed as ordinary income, to the extent that the accumulated depreciation exceeds the depreciation calculated using the straight-line method, which is the most basic depreciation method used on an income statement. IRC §1250 bases the amount of tax due on the type of property, such as residential or nonresidential property, and on how many months the property was owned.

IRS guidance is silent on which section of the tax code cryptocurrency falls into. For instance, IRC §1031 allows for the like-kind exchange of certain property. IRC §1031 exchanges typically are done with real estate or business assets. However, with the classification of cryptocurrency as property by the IRS, many tax professionals will argue that cryptocurrency can be exchanged using IRC §1031.

We believe that all of our digital asset mining activities will be accounted for on the same basis regardless of the form of digital asset. A change in regulatory or financial accounting standards or interpretation by the IRS or accounting standards or the SEC could result in changes in our accounting treatment, taxation and the necessity to restate our financial statements. Such a restatement could negatively impact our business, prospects, financial condition and results of operations.

Digital assets held by us are not subject to FDIC or SIPC protections.

We do not hold our digital assets with a banking institution or a member of the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC") and, therefore, our digital assets are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions.

Because many of our digital assets are held by digital asset exchanges, we face heightened risks from cybersecurity attacks and financial stability of digital asset exchanges.

ATL may transfer their digital asset from its wallet to digital asset exchanges prior to selling them. Digital assets not held in ATL 's wallet are subject to the risks encountered by digital asset exchanges including a DDoS Attack or other malicious hacking, a sale of the digital asset exchange, loss of the digital assets by the digital asset exchange and other risks similar to those described herein. ATL does not maintain a custodian agreement with any of the digital asset exchanges that hold the ATL digital assets. These digital asset exchanges do not provide insurance and may lack the resources to protect against hacking and theft. If this were to occur, ATL may be materially and adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Currently, we do not own any real estate. Our corporate offices are located at 1185 S. 1800 W, Suite 3, Woods Cross Utah 84087. We are currently on a year-to-year lease agreement that calls for us to make payments of $2,300 per month.

We sublease offices located at 8475 S. Eastern Ave., Suite 200, Las Vegas, NV. We are currently on a year-to-year lease agreement that calls for us to make payments of $1,525 per month.

We operate our California operations out of leased office space located at 4360 Viewridge Avenue, Suite C, San Diego, California 92123. On May 15, 2018, we executed a 37-month lease agreement, which commenced on July 1, 2018. The agreement calls for us to make payments of $4,057 in base rent per month through July 31, 2021 subject to an annual 3% rent escalation. Future minimum lease payments under the operating leases for the facilities as of September 30, 2020, are as follows:

Fiscal year ending September 30, 2021	$43,170

The Company believes its existing facilities and equipment are in good operating condition and are suitable for the conduct of its business.

Item 3. Legal Proceedings

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of our business.

CleanSpark, Inc. v. Discover Growth Fund, LLC

On August 5, 2020, the Company filed a verified complaint (the "Complaint") in the Supreme Court of the State of New York against Discover Growth Fund, LLC ("Investor"). Among other things, the Complaint seeks: declaratory relief against Investor in response to Investor's claim that a Form 8-K filed by the Company in relation to a July 20, 2020 securities purchase agreement needed pre-approval by Investor prior to filing, and injunctive relief in response to conversion notices sent by Investor claiming trigger events and defaults arising out of the failure to obtain the Form 8-K pre-approval.

The case was subsequently removed to the United States District Court for the Southern District of New York, which then determined that the parties' agreements required a JAMS arbitrator sitting in the U.S. Virgin Islands to resolve the parties' dispute over which of their agreements' competing forum selection clauses was controlling, and that therefore the Court's personal jurisdiction over Investor had not been established.

While the New York action was pending, Investor filed a demand for arbitration with JAMS in the U.S. Virgin Islands, alleging breach of the Securities Purchase Agreement dated December 31, 2018, and the Purchase Agreement dated April 17, 2019 between Investor and the Company (the "Arbitration") and seeking issuance of additional shares of the Company. The Company then filed a response to Investor's claims, denying Investor's claims and asserting counterclaims against Investor, and also filed for emergency injunctive relief in the Arbitration seeking, among other things, an order enjoining Investor from continuing to pursue certain remedies based on the allegations in the Arbitration between Investor and the Company.

On September 21, 2020, the arbitrator granted the Company's motion for emergency interim relief in the Arbitration. The arbitrator issued his interim award on September 22, 2020, (the "Interim Award"), which restrains Investor from: (i) proceeding with an asset sale or taking any actions in furtherance of the asset sale; (ii) pursuing any remedies in connection with the purported trigger events, conversion notices, notices of default, or sale notices that Investor issued; (iii) claiming or issuing any additional trigger events, conversion notices, delivery notices, notices of default, or sale notices pursuant to the debenture, note, or prior securities purchase agreements between the parties that relate to or arise out of the facts and allegations at issue in the Arbitration; and (iv) pursuing any other remedies that relate to or arise out of the facts and allegations at issue in the Arbitration.

Following the Interim Award, the Company completed an underwritten public offering with HC Wainwright (the "Offering"). In connection with the Offering, the Company provided notice to Investor of the Offering in compliance with a right of first refusal provision (the "ROFR") in the parties' agreements with the Company. Investor responded to the notice claiming that the notice was not sufficient and the ROFR was not satisfied by the notice and, as a result, proceeding with the Offering constituted a trigger event under the parties' prior securities purchase agreements. Investor included the preceding allegations regarding the ROFR in its statement of claim in the Arbitration, and they are now at issue in that proceeding. The Company forcefully denies those claims.

Although the ultimate outcome of this matter cannot be determined with certainty, the Company believes that the claims raised by Investor in and related to the Arbitration are completely without merit, and the Company intends to both defend itself vigorously and to vigorously prosecute its counterclaims. Additionally, the Company believes that it has fully complied with its obligations under the right of first refusal and public disclosure review provisions of the parties' prior securities purchase agreements.

Notwithstanding the merits of Investor's claims, however, the Arbitration may distract the Company and cost the Company's management time, effort and expense to defend against the claims and threats made by Investor. Notwithstanding the Company's belief that it has complied with all of its obligations under the parties' agreements, no assurance can be given as to the outcome of the Arbitration, and in the event the Company does not prevail in such action, the Company, its business, financial condition and results of operations would be materially and adversely affected.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Information

Our common stock, par value $0.001 per share, is listed on The Nasdaq Capital Market under the symbol "CLSK."

Holders of Our Common Stock

As of December 14, 2020, we had 223 registered holders of record of our common stock, with others in street name.

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;

2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Repurchases

The Company has not made any repurchases of shares or other units of any class of the Company's equity securities during the fourth quarter of the fiscal year covered by this Annual Report.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion of our financial condition and results of operations for the years ended September 30, 2020 and 2019 should be read in conjunction with our consolidated financial statements and the notes to those statements that are included elsewhere in this Annual Report on Form 10-K. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, and similar expressions to identify forward-looking statements.

Results of Operations for the Year Ended September 30, 2020 and 2019

Revenues

We earned $10,028,701 in revenues during the year ended September 30, 2020, as compared with $4,532,782 in revenues for the year ended September 30, 2019.

For the year ended September 30, 2020 and 2019 our revenue was derived from of the sale of equipment, design, engineering and services revenue. This income from our Energy segment is the result of contracts to sell switchgear equipment, perform engineering design, and provide software for distributed energy and microgrid systems. For the year ended September 30, 2020, we also generated services revenue from our January 2020 acquisition of p2kLabs, Inc. We hope to generate more significant revenue from customers through the sale and licensing of our Software platforms and services in the future. However, we are unable to estimate with any degree of certainty the amount of future revenues, from existing or future software contracts. Also, we do not anticipate earning significant revenues from our Gasifier business until such time that we have fully developed our technology and are able to market our products.

Gross Profit

Our cost of revenues were $7,907,849 for the year ended September 30, 2020 resulting in gross profit of $2,120,852, as compared with cost of revenues of $3,861,086 for the year ended September 30, 2019 resulting in gross profits of $671,696.

Our cost of revenues in 2020 was mainly the result of contract manufacturing expense, hardware materials, subcontractors and direct labor expense.

Contract manufacturing expense increased to $6,704,075 for the year ended September 30, 2020, from $3,220,480 for the year ended 2019. Our manufacturing expense consisted of the cost of contract manufacturing of switchgear equipment.

Hardware material expenses increased to $824,665 for the year ended September 30, 2020, from $125,782 for the year ended 2019. Our materials expense for the years ended September 30, 2020 and 2019 consisted mainly of the cost of energy storage.

Direct labor decreased to $4,029 for the year ended September 30, 2020, from $86,125 for the year ended 2019. Our direct labor expenses for the year ended September 30, 2020 consisted mainly of allocated payroll costs of employees and consultants.

Subcontractor expenses decreased to $325,232 for the year ended September 30, 2020, from $366,523 for the year ended 2019. Our subcontractor expenses for the year ended September 30, 2019 consisted mainly of fees charged by subcontractors for services delivery and installation of energy assets.

Operating Expenses

We had operating expenses of $17,263,968 for the year ended September 30, 2020, as compared with $17,285,541 for the year ended September 30, 2019.

Professional fees increased to $6,521,016 for the year ended September 30, 2020 from $4,829,038 for the same period ended September 30, 2019. Our professional fees expenses for the year ended September 30, 2020 consisted mainly of consulting fees of $607,392 paid to management of the Company, stock-based compensation for consulting of $2,265,194, sales consulting of $278,547, legal fees of $1,472,421, investor relations and external marketing consulting of $725,347, director fees of $442,000, consulting for software and engineering of $82,031, accounting and tax fees of $186,969 and audit and review fees of $135,060. Our professional fees expenses for the year ended September 30, 2019 consisted mainly of consulting fees of $1,032,076 paid to management of the Company, stock-based compensation for consulting of $1,735,693, sales consulting of $202,963, legal fees of $220,163, investor relations consulting of $1,253,903, consulting for public relations of $52,740, consulting for software and engineering of $15,680 and audit and review fees of $141,349.

Payroll expenses increased to $6,813,641 for the year ended September 30, 2020 from $1,267,403 for the same period ended September 30, 2019. Our payroll expenses for the year ended September 30, 2020 consisted mainly of salary and wages expense of $4,293,558 and employee and officer stock-based compensation and related bonuses of $2,520,083. Our payroll expenses for the year ended September 30, 2019 consisted mainly of salary and wages expense of $1,010,054 and employee and officer stock-based compensation of $257,349.

General and administrative fees increased to $1,093,062 for the year ended September 30, 2020 from $917,298 for the same period ended September 30, 2019. Our general and administrative expenses for the year ended September 30, 2020 consisted mainly of travel expenses of $82,407, rent expenses of $117,223 insurance expenses of $232,043, dues and subscriptions of $362,887, marketing related expenses of $153,091, and bad debt expense of $36,924. Our general and administrative expenses for the year ended September 30, 2019 consisted mainly of travel expenses of $95,151, rent expenses of $76,220 insurance expenses of $123,499, dues and subscriptions of $184,402, marketing related expenses of $95,690, and bad debt expense of $258,255.

Product development expense decreased to $163,918 for the year ended September 30, 2020 from $1,453,635 for the same period ended September 30, 2019. Our product development expenses for the year ended September 30, 2020 consisted of amortization of capitalized software of $163,91 8. Our product development expenses for the year ended September 30, 2019 consisted of amortization of capitalized software of $1,453,635.

Depreciation and amortization expense increased to $2,672,331 for the year ended September 30, 2020 from $1,902,981 for the same period ended September 30, 2019.

No impairment expenses were recorded for the year ended September 30, 2020 and $6,915,186 for the same period ended September 30, 2019.

Other Income/Expenses

We had net other expenses of $8,203,027 for the year ended September 30, 2020, compared with other expenses of $9,503,087 for the year ended September 30, 2019. Our other income/expenses for the year ended September 30, 2020 consisted mainly of other income of 20,000, unrealized gains on equity security and derivative security of $116,868 and $2,115,269 respectively, and interest expense of $10,449,946. Our other expenses for the year ended September 30, 2019 consisted mainly of loss on settlement of debts of $19,425, and interest expense of $9,483,662.

Net Loss

Net loss for the year ended September 30, 2020 was $23,346,143 compared to net loss of $26,116,932 for the year ended September 30, 2019.

Liquidity and Capital Resources

For the year ended September 30, 2020, our primary sources of liquidity came from existing cash, and proceeds from a securities purchase agreement. On October 6, 2020 , the Company completed a share offering which resulted in net cash proceeds of approximately $37,000,000. Based on our current plans and business conditions, we believe that existing cash and cash generated from operations will be sufficient to satisfy our anticipated cash requirements until the Company reaches profitability, and we are not aware of any trends or demands, commitments, events or uncertainties that are reasonably likely to result in a decrease in liquidity of our assets. However, our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of our sales and marketing, the timing of new product introductions and the continuing market acceptance of our products and services. If cash generated from operations is insufficient to satisfy our capital requirements, we may open a revolving line of credit with a bank, or we may have to sell additional equity or debt securities or obtain credit facilities. In the event such financing is needed in the future, there can be no assurance that such financing will be available to us, or, if available, that it will be in amounts and on terms acceptable to us. If cash flows from operations became insufficient to continue operations at the current level, and if no additional financing was obtained, our business, operating results and financial condition would be adversely affected.

As of September 30, 2020, we had total current assets of $8,251,858, consisting of cash, accounts receivable, contract assets and prepaid expenses and other current assets, and total assets in the amount of $22,340,063. Our total current liabilities as of September 30, 2019 were $5,382,529. We had a working capital surplus of $2,869,329 as of September 30, 2020.

Operating activities used $6,642,734 in cash for the year ended September 30, 2019, as compared with $5,697,989 for the same period ended September 30, 2019. Our net loss of $23,346,143 was the main component of our negative operating cash flow for the year ended September 30, 2020, offset mainly by amortization of debt discount of $9,010,547, depreciation and amortization of $2,672,331, shares issued as interest of $2,050,000, amortization of capitalized software of $163,918 and stock-based compensation of $2,053,232. Our net loss of $26,116,932 was the main component of our negative operating cash flow for the year ended September 30, 2019, offset mainly by impairment expense of $6,915,186, depreciation and amortization of $1,902,981, shares issued as interest of $1,400,000, amortization of capitalized software of $1,453,635 and stock-based compensation of $1,993,043.

Cash flows used by investing activities during the year ended September 30, 2020 was $2,383,623, as compared with $673,953 for the year ended September 30, 2019. Our acquisitions of p2kLabs & GridFabric of $1,513,802, investments in the capitalized software of $84,924, purchase of fixed assets of $34,897 and the investment in debt and equity securities of $750,000 were the main components of our negative investing cash flow for the year ended September 30, 2020. Our investment in the capitalized software of $569,042, purchase of fixed assets of $102,761 and the purchase of intangible assets of $2,150 were the main components of our negative investing cash flow for the year ended September 30, 2019.

Cash flows provided by financing activities during the year ended September 30, 2020 amounted to $4,313,702, as compared with $13,798,022 for the year ended September 30, 2019. Our positive cash flows from financing activities for the year ended September 30, 2020 consisted of $4,000,000 in proceeds from the sale of common stock, $531,169 in proceeds from promissory notes off-set by repayments of $217,467 on promissory notes. Our positive cash flows from financing activities for the year ended September 30, 2019 consisted of $361,800 in proceeds from the sale of common stock, 14,995,000 in proceeds from convertible notes and $75,030 from related party debts off-set by repayments of $625,344 on promissory notes repayments of $457,820 on related party debt, and repayments of $555,000 on convertible debts.

Known Trends or Uncertainties

Although we have not seen any significant reduction in revenues to date, we have seen some consolidation in our industry during economic downturns. These consolidations have not had a negative effect on our total sales; however, should consolidations and downsizing in the industry continue to occur, those events could adversely impact our revenues and earnings going forward.

As discussed in the Risk Factors section of this Annual Report on Form 10-K, the world has been affected due to the COVID-19 pandemic. Until the pandemic has passed, there remains uncertainty as to the effect of COVID-19 on our business in both the short and long-term.

We believe that the need for improved productivity in the research and development activities directed toward developing new products and/or software will continue to result in increasing adoption of energy solution tools such as those we produce. New product and/or software developments in the energy business segment could result in increased revenues and earnings if they are accepted by our markets; however, there can be no assurances that new products and/or software will result in significant improvements to revenues or earnings. For competitive reasons, we do not disclose all of our new product development activities.

Our continued quest for acquisitions could result in a significant change to revenues and earnings if one or more such acquisitions are completed.

The potential for growth in new markets is uncertain. We will continue to explore these opportunities until such time as we either generate sales or determine that resources would be more efficiently used elsewhere.

Inflation

We have not been affected materially by inflation during the periods presented, and no material effect is expected in the near future.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements
In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which modifies the accounting for share-based payment awards issued to nonemployees to largely align it with the accounting for share-based payment awards issued to employees. ASU 2018-07 is effective for us for annual periods beginning October 1, 2019. The new standard did not have a material impact on the Company’s results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which allows for the capitalization of certain implementation costs incurred in a hosting arrangement that is a service contract. ASU 2018-15 allows for either retrospective adoption or prospective adoption to all implementation costs incurred after the date of adoption. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02, "Leases" ("ASC 842"). The guidance requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. ASC 842 is effective for fiscal years beginning after December 15, 2018. Upon adoption of this guidance, on October 1, 2019, the Company recorded a Right of use asset and corresponding lease liability of $85,280 and $85,280, respectively, on the Consolidated Balance Sheet. No cumulative effect adjustment to retained earnings resulted from adoption of this guidance. The new standard did not have a material impact on the Company's results of operations or cash flows.

The Company has evaluated all other recent accounting pronouncements and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our accounting policies are discussed in detail in the footnotes to our financial statements included in this Annual Report on Form 10-K for the year ended September 30, 2019, however we consider our critical accounting policies to be those related to revenue recognition, long-lived assets, accounts receivable, fair value of financial instruments, cash and cash equivalents, accounts receivable, warranty liability and stock-based compensation.

Off Balance Sheet Arrangements

As of September 30, 2020, there were no off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements Required by Article 8 of Regulation S-X:

Audited Consolidated Financial Statements:

To the Shareholders and Board of Directors of
CleanSpark, Inc.
Woods Cross, Utah

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CleanSpark, Inc. and its subsidiaries (collectively, the "Company") as of September 30, 2020 and 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2018.
Houston, Texas
December 16, 2020

CLEANSPARK, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2020	September 30, 2019
ASSETS		
Current assets		
Cash	$ 3,126,202	$ 7,838,857
Accounts receivable, net	1,047,353	777,716
Contract assets	4,103	57,077
Prepaid expense and other current assets	998,931	1,210,395
Derivative investment asset	2,115,269	—
Investment in equity securities	460,000	—
Investment in debt security, AFS, at fair value	500,000	—
Total current assets	8,251,858	9,884,045
Fixed assets, net	117,994	145,070
Operating lease right of use asset	40,711	—
Capitalized software, net	976,203	1,055,197
Intangible assets, net	7,049,656	7,430,082
Goodwill	5,903,641	4,919,858
Total assets	$ 22,340,063	$ 23,434,252
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,527,037	$ 848,756
Contract liabilities	64,198	499,401
Lease liability	41,294	—
Due to related parties	—	86,966
Contingent consideration	750,000	—
Loans payable, net of unamortized discounts	—	67,467
Total current liabilities	5,382,529	1,502,590
Long- term liabilities		
Convertible notes, net of unamortized discounts	—	2,896,321
Loans payable	531,169	150,000
Total liabilities	5,913,698	4,548,911
Stockholders' equity		
Common stock; $0.001 par value; 35,000,000 shares authorized; 17,390,979 and 4,679,018 shares issued and outstanding as of September 30, 2020 and September 30, 2019, respectively	17,391	4,679
Preferred stock; $0.001 par value; 10,000,000 shares authorized; Series A shares; 2,000,000 authorized; 1,750,000 and 1,000,000 issued and outstanding as of September 30, 2020 and September 30, 2019, respectively	1,750	1,000
Additional paid-in capital	132,809,830	111,936,125
Accumulated deficit	(116,402,606)	(93,056,463)
Total stockholders' equity	16,426,365	18,885,341
Total liabilities and stockholders' equity	$ 22,340,063	$ 23,434,252

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

CLEANSPARK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	September 30, 2020	September 30, 2019
Revenues, net		
Sale of goods revenues	$ 8,620,574	$ 3,752,987
Service, software and related revenues	1,408,127	779,795
Total revenues, net	10,028,701	4,532,782
Cost of revenues		
Product sale revenues	7,558,075	3,231,704
Service, software and related revenues	349,774	629,382
Total cost of revenues	7,907,849	3,861,086
Gross profit	2,120,852	671,696
Operating expenses		
Professional fees	6,521,016	4,829,038
Payroll expenses	6,813,641	1,267,403
Product development	163,918	1,453,635
General and administrative expenses	1,093,062	917,298
Impairment expense	—	6,915,186
Depreciation and amortization	2,672,331	1,902,981
Total operating expenses	17,263,968	17,285,541
Loss from operations	(15,143,116)	(16,613,845)
Other income (expense)		
Other income	20,000	—
Loss on settlement of debt	—	(19,425)
Unrealized gain/(loss) on equity security	116,868	—
Unrealized gain on derivative security	2,115,269	—
Loss on disposal of assets	(5,218)	—
Interest expense (net)	(10,449,946)	(9,483,662)
Total other income (expense)	(8,203,027)	(9,503,087)
Net loss	$ (23,346,143)	$ (26,116,932)
Loss per common share - basic and diluted	$ (2.44)	$ (6.25)
Weighted average common shares outstanding - basic and diluted	$ 9,550,626	$ 4,177,402

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

CLEANSPARK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Year ended September 30, 2020

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, September 30, 2019	**1,000,000**	**$ 1,000**	**4,679,018**	**$ 4,679**	**$ 111,936,125**	**$ (93,056,463)**	**$ 18,885,341**
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)
Balance, September 30, 2020	**1,750,000**	**$ 1,750**	**17,390,979**	**$ 17,391**	**$ 132,809,830**	**$ (116,402,606)**	**$ 16,426,365**

For the Year Ended September 30, 2019

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, September 30, 2018	**1,000,000**	**$ 1,000**	**3,611,645**	**$ 3,612**	**$ 82,990,994**	**$ (66,939,531)**	**$ 16,056,075**
Shares issued for services	—	—	64,000	64	966,624	—	966,688
Options and warrants issued for services	—	—	—	—	1,095,105	—	1,095,105
Shares issued upon exercise of warrants	—	—	219,096	219	4,137	—	4,356
Beneficial conversion feature and shares and warrants issued with convertible debt	—	—	135,000	135	14,994,865	—	14,995,000
Shares issued for direct investment	—	—	45,225	45	361,755	—	361,800
Shares issued for settlement of debt	—	—	2,500	3	51,222	—	51,225
Commitment shares returned and cancelled	—	—	(37,500)	(38)	38	—	—
Shares issued upon conversion of debt and accrued interest	—	—	464,052	464	5,399,536	—	5,400,000
Shares and warrants issued under asset purchase agreement	—	—	175,000	175	6,071,849	—	6,072,024
Net loss	—	—	—	—	—	(26,116,932)	(26,116,932)
Balance, September 30, 2019	**1,000,000**	**$ 1,000**	**4,679,018**	**$ 4,679**	**$ 111,936,125**	**$ (93,056,463)**	**$ 18,885,341**

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

CLEANSPARK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended September 30, 2020	September 30, 2019
Cash Flows from Operating Activities		
Net loss	$ (23,346,143)	$ (26,116,932)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	2,053,232	1,993,043
Impairment expense	—	6,915,186
Unrealized gain on equity security	(116,868)	—
Amortization of operating lease right of use asset	44,569	—
Depreciation and amortization	2,672,331	1,902,981
Amortization of capitalized software	163,918	1,453,635
Loss on settlement of debt	—	19,425
Provision for bad debts	27,456	258,255
Gain on derivative asset	(2,115,269)	—
Amortization of debt discount	9,010,547	7,563,829
Shares issued as interest	2,050,000	1,400,000
Loss on asset disposal	5,218	—
Changes in operating assets and liabilities		
Decrease (increase) in prepaid expenses and other current assets	215,514	(1,082,769)
Decrease (increase) in contract assets	52,974	(4,638)
(Increase) decrease in contract liabilities, net	(435,203)	499,401
Increase in accounts receivable	(209,226)	(1,001,830)
Increase in accounts payable and accrued liabilities	3,415,168	723,832
Decrease in lease liability	(43,986)	—
Decrease in due to related parties	(86,966)	(221,407)
Net cash used in operating activities	(6,642,734)	(5,697,989)
Cash Flows from investing		
Purchase of intangible assets	—	(2,150)
Purchase of fixed assets	(34,897)	(102,761)
Cash consideration for acquisition of p2kLabs, net of cash acquired	(1,141,990)	—
Cash consideration for acquisition of GridFabric, net of cash acquired	(371,812)	—
Investment in capitalized software	(84,924)	(569,042)
Investment in debt and equity securities	(750,000)	—
Net cash used in investing activities	(2,383,623)	(673,953)
Cash Flows from Financing Activities		
Payments on promissory notes	(217,467)	(625,344)
Proceeds from promissory notes	531,169	—
Proceeds from related party debts	—	75,030
Payments on related party debts	—	(457,820)
Proceeds from convertible debt, net of issuance costs	—	14,995,000
Payments on convertible debts	—	(555,000)
Proceeds from exercise of warrants	—	4,356
Proceeds from issuance of common stock	4,000,000	361,800
Net cash provided by financing activities	4,313,702	13,798,022
Net increase (decrease) in Cash	(4,712,655)	7,426,080
Cash, beginning of period	7,838,857	412,777
Cash, end of period	$ 3,126,202	$ 7,838,857
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 14,162	$ 55,493
Cash paid for tax	$ —	$ —
Non-cash investing and financing transactions		
Day one recognition of right of use asset and liability	$ 85,280	$ —
Shares and options issued for business acquisition	$ 783,935	$ —
Shares issued as collateral returned to treasury	$ 30	$ 38
Stock issued to promissory notes	$ —	$ 51,225
Debt discount on convertible debt	$ —	$ 14,995,000
Shares and warrants issued for asset acquisition	$ —	$ 6,072,024
Shares issued for conversion of debt and accrued interest	$ 14,050,000	$ 5,400,000

Financing of prepaid insurance	$ —	$ 78,603
Cashless exercise of options/warrants	$ 7	$ 218
Option expense capitalized as software development costs	$ —	$ 68,750

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

CLEANSPARK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND LINE OF BUSINESS

Organization

CleanSpark, Inc. ("CleanSpark", "we", "our", the "Company") was incorporated in the state of Nevada on October 15, 1987 as SmartData Corporation. SmartData conducted a 504-public offering in the State of Nevada in December 1987 and began trading publicly in January 1988. Due to a series of unfortunate events, including the untimely death of the founding CEO, SmartData discontinued active business operations in 1992.

On March 25, 2014, we began operations in the alternative energy sector.

In December 2014, the Company changed its name to Stratean Inc. through a short-form merger in order to better reflect the new business plan.

On July 1, 2016, the Company entered into an Asset Purchase Agreement, as amended (the "Purchase Agreement"), with CleanSpark Holdings LLC, CleanSpark LLC, CleanSpark Technologies LLC and Specialized Energy Solutions, Inc. (together, the "Seller"). Pursuant to the Purchase Agreement, the Company acquired CleanSpark, LLC and all the assets related to the Seller and its line of business.

In October 2016, the Company changed its name to CleanSpark, Inc. through a short-form merger in order to better reflect the brand identity.

On January 22, 2019, CleanSpark entered into an Agreement with Pioneer Critical Power, Inc., whereby it acquired certain intellectual property assets and client lists. As a result of the transaction Pioneer Critical Power Inc. became a wholly owned subsidiary of CleanSpark Inc. On February 1, 2019, Pioneer Critical Power, Inc. was renamed CleanSpark Critical Power Systems, Inc.

On December 5, 2019, the Board of Directors approved a reverse stock split of the Company's common stock, par value $0.001 per share. On December 10, 2019, the Financial Industry Regulatory Authority ("FINRA") approved the Company's 1:10 reverse stock split of the Company's common stock. The reverse stock split took effect on December 11, 2019. Unless otherwise noted, impacted amounts and share information in the consolidated financial statements and notes thereto as of and for the fiscal years ended September 30, 2020 and 2019, have been adjusted for the stock split as if such stock split occurred on the first day of the first period presented.

On January 31, 2020, the Company entered into a Stock Purchase Agreement with p2klabs, Inc ("p2k"), and its sole stockholder, ("Seller"), whereby the Company purchased all of the issued and outstanding shares of p2k from the Seller. As a result of the transaction, p2k, is now a wholly-owned subsidiary of the Company. (See note 5 for details.)

On August 31, 2020, the Company entered into a Membership Interest Purchase Agreement with GridFabric, LLC, ("GridFabric"), and its sole member ("Seller"), whereby the Company purchased all of the issued and outstanding membership units of GridFabric from the Seller. As a result of the transaction, GridFabric, is now a wholly-owned subsidiary of the Company. (See note 3 for details.)

Lines of Business

Energy business Segment

Through CleanSpark, LLC, the Company provides microgrid engineering, design and software solutions to military, commercial and residential customers. Our services consist of distributed energy microgrid system engineering and design, and project consulting services.

Through CleanSpark Critical Power Systems, Inc., the Company provides custom hardware solutions for distributed energy systems that serve military and commercial residential properties.

Through GridFabric, LLC the Company provides Open Automated Demand response ("OpenADR") and other middleware communication protocol software solutions to commercial and utility customers.

Digital Agency Segment

Through p2kLabs, Inc., the Company provides design, software development and other technology-based consulting services.

2. SUMMARY OF SIGNIFICANT POLICIES

This summary of significant accounting policies of CleanSpark is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Liquidity

The Company has incurred losses for the past several years while developing infrastructure and its software platforms. As shown in the accompanying consolidated financial statements, the Company incurred net losses of $23,346,143 and $26,116,932 during the years ended September 30, 2020 and September 30, 2019, respectively. In response to these conditions and to ensure the Company has sufficient capital for ongoing operations for a minimum of 12 months we have raised additional capital through the sale of debt and equity securities pursuant to a registration statement on Form S-3. As of September 30, 2020, the Company had working capital of approximately $2,869,329.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CleanSpark, Inc., and its wholly owned operating subsidiaries, CleanSpark, LLC, CleanSpark, II, LLC, CleanSpark Critical Power Systems Inc, p2kLabs, Inc, and GridFabric, LLC. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include estimates used to review the Company's goodwill impairment, intangible assets acquired, impairments and estimations of long-lived assets, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, and the valuations of non-cash capital stock issuances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions including, but not limited to, the ultimate impact that COVID-10 may have on the Company's operations.

Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC") 606, Revenue From Contracts with Customers, which requires that five steps be followed in evaluating revenue recognition: (i) identify the contract with the customer; (ii) identity the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfied a performance obligation.

We did not have a cumulative impact as of October 1, 2019 due to the adoption of Topic 606.

Our accounting policy on revenue recognition by type of revenue is provided below.

Engineering & Construction Contracts and Service Contracts

The Company recognizes engineering and construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Engineering and construction contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. The Company recognizes revenue based primarily on contract cost incurred to date compared to total estimated contract cost (an input method). The input method is the most faithful depiction of the Company's performance because it directly measures the value of the services transferred to the customer. Customer-furnished materials, labor and equipment and, in certain cases, subcontractor materials, labor and equipment, are included in revenue and cost of revenue when management believes that the company is acting as a principal rather than as an agent (i.e., the company integrates the materials, labor and equipment into the deliverables promised to the customer). Customer-furnished materials are only included in revenue and cost when the contract includes construction activity and the Company has visibility into the amount the customer is paying for the materials or there is a reasonable basis for estimating the amount. The Company recognizes revenue, but not profit, on certain uninstalled materials that are not specifically produced, fabricated, or constructed for a project. Revenue on these uninstalled materials is recognized when the cost is incurred (when control is transferred). Changes to total estimated contract cost or losses, if any, are recognized in the period in which they are determined as assessed at the contract level. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the client. Project mobilization costs are generally charged to project costs as incurred when they are an integrated part of the performance obligation being transferred to the client. Customer payments on engineering and construction contracts are typically due within 30 to 45 days of billing, depending on the contract.

For service contracts (including maintenance contracts) in which the Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date, revenue is recognized when services are performed and contractually billable. Service contracts that include multiple performance obligations are segmented between types of services. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using an estimate of the stand-alone selling price of each distinct service in the contract. Revenue recognized on service contracts that have not been billed to clients is classified as a current asset under contract assets on the Consolidated Balance Sheets. Amounts billed to clients in excess of revenue recognized on service contracts to date are classified as a current liability under contract liabilities. Customer payments on service contracts are typically due within 30 days of billing, depending on the contract.

Revenues from Sale of Equipment

Performance Obligations Satisfied at a point in time.

We recognize revenue on agreements for non-customized equipment we sell on a standardized basis to the market at a point in time. We recognize revenue at the point in time that the customer obtains control of the good, which is generally upon shipment or when the customer has physical possession of the product depending on contract terms. We use proof of delivery for certain large equipment with more complex logistics, whereas the delivery of other equipment is estimated based on historical averages of in-transit periods (i.e., time between shipment and delivery). Generally, shipping costs are included in the price of equipment unless the customer requests a non-standard shipment. In situations where an alternative shipment arrangement has been made, the Company recognizes the shipping revenue upon customer receipt of the shipment.

In situations where arrangements include customer acceptance provisions based on seller or customer-specified objective criteria, we recognize revenue when we have concluded that the customer has control of the goods and that acceptance is likely to occur. We generally do not provide for anticipated losses on point in time transactions prior to transferring control of the equipment to the customer.

Our billing terms for these point in time equipment contracts vary and generally coincide with shipment to the customer; however, within certain businesses, we receive progress payments from customers for large equipment purchases, which is generally to reserve production slots with our manufacturing partners, which are recorded as contract liabilities.

Due to the customized nature of the equipment, the Company does not allow for customer returns.

Service Performance obligations satisfied over time.

We enter into long-term product service agreements with our customers primarily within our microgrid segment. These agreements require us to provide preventative maintenance, and standby support services that include certain levels of assurance regarding system performance throughout the contract periods, these contracts will generally range from 1 to 10 years. We account for items that are integral to the maintenance of the equipment as part of our service-related performance obligation, unless the customer has a substantive right to make a separate purchasing decision (e.g., equipment upgrade). Contract modifications that extend or revise contract terms are not uncommon and generally result in our recognizing the impact of the revised terms prospectively over the remaining life of the modified contract (i.e., effectively like a new contract). Revenues are recognized for these arrangements on a straight-line basis consistent with the nature, timing and extent of our services, which primarily relate to routine maintenance and as needed product repairs. Our billing terms for these contracts vary, but we generally invoice periodically as services are provided.

Contract assets represent revenue recognized in excess of amounts billed and include unbilled receivables (typically for cost reimbursable contracts) of $0 and contract work in progress (typically for fixed-price contracts) of $4,103 and $57,077 as of September 30, 2020 and September 30, 2019, respectively. Unbilled receivables, which represent an unconditional right to payment subject only to the passage of time, are reclassified to accounts receivable when they are billed under the terms of the contract. Advances that are payments on account of contract assets of $0 and $0 as of September 30, 2020 and September 30, 2019, respectively, have been deducted from contract assets. Contract liabilities represent amounts billed to clients in excess of revenue recognized to date. The Company recorded $64,198 and $499,401 in contract liabilities as of September 30, 2020 and September 30, 2019, respectively.

Revenues from software

The Company derives its software revenue from both subscription fees from customers for access to its energy software offerings and software license sales and support services. Revenues from software licenses are generally recognized upfront when the software is made available to the customer and revenues from the related support is generally recognized ratably over the contract term. The Company’s policy is to exclude sales and other indirect taxes when measuring the transaction price of its subscription agreements.

The Company’s subscription agreements generally have monthly or annual contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. Access to the platform represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time.

Revenues from design, software development and other technology-based consulting services

For service contracts performed under Master Services Agreements (“MSA”) and accompanying Statement(s) of Work (“SOW”), revenue is recognized based on the performance obligation(s) outlined in the SOW which is typically hours worked or specific deliverable milestones. In the case of a milestone-based SOW, the Company recognizes revenues as each deliverable is signed off by the customer.

Variable Consideration

The nature of the Company’s contracts gives rise to several types of variable consideration, including claims and unpriced change orders; awards and incentive fees; and liquidated damages and penalties. The Company recognizes revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company estimates the amount of revenue to be recognized on variable consideration using the expected value (i.e., the sum of a probability-weighted amount) or the most likely amount method, whichever is expected to better predict the amount. Factors considered in determining whether revenue associated with claims (including change orders in dispute and unapproved change orders in regard to both scope and price) should be recognized include the following: (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the company’s performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. If the requirements for recognizing revenue for claims or unapproved change orders are met, revenue is recorded only when the costs associated with the claims or unapproved change orders have been incurred. Back charges to suppliers or subcontractors are recognized as a reduction of cost when it is determined that recovery of such cost is probable and the amounts can be reliably estimated. Disputed back charges are recognized when the same requirements described above for claims accounting have been satisfied.

The Company generally provides limited warranties for work performed under its engineering and construction contracts. The warranty periods typically extend for a limited duration following substantial completion of the Company's work on a project. Historically, warranty claims have not resulted in material costs incurred.

Practical Expedients

If the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance completed to date (a service contract in which the company bills a fixed amount for each hour of service provided), the Company recognizes revenue in the amount to which it has a right to invoice for services performed.

The Company does not adjust the contract price for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the company transfers a service to a customer and when the customer pays for that service will be one year or less.

The Company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are collected by the Company from its customers (use taxes, value added taxes, some excise taxes).

For the year ended September 30, 2020 and 2019, the Company reported revenues of $10,028,701 and $4,532,782, respectively.

Cash and cash equivalents
For purposes of the statements of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents. There was $3,126,202 and $7,838,857 in cash and no cash equivalents as of September 30, 2020 and September 30, 2019, respectively.

Accounts receivable
Is comprised of uncollateralized customer obligations due under normal trade terms. The Company performs ongoing credit evaluation of its customers and management closely monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management's best estimate of the amounts that will not be collected is recorded. Accounts receivable are presented net of an allowance for doubtful accounts of $42,970 and $254,570 at September 30, 2020, and September 30, 2019, respectively.

Retention receivable is the amount withheld by a customer until a contract is completed. Retention receivables of $615 and $159,989 were included in the balance of trade accounts receivable as of September 30, 2020 and September 30, 2019, respectively.

Investment securities

Investment securities include debt securities and equity securities. Debt securities are classified as available for sale (“AFS”) and are reported as an asset in the Consolidated Balance Sheet at their estimated fair value. As the fair values of AFS debt securities change, the changes are reported net of income tax as an element of OCI, except for other-than-temporarily-impaired securities. When AFS debt securities are sold, the unrealized gains or losses are reclassified from OCI to non-interest income. Securities classified as AFS are securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company’s assets and liabilities, liquidity needs, decline in credit quality, and regulatory capital considerations.

Interest income is recognized based on the coupon rate and increased by accretion of discounts earned or decreased by the amortization of premiums paid over the contractual life of the security.

For individual debt securities where the Company either intends to sell the security or more likely than not will not recover all of its amortized cost, the OTTI is recognized in earnings equal to the entire difference between the security's cost basis and its fair value at the balance sheet date. For individual debt securities for which a credit loss has been recognized in earnings, interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized. Interest received after accruals have been suspended is recognized in income on a cash basis.

The Company holds investments in both publicly held and privately held equity securities.

Privately held equity securities are recorded at cost and adjusted for observable transactions for same or similar investments of the issuer (referred to as the measurement alternative) or impairment. All gains and losses on privately held equity securities, realized or unrealized, are recorded through gains or losses on equity securities on the consolidated statement of operations.

Publicly held equity securities are based on fair value accounting with unrealized gains or losses resulting from changes in fair value reflected as unrealized gains or losses on equity securities in our consolidated statements of operations.

Concentration Risk

At times throughout the year, the Company may maintain cash balances in certain bank accounts in excess of FDIC limits. As of September 30, 2020, the cash balance in excess of the FDIC limits was $2,876,202. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts. The Company had certain customers whose revenue individually represented 10% or more of the Company’s total revenue. (See Note 18 for details.)

Warranty Liability

The Company establishes warranty liability reserves to provide for estimated future expenses as a result of installation and product defects, product recalls and litigation incidental to the Company’s business. Liability estimates are determined based on management's judgment, considering such factors as historical experience, the likely current cost of corrective action, manufacturers' and subcontractors' participation in sharing the cost of corrective action, consultations with third party experts such as engineers, and discussions with the Company's general counsel and outside counsel retained to handle specific product liability cases. The Company's manufacturers and service providers currently provide substantial warranties between ten to twenty-five years with full reimbursement to replace and install replacement parts. Warranty costs and associated liabilities for the years ended September 30, 2020 and 2019 were $0 and $0, respectively.

Stock -based compensation

The Company follows the guidelines in FASB Codification Topic ASC 718-10 "Compensation-Stock Compensation," which requires companies to measure the cost of employee and non-employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period. The Company may issue compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services.

Earnings (loss) per share

The Company reports earnings (loss) per share in accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 260-10 "Earnings Per Share," which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average common shares outstanding the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. As of September 30, 2020, there are 1,577,013 shares issuable upon exercise of outstanding options and warrants which have been excluded as anti-dilutive.

Property and equipment

Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Useful life
Machinery and equipment	3 - 5 years
Leasehold improvements	Shorter of estimated lease term or 5 years
Furniture and fixtures	3 - 5 years

Long-lived Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounts Standard Codification (ASC) ASC 360-10, "Property, Plant and Equipment," the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value. During the year ended September 30, 2020 the Company did not record an impairment expense and during the year ended September 30, 2019 the Company recorded an impairment expense of $6,915,186 related to software acquired in 2016 which the Company does not anticipate utilizing in future periods.

Intangible Assets and Goodwill

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company reviews its indefinite lived intangibles and goodwill for impairment annually or whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In accordance with its policies, the Company performed an assessment of indefinite lived intangibles and goodwill and determined there was no impairment for the years ended September 30, 2020 and 2019.

Software Development Costs

The Company capitalizes software development costs under guidance of ASC 985-20 "Costs of Software to be Sold, Leased or Marketed" for our mPulse platform and under ASC 350-40 "Internal Use Software" for our mVSO, Canvas & Plaid products. Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products. Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product requires both technical design documentation and infrastructure design documentation, or the completed and tested product design and a working model. Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, and the evaluation is performed on a product-by-product basis. For products where proven technology exists, this may occur early in the development cycle. Prior to a product's release, if and when we believe capitalized costs are not recoverable, we expense the amounts as part of "Product development." Capitalized costs for products that are cancelled or are expected to be abandoned are charged to "Product development" in the period of cancellation. Amounts related to software development, such as product enhancements to existing features, which are not capitalized are charged immediately to "Product development."

Commencing upon a product's release, capitalized software development costs are amortized to "Cost of revenues—software amortization " based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of seven years for our current product offerings. In recognition of the uncertainties involved in estimating future revenue, amortization will never be less than straight-line amortization of the products remaining estimated economic life.

We evaluate the future recoverability of capitalized software development costs on a quarterly basis. For products that have been released in prior periods, the primary evaluation criterion is the actual performance of the software platform to which the costs relate. For products that are scheduled to be released in future periods, recoverability is evaluated based on the expected performance of the specific products to which the costs relate. Criteria used to evaluate expected product performance include: historical performance of comparable products developed with comparable technology; market performance of comparable software; orders for the product prior to its release; pending contracts and general market conditions.

Significant management judgments and estimates are utilized in assessing the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than the originally forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Material differences may result in the amount and timing of expenses for any period if matters resolve in a manner that is inconsistent with management's expectations. If an impairment occurs the reduced amount of the capitalized software costs that have been written down to the net realizable value at the close of each annual fiscal period will be considered the cost for subsequent accounting purposes.

Fair Value of financial instruments and derivative asset

The carrying value of cash, accounts payable and accrued expenses, and debt (See Notes 9 & 10) approximate their fair values because of the short-term nature of these instruments. Management believes the Company is not exposed to significant interest or credit risks arising from these financial instruments. The carrying amount of the Company's long-term convertible debt is also stated at fair value since the stated rate of interest approximates market rates.

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices included for identical or similar assets and liabilities that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. These are typically obtained from readily-available pricing sources for comparable instruments.
- Level 3 — Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own beliefs about the assumptions that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The following table presents the Company's financial instruments that are measured and recorded at fair value on the Company's balance sheets on a recurring basis, and their level within the fair value hierarchy as of September 30, 2020:

	Amount	Level 1	Level 2	Level 3
Derivative asset	$ 2,115,269	$ —	$ —	$ 2,115,269
Investment in equity security	210,000	210,000	—	$ —
Investment in debt security	500,000	—	—	500,000
Total	$ 2,825,269	$ 210,000	$ —	$ 2,615,269

The below table presents the change in the fair value of the derivative asset and investment in debt security during the year ended September 30, 2020:

	Amount
Balance at September 30, 2019	$ —
Fair value at issuance, net of premium	500,000
Gain on derivative asset	2,115,269
Balance at September 30, 2020	$ 2,615,269

Income taxes

The Company's calculation of its tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. The Company recognizes tax liabilities for uncertain tax positions based on management's estimate of whether it is more likely than not that additional taxes will be required. The Company had no uncertain tax positions as of September 30, 2020 and 2019.

Deferred income taxes are recognized in the consolidated financial statements for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from net operating losses, differences in depreciation methods of archived images, and property and equipment, stock-based and other compensation, and other accrued expenses. A valuation allowance is established when it is determined that it is more likely than not that some or all of the deferred tax assets will not be realized.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S., or the various state jurisdictions, may be materially different from management's estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities. Interest and penalties are included in tax expense.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operation in the provision for income taxes. As of September 30, 2020, and 2019, the Company had no accrued interest or penalties related to uncertain tax positions.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or net assets of the Company.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding the method to allocate resources and assess performance. The Company currently has two reportable segments for financial reporting purposes.

Recently issued accounting pronouncements

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which modifies the accounting for share-based payment awards issued to nonemployees to largely align it with the accounting for share-based payment awards issued to employees. ASU 2018-07 is effective for us for annual periods beginning October 1, 2019. The new standard did not have a material impact on the Company's results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which allows for the capitalization of certain implementation costs incurred in a hosting arrangement that is a service contract. ASU 2018-15 allows for either retrospective adoption or prospective adoption to all implementation costs incurred after the date of adoption. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

In February 2016, the FASB issued guidance within ASU 2016-02, *Leases*. The amendments in ASU 2016-02 to Topic 842, *Leases*, require lessees to recognize the lease assets and lease liabilities arising from operating leases in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. The Company adopted the amendments to Topic 842 on October 1, 2019 using the modified retrospective approach. The Company elected the transition option issued under ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, which allows entities to continue to apply the legacy guidance in ASC 840, *Leases*, to prior periods, including disclosure requirements. Accordingly, prior period financial results and disclosures have not been adjusted. The Company also elected to apply the package of practical expedients permitting entities to forgo reassessment of: 1) expired or existing contracts that may contain leases; 2) lease classification of expired or existing leases; and 3) initial direct costs for any existing leases. The Company has also elected to apply the short term lease measurement and recognition exemption to leases with an initial term of 12 months or less. The most significant impact of the new standard on the Company's Consolidated Financial Statements was the recognition of a right of use asset and lease liability for operating leases for which the Company is the lessee. Upon adoption of this guidance, on October 1, 2019, the Company recorded a Right of use asset and corresponding lease liability of $85,280 and $85,280, respectively, on the Consolidated Balance Sheet. No cumulative effect adjustment to retained earnings resulted from adoption of this guidance. The new standard did not have a material impact on the Company's results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The purpose of the standard is to improve the overall usefulness of fair value disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU 2018-13 is effective for for fiscal years beginning after December 15, 2019 and requires the application of the prospective method of transition (for only the most recent interim or annual period presented in the initial fiscal year of adoption) to the new disclosure requirements for (1) changes in unrealized gains and losses included in other comprehensive income and (2) the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 also requires prospective application to any modifications to disclosures made because of the change to the requirements for the narrative description of measurement uncertainty. The effects of all other amendments made by ASU 2018-13 must be applied retrospectively to all periods presented. We are currently in the process of evaluating the impact of adoption on our Consolidated Financial Statements.

In January 2017, the FASB issued guidance within ASU 2017-04, Intangibles-Goodwill and Other. The amendments in ASU 2017-04 simplify the subsequent measurement of goodwill by comparing the fair value of a reporting unit with its carrying amount. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

In June 2016, the FASB issued guidance within ASU 2016-13, Financial Instruments – Credit Losses. The amendments in ASU 2016-13 require assets measured at amortized cost and establishes an allowance of credit losses for available for sale debt securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

The Company has evaluated all other recent accounting pronouncements and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows.

3. ACQUISITION OF GRIDFABRIC, LLC.

On August 31, 2020, the Company entered into a Membership Interest Purchase Agreement (the “Agreement”) with GridFabric, LLC, (“GridFabric”), and its sole member, Dupont Hale Holdings, LLC (“Seller”), whereby the Company purchased all of the issued and outstanding membership units of GridFabric from the Seller (the “Transaction”) in exchange for an aggregate purchase price of cash and stock of up to $1,400,000 (the “Purchase Price”). The Transaction closed simultaneously with execution on August 31, 2020. As a result of the Transaction, GridFabric, an OpenADR software solutions provider, is now a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Agreement, the Purchase Price was as follows:

a) $360,000 in cash was paid to the Seller at closing;

b) $400,000 in cash was delivered to an independent third-party escrow where such cash is subject to offset for adjustments to the Purchase Price and indemnification purposes for a period of 12 months;

c) 26,427 restricted shares of the Company’s common stock, valued at $250,000, were issued to the Seller (the “Shares”). The Shares are subject to certain leak-out provisions whereby the Seller may sell an amount of Shares equal to no more than ten percent (10%) of the daily dollar trading volume of the Company’s common stock on its principal market for the prior 30 days (the “Leak-Out Terms”); and

d) additional shares of the Company’s common stock, valued at up to $750,000, will be issuable to Seller if GridFabric achieves certain revenue and product release milestones related to the future performance of GridFabric (the “Earn-out Shares”). The Earn-Out Shares are also subject to the Leak-Out Terms.

The Shares were issued at a fair market value of $9.46 per share. The Earn-Out Shares are accounted for as contingent consideration and the number of shares to be issued will be determined based on the closing price of the Company’s common stock on the date such milestone event occurs.

The Agreement contains standard representations, warranties, covenants, indemnification and other terms customary in similar transactions.

In connection with the transaction, the Company also entered into employment relationships and non-compete agreements with GridFabric’s key employees for a period of 36 months and plans to issue future equity compensation to said employees, subject to approval of the Company’s board of directors.

The Company accounted for the acquisition of GridFabric as an acquisition of a business under ASC 805.

The Company determined the fair value of the consideration given to the Seller in connection with the Transaction in accordance with ASC 820 was as follows:

Consideration:	**Fair Value**
Cash	$ 400,000
26,427 shares of common stock	$ 250,000
Contingent consideration - common stock issuable upon achievement of milestone(s)	$ 750,000
Total Consideration	$ 1,400,000

The total purchase price of the Company’s acquisition of GridFabric was allocated to identifiable assets deemed acquired, and liabilities assumed, based on their estimated fair values as indicated below.

Purchase Price Allocation:	
Software	$ 1,120,000
Customer list	$ 60,000
Non-compete	$ 190,000
Goodwill	$ 26,395
Net Assets	$ 3,605
Total	$ 1,400,000

The following is the unaudited pro forma information assuming the acquisition of GridFabric occurred on October 1, 2018:

	For the Year Ended	
	September 30, 2020	September 30, 2019
Net sales	$ 10,220,286	$ 4,532,782
Net loss	(23,272,538)	$(26,116,932
Loss per common share - basic and diluted	$ (2.43)	$ (6.21)
Weighted average common shares outstanding - basic and diluted	9,577,053	4,203,829

The unaudited pro forma consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of the earliest period presented, or of future results of the consolidated entities. The unaudited pro forma consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition. All transitions that would be considered inter-company transactions for proforma purposes have been eliminated.

4. ACQUISITION OF P2KLABS, INC.

On January 31, 2020, the Company, entered into an agreement with p2k, and its sole stockholder, Amer Tadayon, whereby the Company purchased all of the issued and outstanding shares of p2k in exchange for an aggregate purchase price of cash and equity of $1,688,935. The transaction closed simultaneously upon the execution of the agreement by the parties on January 31, 2020.

As a result of the transaction, p2k is now a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Agreement, the purchase price was as follows:

a) $1,039,500 in cash was paid to the Seller;

b) 31,183 restricted shares of the Company’s common stock, valued at $145,000, were issued to the Seller (the “Shares”). The Shares are subject to certain lock-up and leak-out provisions whereby the Seller may sell an amount of Shares equal to ten percent (10%) of the daily dollar trading volume of the Company’s common stock on its principal market for the prior 30 days (the “Leak-Out Terms”);

c) $115,500 in cash was paid to an independent third-party escrow where such cash is subject to offset for adjustments to the purchase price and indemnification purposes; and

d) 64,516 restricted shares of the Company's common stock, valued at $300,000, were issued to an independent third-party escrow (the "Holdback Shares"). The Holdback Shares will be released to Seller once p2k achieves certain revenue milestones for the future performance of p2k. The Holdback Shares will also be subject to the Leak-Out Terms once they are released from escrow 12 months from closing.

The Shares and Holdback Shares were deemed to have a fair market value of $4.65 per share which was the closing price of the Company's common stock on January 31, 2020.

e) 26,950 Common Stock options which were deemed to have a fair market value of $88,935 on the date of the closing of the Transaction.

The Company accounted for the acquisition of p2k as an acquisition of a business under ASC 805.

The Company determined the fair value of the consideration given to the Seller in connection with the transaction in accordance with ASC 820 was as follows:

Consideration:	**Fair Value**
Cash	$ 1,155,000
95,699 shares of common stock	$ 445,000
26,950 common stock options	$ 88,935
Total Consideration	$ 1,688,935

The total purchase price of the Company's acquisition of p2k was allocated to identifiable assets deemed acquired, and liabilities assumed, based on their estimated fair values as indicated below.

Purchase Price Allocation:	
Customer list	$ 730,000
Design and other assets	$ 123,000
Goodwill	$ 957,388
Other assets and liabilities assumed, net	$ (121,453)
Total	$ 1,688,935

The following is the unaudited pro forma information assuming the acquisition of p2k occurred on October 1, 2018:

	For the Year Ended	
	September 30, 2020	**September 30, 2019**
Net sales	$ 10,296,510	$ 5,454,972
Net loss	(23,353,924)	(26,003,965)
Loss per common share - basic and diluted	$ (2.42)	$ (6.08)
Weighted average common shares outstanding - basic and diluted	9,646,325	4,273,101

The unaudited pro forma consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of the earliest period presented, or of future results of the consolidated entities. The unaudited pro forma consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition. All transitions that would be considered inter-company transactions for proforma purposes have been eliminated.

5. INVESTMENT IN INTERNATIONAL LAND ALLIANCE

International Land Alliance, Inc.

On November 5, 2019, the Company entered into a binding Memorandum of Understanding (the "MOU") with International Land Alliance, Inc., a Wyoming corporation ("ILAL"), in order to lay a foundational framework where the Company will deploy its energy solutions products and services to ILAL, its energy projects, and its customers.

In connection with the MOU, and in order to support the power and energy needs of ILAL's development and construction of certain projects, the Company entered into a Securities Purchase Agreement, dated as of November 6, 2019, with ILAL (the "SPA").

Pursuant to the terms of the SPA, ILAL sold, and the Company purchased 1,000 shares of Series B Preferred Stock (the "Preferred Stock") for an aggregate purchase price of US $500,000 (the "Stock Transaction"), less certain expenses and fees. The Company also received 350,000 shares ("commitment shares") of ILAL's common stock. The Series B Preferred Stock will accrue cumulative in-kind accruals at a rate of 12% per annum and may increase upon the occurrence of certain events. The Preferred Stock is now convertible into common stock at a variable rate as calculated under the agreement terms.

The commitment shares are recorded at fair value as of September 30, 2020 of $210,000.

The Preferred Stock is recorded as an AFS debt security and is reported at its estimated fair value as of September 30, 2020. As of September 30, 2020, the Company has identified a derivative instrument in accordance with ASC Topic No. 815 due to the variable conversion feature. Topic No. 815 requires the Company to account for the conversion feature on its balance sheet at fair value and account for changes in fair value as a derivative gain or loss.

The Black-Scholes model utilized the following inputs to value the derivative asset at the date in which the derivative asset was determined through September 30, 2020.

Fair value assumptions:	**September 30, 2020**
Risk free interest rate	1.58%
Expected term (months)	—
Expected volatility	190%
Expected dividends	0%

6. CAPITALIZED SOFTWARE

Capitalized software consists of the following as of September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
mVSO software	$ 437,135	$ 352,211
MPulse software	741,846	741,846
Less: accumulated amortization	(202,778)	(38,860)
Capitalized Software, net	$ 976,203	$ 1,055,197

The Company capitalized $84,924 in enhancements to its mVSO software during the year ended September 30, 2020.

Capitalized software amortization recorded as product development expense for the years ended September 30, 2020 and 2019 was $163,918 and $1,453,635, respectively.

During the year ended September 30, 2019, the Company recorded an impairment of $6,915,186 related directly to components of our original software that was replaced.

7. INTANGIBLE ASSETS

The Company amortizes intangible assets with finite lives over their estimated useful lives, which range between two and twenty years as follows:

	Useful life
Patents	15-20 years
Websites	3 years
Customer list and non-compete agreement	3-4 years
Design assets	2 years
Trademarks	14 years
Engineering trade secrets	7 years
Software	2–3 years

Intangible assets consist of the following as of September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
Patents	$ 74,112	$ 74,112
Websites	8,115	16,482
Customer list and non-compete agreement	6,702,024	5,722,024
Design assets	123,000	—
Trademarks	5,928	5,928
Engineering trade secrets	4,370,269	4,370,269
Software	1,120,000	—
Intangible assets:	12,403,448	10,188,815
Less: accumulated amortization	(5,353,792)	(2,758,733)
Intangible assets, net	$ 7,049,656	$ 7,430,082

Amortization expense for the years ended September 30, 2020 and 2019 was $2,603,427 and $1,858,559, respectively.

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

2021	$ 2,909,648
2022	2,526,034
2023	1,010,126
2024	567,260
2025	4,294
Thereafter	32,294
Total	$ 7,049,656

8. FIXED ASSETS

Fixed assets consist of the following as of September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
Machinery and equipment	$ 193,042	$212,082
Leasehold improvements	17,965	—
Furniture and fixtures	82,547	75,121
Total	293,554	287,203
Less: accumulated depreciation	(175,560)	(142,133)
Fixed assets, net	$ 117,994	$145,070

Depreciation expense for the years ended September 30, 2020 and 2019 was $68,904 and $44,422, respectively. During the year ended September 30, 2020, the Company disposed of $48,898 of fixed assets resulting in a loss on disposal of $5,218.

9. LOANS

Long term

	September 30, 2020	September 30, 2019
Long-term loans payable consist of the following:		
Promissory notes	$ 531,169	$ 150,000
Total	$ 531,169	$ 150,000

Current

-

	September 30, 2020	September 30, 2019
Current loans payable consist of the following:		
Promissory notes	$ —	$ 50,000
Insurance financing loans	—	17,467
Current loans payable	—	67,467
Unamortized debt discount	—	—
Total, net of unamortized discount	$ —	$ 67,467

Promissory Notes

On September 5, 2017, the Company executed a 9% secured promissory note with a face value of $150,000 with an investor. Under the terms of the promissory note, the Company received $150,000 and agreed to make monthly interest payments and repay the note principal 24 months from the date of issuance. On September 5, 2019, the investor extended the maturity date to September 5, 2021 and the modification was not deemed substantial. The note is secured by 15,000 shares which are held in escrow and would be issued to the note holder only in the case of an uncured default. As of September 30, 2020, the Company owed $0 in principal and $0 in accrued interest under the terms of the agreement and recorded interest expense of $12,426 and $10,096 during the years ended September 30, 2020 and 2019, respectively.

On December 5, 2017, the Company executed a 9% secured promissory note with a face value of $50,000 with an investor. Under the terms of the promissory note the Company received $50,000 and agreed to make monthly interest payments and repay the note principal 24 months from the date of issuance. The note was secured by 5,000 shares which would be issued to the note holder only in the case of an uncured default. The Company repaid all principal and outstanding interest on December 5, 2019 and the 5,000 shares of common stock held as collateral were returned to treasury and cancelled on January 13, 2020. The Company recorded interest expense of $802 and $3,367 for the years ended September 30, 2020 and 2019, respectively.

On May 7, 2020, the Company applied for a loan from Celtic Bank Corporation, as lender, pursuant to the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) as administered by the U.S. Small Business Administration (the "SBA"). On May 15, 2020, the loan was approved and the Company received the proceeds from the loan in the amount of $531,169 (the “PPP Loan”). The PPP Loan took the form of a promissory note issued by the Company that matures on May 7, 2022 and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), will commence on December 7, 2020. The PPP Loan provides for customary events of default, including, among others, those relating to failure to make payments thereunder. Borrower may prepay the principal of the PPP Loan at any time without incurring any prepayment penalties. The PPP Loan is non-recourse against any individual shareholder, except to the extent that such party uses the loan proceeds for an unauthorized purpose.

All or a portion of the PPP Loan may be forgiven by the SBA and lender upon application by the Company and upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, and covered utilities during the applicable period beginning on the date of loan approval. For purposes of the CARES Act, payroll costs exclude compensation of an individual employee in excess of $100,000, prorated annually. Not more than 25% of the forgiven amount may be for non-payroll costs. Forgiveness is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. In the event the PPP Loan, or any portion thereof, is forgiven pursuant to the PPP, the amount forgiven is applied to outstanding principal. The Company recorded interest expense of $2,125 and $0 for the years ended September 30, 2020 and 2019, respectively.

Insurance financing loans

On February 11, 2019, the Company executed an unsecured 5.6% installment loan with a total face value of $78,603 with a financial institutional to finance its insurance policies. Under the terms of the installment notes the Company received $76,800 and agreed to make equal payments and repay the note 10 months from the date of issuance. As of September 30, 2019, $17,467 in principal remained outstanding. The Company repaid all principal and outstanding interest on November 4, 2019.

10. CONVERTIBLE NOTES PAYABLE

Securities Purchase Agreement – December 31, 2018

On December 31, 2018, the Company entered into a Securities Purchase Agreement (the “SPA”) with an otherwise unaffiliated third-party institutional investor (the “Investor”), pursuant to which the Company issued to the Investor a Senior Secured Redeemable Convertible Debenture (the “Debenture”) in the aggregate face value of $5,250,000. The note is secured by all assets of the Company. The Debenture has a maturity date of two years from the issuance date and the Company has agreed to pay compounded interest on the unpaid principal balance of the Debenture at the rate equal 7.5% per annum. Interest is payable on the date the applicable principal is converted or on maturity. The interest must be paid in cash and, in certain circumstances, may be paid in shares of common stock.

The transactions described above closed on December 31, 2018. In connection with the issuance of the Debenture and pursuant to the terms of the SPA, the Company issued to the Investor 10,000 shares of common stock and a Common Stock Purchase Warrant to acquire up to 308,333 shares of common stock for a term of three years (the “Warrant”) on a cash-only basis at an exercise price of $20.00 per share with respect to 125,000 Warrant Shares, $25.00 with respect to 100,000 Warrant Shares, $50.00 with respect to 50,000 Warrant Shares and $75.00 with respect to 33,333 Warrant Shares. The warrants and shares issued were fair valued and a debt discount of $4,995,000 was recorded as a result of the issuance of the warrants and shares and the recognition of a beneficial conversion feature on the Debenture. The Company also paid a $5,000 due diligence fee prior to receiving the funding which was also recorded as a debt discount.

Pursuant to the terms of the SPA, the Investor agreed to tender to the Company the sum of $5,000,000, of which the Company received the full amount as of the closing.

Prior to the maturity date, provided that no trigger event has occurred, the Company will have the right at any time upon 30 trading days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of the Debenture then outstanding by paying to the Investor an amount equal to 140% of the of the portion of the Debenture being redeemed.

The Investor may convert the Debenture into shares of the Company's common stock at a conversion price equal to 95% of the mathematical average of the 5 lowest individual daily volume weighted average prices of the common stock, less $0.50 per share, during the period beginning on the issuance date and ending on the maturity date subject to certain floor price restrictions. In the event certain equity conditions exist, the Company may require that the Investor convert the Debenture. In no event shall the Debenture be allowed to affect a conversion if such conversion, along with all other shares of Company common stock beneficially owned by the Investor and its affiliates would exceed 4.99% of the outstanding shares of the common stock of the Company.

While the note is outstanding if Triggering Events occur the conversion rate may be decreased by 10% and the interest rate increased by 10% for each Triggering Event which may result in the issuance of additional shares.

On March 4, March 13, and May 1, 2020 the Company entered into amendments (the "Amendments") with the Investor.

The Amendments amended the SPA and Debenture, as follows:

1) A Floor Price of $1.50 per share of Common Stock was placed on conversions by the Investor under the Debenture, with the Floor Price on the First Debenture not applying in the occurrence of an event of default;
2) Lowered the closing price of the Common Stock which may trigger an event of default from $5.00 per share to $1.75 per share for 5 consecutive trading days provided that any event of default will not be triggered, if at all, until after September 29, 2020;
3) Deleted the requirement that the Investor convert the Debenture at maturity and;
4) Allowed the Company, to not reserve or issue to the Investor more shares of Common Stock than were reserved for the Investor prior to the amendment date until September 29, 2020.

On January 7, 2019, the Investor converted $2,500,000 in principal and $875,000 in interest as a conversion premium, for 178,473 shares of the Company common stock at an effective conversion price of $18.90, due to a trigger event for the Company not filing its annual report on Form 10-K for the fiscal year ended September 30, 2018 on or before December 31, 2018.

On March 6, 2019, the Investor converted $1,000,000 in principal and $350,000 in interest as a conversion premium, for 71,389 shares of the Company common stock at an effective conversion price of $18.90, due to a trigger event for the Company not filing its annual report on Form 10-K for the fiscal year ended September 30, 2018 on or before December 31, 2018.

On July 9, 2019, in accordance with the terms of the agreement the Investor was issued an additional 45,614 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $15.06.

On July 16, 2019, in accordance with the terms of the agreement the Investor was issued an additional 18,246 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $15.06.

On July 19, 2019, the Investor converted $500,000 in principal and $175,000 in interest as a conversion premium, for 45,109 shares of the Company common stock at an effective conversion price of $15.00 due to a trigger event for the Company not filing its annual report on Form 10-K for the fiscal year ended September 30, 2018 on or before December 31, 2018.

On August 23, 2019, in accordance with the terms of the agreement the Investor was issued an additional 43,721 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $7.60.

On September 16, 2019, in accordance with the terms of the agreement the Investor was issued an additional 61,500 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $7.30.

On October 17, 2019, in accordance with the terms of the agreement the Investor was issued an additional 90,000 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $3.74.

On December 5, 2019, in accordance with the terms of the agreement the Investor was issued an additional 97,100 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $3.15.

On February 10, 2020, in accordance with the terms of the agreement the Investor was issued an additional 100,000 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $3.15.

On February 21, 2020, in accordance with the terms of the agreement the Investor was issued an additional 108,770 shares of common stock due to the decrease in stock price resulting in an effective conversion price of 2.69.

On March 2, 2020, in accordance with the terms of the agreement the Investor was issued an additional 167,100 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.87.

On March 5, 2020, in accordance with the terms of the agreement the Investor was issued an additional 154,835 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.83.

On March 13, 2020, in accordance with the terms of the agreement the Investor was issued an additional 116,000 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.50.

On March 20, 2020, in accordance with the terms of the agreement the Investor was issued an additional 163,800 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.50.

On April 7, 2020, in accordance with the terms of the agreement the Investor was issued an additional 172,400 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.50.

On April 9, 2020, in accordance with the terms of the agreement the Investor was issued an additional 794,308 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $1.50.

On April 15, 2020, the Investor converted $1,250,000 in principal and $437,500 in interest, for 1,125,000 shares of the Company common stock at an effective conversion price of $1.50 due to a trigger event for the Company not filing its annual report on Form 10-K for the fiscal year ended September 30, 2018 on or before December 31, 2018. As of September 30, 2020, the Debenture was fully converted into shares of the Company's common stock.

The aggregate debt discount has been accreted and charged to interest expenses as a financing expense in the amount of $783,474 and $4,466,526 during the year ended September 30, 2020 and 2019, respectively.

Securities Purchase Agreement – April 17, 2019

On April 17, 2019, the Company entered into a Securities Purchase Agreement (the "Agreement") with an otherwise unaffiliated third-party institutional investor (the "Investor"), pursuant to which the Company agreed to issue to the Investor a $10,750,000 face value Senior Secured Redeemable Convertible Promissory Note (the "Note") with a 7.5% original issue discount, 215 shares of our Series B Preferred Stock with a 7.5% original issue discount, a Common Stock Purchase Warrant (the "Warrant") on a cash-only basis to acquire up to 230,000 shares (the "Warrant Shares") of our common stock and 125,000 shares of our Common Stock. The aggregate purchase price for the Note, the Series B Preferred Stock the Warrant and the Common Stock is $20,000,000. (See Notes 13 and 14 for additional details.) The Note was secured by all assets of the Company.

Pursuant to the first closing of the Agreement, which occurred on April 18, 2019, the Investor agreed to tender to the Company the sum of $10,000,000, for the Note, the Common Stock and the Warrant. No additional closings to sell the preferred stock have occurred and the Series B preferred stock was removed under the amendments to the Agreement discussed below.

The Note has a maturity date of two years from the issuance date and the Company has agreed to pay compounded interest on the unpaid principal balance of the Note at the rate equal 7.5% per annum. Interest is payable on the date the applicable principal is converted or on maturity. The interest must be paid in cash and, in certain circumstances, may be paid in shares of common stock.

Prior to the maturity date, provided that no trigger event has occurred, the Company will have the right at any time upon 30 trading days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of the Note then outstanding by paying to the Investor an amount equal to 145% of the of the portion of the Note being redeemed.

The Investor may convert the Note into shares of the Company's common stock at a conversion price equal to 90% of the mathematical average of the 5 lowest individual daily volume weighted average prices of the common stock, less $0.75 per share, during the period beginning on the issuance date and ending on the maturity date subject to certain floor price restrictions. In the event certain equity conditions exist, the Company may require that the Investor convert the Note. In no event shall the Note be allowed to effect a conversion if such conversion, along with all other shares of Company common stock beneficially owned by the Investor and its affiliates would exceed 4.99% of the outstanding shares of the common stock of the Company.

While the Note is outstanding if Triggering Events occur the conversion rate may be decreased by 10% and the interest rate increased by 10% for each Triggering Event which may result in the issuance of additional shares.

On March 4, March 13, and May 1, 2020 the Company entered into amendments (the "Amendments") with the Investor.

The Amendments amended the Agreement and Note, as follows:

1) A Floor Price of $1.50 per share of Common Stock was placed on conversions by the Investor under the Note, not applying in the occurrence of an event of default;
2) Lowered the closing price of the Common Stock which may trigger an event of default from $5.00 per share to $1.75 per share for 5 consecutive trading days provided that any event of default will not be triggered, if at all, until after September 29, 2020;
3) Deleted the requirement that the Investor convert the Note at maturity and
4) Allowed the Company, to not reserve or issue to the Investor more shares of Common Stock than were reserved for the Investor prior to the amendment date until September 29, 2020.
5) The Company and the Investor also agreed to remove the Second Closing and Company Option to sell an aggregate of an additional $10,000,000 in securities under the Note. As a result of these changes, the Company was authorized to terminate any and all documentation related to the 100,000 shares of Series B Preferred Stock that the Company's Board of Directors had previously voted to designate back on April 16, 2019.

During the year ended September 30, 2020, the Investor converted $10,750,000 in principal and $1,612,500 in interest, for 8,241,665 shares of the Company common stock at an effective conversion price of $1.50.

As of September 30, 2020, the Note was fully converted into shares of the Company's common stock.

The aggregate debt discount has been accreted and charged to interest expenses as a financing expense in the amount of $8,320,205 and $2,429,795 during the year ended September 30, 2020 and 2019, respectively.

11. LEASES

On October 1, 2019, the Company adopted the amendments to ASC 842, Leases, which requires lessees to recognize lease assets and liabilities arising from operating leases on the balance sheet. The Company adopted the new lease guidance using the modified retrospective approach and elected the transition option issued under ASU 2018-11, Leases (Topic 842) Targeted Improvements, allowing entities to continue to apply the legacy guidance in ASC 840, Leases, to prior periods, including disclosure requirements. Accordingly, prior period financial results and disclosures have not been adjusted.

The Company has operating leases under which it leases its branch offices and corporate headquarters, one of which is with a related party. Upon adoption of the new lease guidance, on October 1, 2019, the Company recorded a right of use asset and corresponding lease liability of $85,280 and $85,280, respectively, on the consolidated balance sheet. As of September 30, 2020, the Company's operating lease right of use asset and operating lease liability totaled $40,711 and $41,294, respectively. A weighted average discount rate of 10% was used in the measurement of the right of use asset and lease liability as of October 1, 2019. As the rate implicit in the lease is not readily determinable, the Company's incremental collateralized borrowing rate is used to determine the present value of lease payments. This rate gives consideration to the applicable Company collateralized borrowing rates and is based on the information available at the commencement date. The Company has elected to apply the short-term lease measurement and recognition exemption to leases with an initial term of 12 months or less; therefore, these leases are not recorded on the Company’s Consolidated Balance Sheet, but rather, lease expense is recognized over the lease term on a straight-line basis.

The Company's leases have remaining lease terms between one year to two years, with a weighted average lease term of 0.4 years at September 30, 2020. Some leases include multiple year renewal options. The Company’s decision to exercise these renewal options is based on an assessment of its current business needs and market factors at the time of the renewal. Currently, the Company has no leases for which the option to renew is reasonably certain and therefore, options to renew were not factored into the calculation of its right of use asset and lease liability as of October 1, 2019.

The following is a schedule of the Company's operating lease liabilities by contractual maturity as of September 30, 2020:

Fiscal year ending September 30, 2021		43,170
Total Lease Payments		43,170
Less: imputed interest		(1,876)
Total present value of lease liabilities	$	41,294

Total operating lease costs of $117,223 and $76,220 the years ended September 30, 2020 and 2019, respectively, were included as part of administrative expense.

12. RELATED PARTY TRANSACTIONS

Zachary Bradford – Chief Executive Officer, Director and Former Chief Financial Officer

Fiscal year ending September 30, 2019 Agreement - During the year ended September 30, 2019, the Company had a consulting agreement with ZRB Holdings, Inc., an entity wholly owned by Zachary Bradford, our Chief Executive Officer and director, for management services. In accordance with this agreement, as amended, Mr. Bradford earned $430,437 during the year ended September 30, 2019. The agreement was terminated in at the end of the fiscal year ending September 30, 2019 when Mr. Bradford took the position of CEO and accepted the associated employment agreement.

During the year ended September 30, 2020, the Company paid Blue Chip Accounting, LLC (“Blue Chip”) $131,248 for accounting, tax, administrative services and reimbursement for office supplies. Blue Chip is 50% beneficially owned by Mr. Bradford. None of the services were associated with work performed by Mr. Bradford. The services consisted of preparing and filing tax returns, bookkeeping, accounting and administrative support assistance. The Company also sub-leases office space from Blue Chip (see note 11 for additional details). During the year ended September 30, 2020, $14,725 was paid to Blue Chip for rent.

Bryan Huber – Former Officer and Director

On August 28, 2018, the Company executed an agreement with Zero Positive, LLC an entity controlled by Mr. Huber. In accordance with the agreement with Zero Positive, LLC, Mr. Huber earned $125,154 and $171,202, during the year ended September 30, 2020 and 2019.

On March 12, 2020, the Agreement was terminated upon the execution of a separation agreement. All amounts owed from all agreements totaling $90,000 were paid in full.

On September 28, 2018, in connection with the consulting agreement executed with Zero Positive, LLC, the Company issued warrants to purchase 90,000 shares of common stock at an exercise price of $8.00 per share to Zero Positive. The warrants were valued at $2,607,096 using the Black Scholes option pricing model based upon the following assumptions: term of 10 years, risk free interest rate of 3.05%, a dividend yield of 0% and volatility rate of 191%. The warrants vest as follows: 30,000 vested immediately, the balance vest evenly on the last day of each month over forty-two months beginning August 31, 2018. As of September 30, 2020, 62,857 warrants had vested, and the Company recorded an expense of $1,158,709 and 496,590 during the year ended September 30, 2020 and 2019, respectively.

Matthew Schultz- Executive Chairman of the Board and Former Chief Executive Officer

The Company had a consulting agreement with Matthew Schultz, our former Chief Executive Officer, for management services. In accordance with this agreement, as amended, Mr. Schultz earned $0 and $445,437, respectively during years ended September 30, 2020 and 2019. The agreement was terminated on October 7, 2019 when Mr. Schultz stepped down as the CEO and took the position of Chairman of the Board. Mr. Schultz received $1,086,200 as compensation for his services as chairman of the board during the year ended September 30, 2020.

The Company additionally entered into an agreement on November 15, 2019 with an organization to provide general investor relations and consulting services that Mr. Schultz is affiliated with. The Company paid the organization $49,500 in fees plus $176,000 in expense reimbursements for the year ended September 30, 2020. The agreement was terminated in March 2020.

13. STOCKHOLDERS' EQUITY

Overview

The Company's authorized capital stock consists of 35,000,000 shares of common stock and 10,000,000 shares of preferred stock, par value $0.001 per share. As of September 30, 2020, there were 17,390,979 shares of common stock issued and outstanding and 100,000 shares of preferred stock issued and outstanding.

Amendment(s) to Articles of Incorporation

On August 9, 2019, the Company filed a Certificate of Amendment to its Articles of Incorporation to increase its authorized shares of common stock from 100,000,000 to 200,000,000. The amendment was previously approved by written consent of the Company's Board and more than a majority of the voting power of its stockholders and delivered to stockholders of record as of the close of business July 2, 2019 pursuant to a Definitive Information Statement on Schedule 14C. As a result of the reverse split mentioned above, the effect of the filed amendment reduced the authorized shares to 20,000,000.

On October 4, 2019, pursuant to Article IV of our Articles of Incorporation, our Board of Directors voted to increase the number of shares of preferred stock designated as Series A Preferred Stock from one million (1,000,000) shares to two million (2,000,000) shares, par value $0.001.

Under the Certificate of Designation, holders of Series A Preferred Stock will be entitled to quarterly dividends on 2% of our earnings before interest, taxes and amortization. The dividends are payable in cash or common stock. The holders will also have a liquidation preference on the state value of $0.02 per share plus any accumulated but unpaid dividends. The holders are further entitled to have us redeem their Series A Preferred Stock for three shares of common stock in the event of a change of control and they are entitled to vote together with the holders of our common stock on all matters submitted to shareholders at a rate of forty-five (45) votes for each share held.

The rights of the holders of Series A Preferred Stock are defined in the relevant Amendment to the Certificate of Designation filed with the Nevada Secretary of State on October 9, 2019.

On October 2, 2020, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Nevada Secretary of State to increase its authorized shares of common stock to 35,000,000.

Certificate of Preferred Stock Designation

On April 16, 2019, pursuant to Article IV of our Articles of Incorporation, the Company's Board of Directors voted to designate a class of preferred stock entitled Series B Preferred Stock, consisting of up to one hundred thousand (100,000) shares, par value $0.001. Shares of the Series B Preferred Stock were never issued and on March 6, 2020, the Company withdrew the Certificate of Designation for the Series B Preferred Stock. At the time of withdrawal, no shares of Series B Preferred Stock were issued and outstanding.

Common Stock issuances during the year ended September 30, 2020

The Company issued 1,964,313 shares of common stock in accordance with the terms of the convertible debt agreement due to the decrease in stock price. (See Note 10 for additional details.)

The Company issued 22,000 shares of common stock for services rendered to independent consultants at a fair value of $54,000.

The Company issued 793 shares of common stock as a result of rounding related to the reverse stock split.

The Company issued 95,699 shares of common stock in relation to the acquisition of p2k (See Note 5 for additional details.)

In relation to the Securities Purchase Agreement dated December 31, 2018, the Company issued 1,125,000 shares of common stock for the conversion of $1,250,000 in principal and $437,500 in interest at an effective conversion price of $1.50. (See Note 10 for additional details)

In relation to the Securities Purchase Agreement dated April 17, 2019, the Company issued 8,241,665 shares of common stock for the conversion of $10,750,000 in principal and $1,612,500 in interest as a conversion premium at an effective conversion price of $1.50. (See Note 10 for additional details)

The Company issued 28,381 shares of common stock as board and executive compensation at a fair value of $71,600.

The Company issued 1,230,770 shares of common stock as a result of a registered direct offering resulting in total consideration of $4,000,000.

The Company issued 6,913 shares of common stock as a result of a cashless exercise of 15,000 common stock warrants.

The Company issued 26,427 shares of common stock in relation to the acquisition of GridFabric (See Note 3 for additional details.)

Common stock returned during the year ended September 30, 2020

As a result of a note payoff on December 5, 2019, 5,000 shares common stock were returned to treasury and cancelled on January 13, 2020.

As a result of the cancellation of an investor relations services contract, 25,000 shares were returned to treasury and cancelled on February 10, 2020.

Series A Preferred Stock issuances during the year ended September 30, 2020

On October 4, 2019, the Company authorized the issuance of a total of seven hundred and fifty thousand (750,000) shares of its designated Series A Preferred Stock to members of its board of directors for services rendered. A fair value of $0.02 per share was determined by the Company. Director fees of $15,000 was recorded as a result of the stock issued.

Common Stock issuances during the year ended September 30, 2019

During the period commencing October 1, 2018 through December 31, 2018, the Company received $361,800 from 14 investors pursuant to private placement agreements with the investors to purchase 45,225 shares of the Company's $0.001 par value common stock at a purchase price equal to $8.00 for each share of common stock.

On September 11, 2018, the Company entered into an agreement with Regal Consulting, LLC for investor relations services. Under this agreement the Company agreed to issue 3,000 shares of the Company's common stock per month as compensation for services plus additional cash compensation. During the year ended September 30, 2019, the Company issued a total of 36,000 shares of its common stock in accordance with the agreement. Stock compensation of $897,870 was recorded as a result of the stock issued under the agreement.

On October 15, 2018, the Company entered into an agreement with a consultant for services. Under this agreement the Company agreed to issue 3,000 shares of the Company's common stock which vest evenly over a six month period from the agreement date. During the year ended September 30, 2019, the Company recorded stock compensation of $68,818 was recorded as a result of the stock issued under the agreement.

On October 2, 2018, an investor exercised warrants to purchase 300 shares of the Company's $0.001 par value common stock at a purchase price equal to $3.63 for each share of Common stock. The Company receive $1,088 as a result of this exercise.

The Company issued 10,000 shares in relation to a Securities purchase agreement executed on December 31, 2018. (See Note 10 for additional details.)

On December 31, 2018, the Company settled $25,000 of a promissory note through the issuance of 2,500 shares of the Company's common stock. The shares were valued at $51,225 and a $26,225 loss on settlement of debt was recorded as a result of the issuance.

During the year ended September 30, 2019, the Company issued 217,896 shares of common stock to three investors in connection with the cashless exercise of 225,000 common stock warrants at an exercise price of $0.83.

On January 7, 2019, an investor converted $2,500,000 in principal and $875,000 in interest as a conversion premium, for 178,473 shares of the Company common stock at an effective conversion price of $18.90.

On January 22, 2019, in accordance with a merger agreement the Company issued 175,000 shares of the Company's common stock.

On March 6, 2019, an investor converted $1,000,000 in principal and $350,000 in interest as a conversion premium, for 71,389 shares of the Company common stock at an effective conversion price of $18.90. (See Note 10 for additional details.)

On April 9, 2019, an investor exercised warrants to purchase 900 shares of the Company's $0.001 par value common stock at a purchase price equal to $3.63 for each share of Common stock. The Company received $3,268 as a result of this exercise.

The Company issued 125,000 shares in relation to a Securities purchase agreement executed on April 17, 2019. (See Note 10 for additional details.)

On June 12, 2019, the Company entered into an agreement with SylvaCap Media for investor relations services. Under this agreement the Company agreed to issue 25,000 shares of the Company's common stock as compensation for services for a six month period plus additional cash compensation. The 25,000 shares vest upon issuance but if the agreement is terminated within 90 days of execution the shares are to be returned and cancelled. On September 10, 2019, the Company terminated the agreement and as a result the shares are required to be returned and cancelled. No stock compensation expense has been recognized as the shares did not vest as a result of the termination. As of September 30, 2019, the shares had not yet been returned.

On July 9, 2019, in accordance with the terms of the agreement the investor was issued an additional 45,614 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $15.06. (See Note 10 for additional details.)

On July 16, 2019, in accordance with the terms of the agreement the investor was issued an additional 18,246 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $15.06. (See Note 10 for additional details.)

On July 19, 2019, an investor converted $500,000 in principal and $175,000 in interest as a conversion premium, for 45,109 shares of the Company common stock at an effective conversion price of $14.96. (See Note 10 for additional details.)

On August 23, 2019, in accordance with the terms of the agreement the investor was issued an additional 43,721 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $7.60. (See Note 10 for additional details.)

On September 16, 2019, in accordance with the terms of the agreement the investor was issued an additional 61,500 shares of common stock due to the decrease in stock price resulting in an effective conversion price of $7.30. (See Note 10 for additional details.)

Common stock returned during the year ended September 30, 2019

As a result of a conversion of a note on September 21, 2018, 13,750 shares common stock which were previously issued as a commitment fee were returned to treasury and cancelled on December 21, 2018.

As a result of note payoffs, 23,750 shares of common stock which were previously issued as a commitment fee returned to treasury and cancelled.

14. STOCK WARRANTS

The following is a summary of stock warrant activity during the years ended September 30, 2020 and September 30, 2019.

	Number of Warrant Shares	Weighted Average Exercise Price
Balance, September 30, 2018	898,930	$ 8.90
Warrants granted	641,335	32.20
Warrants expired	—	—
Warrants canceled	—	—
Warrants exercised	(226,200)	0.80
Balance, September 30, 2019	1,314,065	$ 21.70
Warrants granted	—	$ —
Warrants expired	—	—
Warrants canceled	—	—
Warrants exercised	(15,000)	8.00
Balance, September 30, 2020	1,299,065	$ 21.78

As of September 30, 2020, the outstanding warrants have a weighted average remaining term of was 1.96 years and an intrinsic value of $1,702,464.

As of September 30, 2020, there are warrants exercisable to purchase 1,276,208 shares of common stock in the Company and 22,857 unvested warrants outstanding that cannot be exercised until vesting conditions are met. 996,198 of the warrants require a cash investment to exercise as follows , 5,000 required a cash investment of $8.00 per share, 449,865 require a cash investment of $15.00 per share, 125,000 require a cash investment of $20.00 per share, 103,000 require a cash investment of $25.00 per share, 200,000 require an investment of $35.00 per share, 10,000 require an investment of $40.00 per share, 60,000 require an investment of $50.00 per share, 38,333 require a cash investment of $75.00 per share and 5,000 require a cash investment of $100.00 per share. 302,867 of the outstanding warrants contain provisions allowing a cashless exercise at their respective exercise prices.

During the year ended September 30, 2020, the Company recognized $1,158,709 in stock-based compensation for the outstanding warrants.

As of September 30, 2020, there was no remaining unamortized stock-based compensation related to outstanding warrants.

Warrant activity for the year ended September 30, 2020

On September 25, 2020, a total of 6,913 shares of the Company's common stock were issued in connection with the cashless exercise of 15,000 common stock warrants at an exercise price of $8.00.

Warrant activity for the year ended September 30, 2019

On October 15, 2018, the Company entered into an agreement with a consultant for services. Under this agreement the Company agreed to issue 3,000 warrants to purchase shares of the Company's common stock at an exercise price of $25.00 for a period of five years which vest evenly over a six-month period from the agreement date. During the year ended September 30, 2019, the Company recorded stock compensation of $68,643 as a result of the stock issued under the agreement. The warrants were valued using the Black-Scholes valuation model.

On December 31, 2018, in connection with a Securities purchase agreement (see Note 10 for additional details) the Company issued Common Stock Purchase Warrants to acquire up to 308,333 shares of common stock for a term of three years on a cash-only basis at an exercise price of $20.00 per share with respect to 125,000 Warrant Shares, $25.00 with respect to 100,000 Warrant Shares, $50.00 with respect to 50,000 Warrant Shares and $75.00 with respect to 33,333 Warrant Shares.

On August 28, 2018, in connection with the Consulting agreement executed with Zero Positive, LLC the Company issued warrants to purchase 90,000 shares of common stock at an exercise price of $8.00 per share to Zero Positive. The warrants were valued at $2,607,096 using the Black Scholes option pricing model. The warrants vest as follows: 30,000 warrants vested immediately, the balance vest evenly on the last day of each month over the forty-two months beginning August 31, 2018. As of September 30, 2019, 50,000 warrants had vested, and the Company recorded an expense of $496,590 during the year ended September 30, 2019.

On January 22, 2019, in accordance with a merger agreement, CleanSpark issued; a five year warrant to purchase 50,000 shares of CleanSpark common stock at an exercise price of $16.00 per share, and a five year warrant to purchase 50,000 shares of CleanSpark common stock at an exercise price of $20.00 per share. The warrants were valued at $1,102,417 and $1,102,107, respectively.

On April 18, 2019, in connection with a Securities purchase agreement (see Note 10 for additional details) the Company issued Common Stock Purchase Warrants to acquire up to 230,000 shares of common stock for a term of three years on a cash-only basis at an exercise price of $35.00 per share with respect to 200,000 Warrant Shares, $40.00 with respect to 10,000 Warrant Shares, $50.00 with respect to 10,000 Warrant Shares, $75.00 with respect to 5,000 Warrant Shares and $100.00 with respect to 5,000 Warrant Shares.

The Black-Scholes model utilized the following inputs to value the warrants granted during the year ended September 30, 2019:

Fair value assumptions – Warrants:	**September 30, 2019**
Risk free interest rate	2.36% - 3.01%
Expected term (years)	3-5
Expected volatility	254% - 268%
Expected dividends	0%

During the year ended September 30, 2019, the Company issued 217,896 shares of common stock in connection with the cashless exercise of 225,000 common stock warrants at an exercise price of $0.83.

15. STOCK OPTIONS

The Company adopted a stock-based incentive compensation plan known as the 2017 Incentive Plan (the "Plan"), which was established by the Board of Directors of the Company on June 19, 2017. A total of 300,000 shares were initially reserved for issuance under the Plan. As of September 30, 2020, there were 22,052 shares available for issuance under the plan.

Amendment to 2017 Incentive Plan

On October 7, 2020, the Company executed that certain first amendment to the 2017 Equity Incentive Plan to increase its option pool from 300,000 to 1,500,000 shares of common stock. (See Note 20 for additional details)

The Plan allows the Company to grant incentive stock options, non-qualified stock options, stock appreciation right, or restricted stock. The incentive stock options are exercisable for up to ten years, at an option price per share not less than the fair market value on the date the option is granted. The incentive stock options are limited to persons who are regular full-time employees of the Company at the date of the grant of the option. Non-qualified options may be granted to any person, including, but not limited to, employees, independent agents, consultants and attorneys, who the Company's Board believes have contributed, or will contribute, to the success of the Company. Non-qualified options may be issued at option prices of less than fair market value on the date of grant and may be exercisable for up to ten years from date of grant. The option vesting schedule for options granted is determined by the Board of Directors at the time of the grant. The Plan provides for accelerated vesting of unvested options if there is a change in control, as defined in the Plan.

The following is a summary of stock option activity during the years ended September 30, 2020 and year ended September 30, 2019.

	Number of Option Shares	Weighted Average Exercise Price
Balance, September 30, 2018	31,920	$ 11.80
Options granted	49,324	$ 11.80
Options expired	—	—
Options canceled	—	—
Options exercised	—	—
Balance, September 30, 2019	81,254	$ 11.82
Options granted	233,233	$ 5.28
Options expired	25,692	8.71
Options canceled	10,847	19.04
Options exercised	—	—
Balance, September 30, 2020	277,948	$ 6.34

As of September 30, 2020, there are options exercisable to purchase 225,451 shares of common stock in the Company and 52,497 unvested options outstanding that cannot be exercised until vesting conditions are met. As of September 30, 2020, the outstanding options have a weighted average remaining term of 2.37 years and an intrinsic value of $1,808,181.

During the year ended September 30, 2020, the Company recognized $753,923 in stock-based compensation for the outstanding stock options.

Option activity for the year ended September 30, 2020

During the year ended September 30, 2020, the Company issued 233,233 options to purchase shares of common stock to employees, the shares were granted at quoted market prices ranging from $4.50 to $8.50. The options were valued at issuance using the Black Scholes model and stock compensation expense of $716,740 was recorded as a result of the issuances.

The Black-Scholes model utilized the following inputs to value the options granted during year ended September 30, 2020:

Fair value assumptions – Options:	**September 30, 2020**
Risk free interest rate	0.85-1.73%
Expected term (years)	3-5
Expected volatility	124%-209%
Expected dividends	0%

As of September 30, 2020, the Company expects to recognize $180,334 of stock-based compensation for the non- vested outstanding options over a weighted-average period of 2.37 years.

Option activity for the year ended September 30, 2019

During the year ended September 30, 2019, the Company issued 49,321 options to purchase shares of common stock to employees, the shares were granted at quoted market prices ranging from $8.50 to $59.00. The options were valued at issuance using the Black Scholes model and stock compensation expense of $326,100 was recorded as a result of the issuances.

The Black-Scholes model utilized the following inputs to value the options granted during the year ended September 30, 2019:

Fair value assumptions – Options:	**September 30, 2019**
Risk free interest rate	1.56% - 2.91%
Expected term (years)	3
Expected volatility	145%- 271%
Expected dividends	0%

16. INCOME TAXES

The Company provides for income taxes under FASB ASC 740, Accounting for Income Taxes. FASB ASC 740 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

FASB ASC 740 requires the reduction of deferred tax assets by a valuation allowance, if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company’s opinion, it is uncertain whether they will generate sufficient taxable income in the future to fully utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is approximately $11.0 million as of September 30, 2020 which is calculated by multiplying a 21% estimated tax rate by the cumulative net operating loss (NOL) of approximately $52.5 million.

Due to the enactment of the Tax Reform Act of 2017, we have calculated our deferred tax assets using an estimated corporate tax rate of 21%. US Tax codes and laws may be subject to further reform or adjustment which may have a material impact to the Company’s deferred tax assets and liabilities.

The significant components of the Company's deferred tax assets and liabilities as of September 30, 2020 and 2019 are as follows:

As of September 30,	**2020**	**2019**
Cumulative tax net operating losses (in millions)	$ 52.5	$ 42.3
Deferred tax asset (in millions)	$ 11.0	$ 8.7
Valuation allowance (in millions)	(11.0)	(8.7)
Current taxes payable	—	—
Income tax expense	$ —	$ —

As of September 30, 2020, and 2019, the Company had gross federal net operating loss carryforwards of approximately $52.5 million and $42.3 million, respectively.

The Company plans to file its U.S. federal return for the year ended September 30, 2020 upon the issuance of this filing. Upon filing of the tax return for the year ended September 30, 2020 the actual deferred tax asset and associated valuation allowance available to the Company may differ from management’s estimates. The tax years 2015-2019 remained open to examination for federal income tax purposes by the major tax jurisdictions to which the Company is subject. No tax returns are currently under examination by any tax authorities.

17. COMMITMENTS AND CONTINGENCIES

Office leases

Utah Corporate Office

On November 22, 2019, the company entered into a lease to relocate the corporate office to 1185 South 1800 West, Suite 3, Woods Cross, UT 84047. The agreement calls for the Company to make payments of $2,300 in base rent per month through February 28, 2021. The lease term is on an annual basis beginning on March 1, 2020.

San Diego Office

On May 15, 2018, the Company executed a 37 month lease agreement, which commenced on July 1, 2018 at 4360 Viewridge Avenue, Suite C, San Diego, California. The agreement calls for the Company to make payments of $4,057 in base rent per month through July 31, 2021 subject to an annual 3% rent escalation. Future minimum lease payments under the operating leases for the facilities as of September 30, 2020, are as follows:

Fiscal year ending September 30, 2021 *$43,170*

Las Vegas Offices

On January 2, 2020, the Company entered into a sublease agreement for office space at 8475 S. Eastern Ave., Suite 200, Las Vegas, NV 89123. The agreement calls for the Company to make monthly payments of $1,575 in base rent through January 1, 2021. The lease term is on an annual basis beginning January 2, 2020.

The Company assumed p2k's lease agreement entered into on October 17, 2017 at 7955 W. Badura Ave., Suite 1040, Las Vegas, NV 89113. The agreement calls for $1,801 in base rent through October 31, 2020. The lease expired on October 31, 2020. The Company did not renew this lease.

Contractual contingencies

On April 6, 2020, the Company entered into a joint venture agreement with a third party to procure, distribute, and supply Personal Protective Equipment (PPE) for hospitals and frontline medical personnel. The agreement is effective until December 31, 2020.

The Company contributed capital in the amount of $660,000 to assist with the procurement of these products. The agreement resulted in income of $20,000 for the year ended September 30, 2020 and the return of all capital contributed. The income is reported as other income, net of all other costs.

Contingent consideration

On August 31, 2020, the Company acquired GridFabric, LLC. Pursuant to the terms of the purchase agreement, additional shares of the Company's common stock valued at up to $750,000 will be issuable if GridFabric achieves certain revenue and product release milestones. (See note 3 for additional details.)

Legal contingencies

From time to time we may be subject to litigation. Risks associated with legal liability are difficult to assess and quantify, and their existence and magnitude can remain unknown for significant periods of time. We have acquired liability insurance to reduce such risk exposure to the Company. Despite the measures taken, such policies may not cover future litigation, or the damages claimed may exceed our coverage which could result in contingent liabilities.

For a description of our material pending legal proceedings, please see Part I, Item III of this Annual Report on Form 10-K.

18. MAJOR CUSTOMERS AND VENDORS

For the years ended September 30, 2020 and 2019, the Company had the following customers that represented more than 10% of sales.

	September 30, 2020	September 30, 2019
Customer A	58.31%	34.78%
Customer B	11.56%	27.79%
Customer C	0.03%	10.74%
Customer D	—	10.42%

For the years ended September 30, 2020 and 2019, the Company had the following suppliers that represented more than 10% of direct material costs.

	September 30, 2020	September 30, 2019
Vendor A	85.55%	84.06%

19. SEGMENT REPORTING

We disclose segment information that is consistent with the way in which management operates and views the business. Our operating structure contains the following reportable segments:

Energy Segment – Consisting of our CleanSpark, LLC., CleanSpark Critical Power Systems, Inc. and GridFabric, LLC lines of business, this segment provides services, equipment and software to the energy industry.

Digital Agency Segment – p2kLabs, Inc. provides design, software development and other technology-based consulting services.

For the Year Ended September 30, 2020

	Energy	p2kLabs, Inc	Inter-segment	Consolidated
Revenues	$ 9,018,023	$ 1,130,233	$ (119,555)	$ 10,028,701
Cost of revenues	7,643,136	264,713	—	7,907,849
Gross profit	1,374,887	865,520	(119,555)	2,120,852
Operating expenses	16,750,467	633,056	(119,555)	17,263,968
Segment Income/(loss) from operations	(15,375,581)	232,465	—	(15,143,116)
Capital expenditures	30,990	3,907	—	34,897
Depreciation and amortization	$ 2,465,877	$ 206,454	$ —	$ 2,672,331

	As of September 30, 2020		
	Energy	p2kLabs, Inc	Consolidated
Accounts Receivable	$ 919,499	$ 127,854	$ 1,047,353
Goodwill	$ 4,946,253	$ 957,388	$ 5,903,641
Total assets	$20,212,873	$2,127,190	$ 22,340,063

20. SUBSEQUENT EVENTS

On October 2, 2020, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Nevada Secretary of State to increase its authorized shares of common stock to 35,000,000.

On October 7, 2020, the Company executed a first amendment to its 2017 Equity Incentive Plan to increase its option pool from 300,000 to 1,500,000 shares of common stock. On November 9, 2020, we filed a registration statement on Form S-8 to register the additional shares under the first amendment to the 2017 Equity Incentive Plan.

On October 6, 2020, the Company, issued 4,444,445 shares of the Company's common stock in connection with a firm commitment underwritten public offering at a price to the public of $9.00 per share. The Company received net proceeds from the sale of the shares, after deducting underwriting discounts and commissions and other offering expenses payable by the Company, of $37.2 million. The offering closed on October 9, 2020.

On October 26, 2020, the Company issued 236,000 shares to employees, officers and directors with a fair value of $1,904,520 and 142,500 fully vested options with a fair value of $987,675 for performance during the 2020 fiscal year. The options have exercise prices ranging from $8.07 to $9.00 and terms of 3 years. In addition, the Company granted 222,250 shares and 84,000 options to purchase common stock to officers which are subject to future vesting conditions in accordance with Company goals and milestones.

On December 9, 2020, the Company, entered into an Agreement and Plan of Merger with ATL Data Centers LLC, ("ATL"), CLSK Merger Sub, LLC, a wholly-owned subsidiary of the Company ("Merger Sub"), and Sellers. The Merger closed on December 10, 2020. At the closing, Merger Sub merged with and into ATL, and ATL survived the Merger, continuing its existence as a wholly-owned subsidiary of the Company. In exchange, at closing, the Company issued 1,618,285 shares of restricted common stock of the Company valued at $19.4 million based on the average closing price of the common stock for the five trading days including and immediately preceding the closing date of $11.988 per share, to the Sellers, of which: (i) 642,309 Shares valued at $7.7 million would be fully earned on closing, and (ii) an additional 975,976 Shares valued at $11.7 million being issued to escrow and subject to holdback pending satisfaction of certain future milestones, with all such shares subject to a lock up of no less than 180 days and a leak out of no more than 10% of average daily trading value of the prior 30 days. The Company also assumed approximately $6.9 million in existing debt of ATL at closing. In connection with the acquisition, the Company issued 41,708 shares to the broker of the transaction and has agreed to issue an additional 10,427 shares upon achievement of certain revenue milestones.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO), with assistance from other members of management, has reviewed the effectiveness of our disclosure controls and procedures as of September 30, 2020 and, based on his evaluation, has concluded that the disclosure controls and procedures were not effective as of such date due to a material weakness in internal control over financial reporting, described below.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of September 30, 2020, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a material weakness in the design of internal control related to the following areas: (i) Inadequate controls over information technology.

This material weakness did not result in any identified material misstatements to the financial statements, and there were no changes to previously released financial results. Based on this material weakness, management concluded that at September 30, 2020, internal control over financial reporting was not effective.

Following identification of the material weakness and prior to filing this Annual Report on Form 10-K, we completed substantive procedures for the year ended September 30, 2020. Based on these procedures, management believes that our consolidated financial statements included in this Form 10-K have been prepared in accordance with U.S. GAAP. Our CEO and CFO has certified that, based on their knowledge, the financial statements, and other financial information included in this Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of CleanSpark as of, and for, the periods presented in this Form 10-K. MaloneBailey, LLP has issued an unqualified opinion on our financial statements, which appears on page F-1.

REMEDIATION

Management has implemented and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include: adopting a different financial reporting software that has increased controls built into the system functionality which began on the first day of fiscal 2021.

We believe that this action will remediate the material weakness, once management has performed its assessment of our internal controls over financial reporting including the remedial measures described above.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the material weakness identified as of September 30, 2020, and except for the remedial measures described above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

INHERENT LIMITATIONS ON INTERNAL CONTROLS

Notwithstanding the foregoing, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Limitations inherent in any control system include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with others, or by management override
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm on the Company’s internal controls as the Company is a non-accelerated filer and is thus not required to provide such a report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names, ages and positions of our current directors and executive officers.

Name	Age	Position(s)
Zachary K. Bradford	34	Chief Executive Officer, President, and Director
Lori L. Love	39	Chief Financial Officer
Amanda Kabak	45	Chief Technology Officer
Amer Tadayon	49	Chief Revenue Officer
S. Matthew Schultz	51	Executive Chairman, Chairman of the Board and Director (former Chief Executive Officer)
Larry McNeill	78	Director
Dr. Thomas L. Wood	55	Director
Roger P. Beynon	75	Director

Set forth below is a brief description of the background and business experience of our executive officers and directors.

Zachary K. Bradford, Chief Executive Officer, is a licensed Certified Public Accountant in Nevada and a member of the American Institute of Certified Public Accountants. He served as the Company's Chief Financial Officer from 2014 through October 2019. He has also served as a partner in a public accounting and consulting firm in Henderson, Nevada since June 2013. Mr. Bradford holds a B.S. in Accounting and a Masters of Accountancy from Southern Utah University. From March of 2015 to July 31, 2016, Mr. Bradford served as a member of the board of directors and Chief Financial Officer of Epic Stores Corp.

Aside from that provided above, Mr. Bradford does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Mr. Bradford is qualified to serve on our Board of Directors because of his experience and knowledge in public company reporting and accounting.

Lori Love, Chief Financial Officer, is a licensed CPA and an experienced finance professional serving in roles in accounting, finance and risk management. Since July 2015, Ms. Love served as CFO of P2K Labs, a design, technology, and marketing agency based in Las Vegas, Nevada. Prior to 2015, Ms. Love served in the role of Senior Vice President of Finance at Provident Trust Group for over two years and as Vice President of Finance and Operations at WorldDoc, Inc. where she also served as a director. Ms. Love obtained her Bachelor of Business Administration (BBA) in Accounting from University of Nevada, Las Vegas and carries the CPA designation.

Aside from that provided above, Ms. Love does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Amanda Kabak, Chief Technology Officer is an experienced technology professional. Before joining us, Ms. Kabak was a managing consultant for 10th Magnitude and she worked there from July 2016 to July 2017. From April to June of 2016, she worked as Sr. Software Engineer for Uptake and from 2013 to February 2016 she worked as Sr. Software Architect for OptiRTC, Inc.

Aside from that provided above, Ms. Kabak does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Amer Tadayon, Chief Revenue Officer is an experienced executive and entrepreneur. Mr. Tadayon joined us as part of the acquisition of p2kLabs where he was the founder and CEO. Mr. Tadayon has held various leadership positions at Fortune 500 companies including IBM, Cognizant, and frog design. In addition, he has worked with major global grants such as Nike, MTV, and Mattel.

Aside from that provided above, Mr. Tadayon does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

S. Matthew Schultz, Executive Chairman, Chairman of the Board and Director, served as the Company’s Chief Executive Officer from 2014 through October 2019 and has been involved in many capacities with several publicly traded companies. He served as the President and CEO of Amerigo Energy, Inc., creating multiple syndicated offerings, as well as overseeing the operations from permitting through production. Since 1999, he has assisted numerous development and early stage companies to secure financing and experience significant growth. As the President of Wexford Capital Ventures, Inc., he was instrumental in funding companies both domestically and abroad. While serving as the Chairman of Pali Financial Group, Inc., he assisted in market development of dozens of public corporations. He was a founding member and the Vice President of the Utah Consumer Lending Association.

Aside from that provided above, Mr. Schultz does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Mr. Schultz is qualified to serve on our Board of Directors because of his experience and knowledge in public company reporting and financing and work in the energy sector.

Larry McNeill, Director, has a master’s degree in Business Administration from Armstrong University, a BA in Business Administration, Economics, and Russian language from Minnesota State University, and has completed the course work towards his PhD in Business Management.

Larry has a diverse business background that includes a range of broad business skills gained from his many roles in Real Estate, Finance, Research, Legal, Management, and Business Strategies. These roles include serving as the Director of Safeway Grocery Stores, Inc's Consumer, Sales, and Store Location research departments where he was responsible for the expansion of Safeway in Europe, Australia and Canada. The Director of Market Research for A&P where he was responsible for the Company's expansion into Saudi Arabia. An Executive Officer of Smiths Food and Drug Centers for 17 years; most recently as the Senior Vice President of Corporate Development overseeing the Research, Real Estate, and Legal Departments. Mr. McNeill retired from Smith’s Food & Drug Stores in 1996 after the Fred Meyer merger was completed.

Aside from that provided above, Mr. McNeill does not hold and has not held over the past five years any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Mr. McNeill is qualified to serve on our Board of Directors because of his experience and knowledge in business management and financing.

Dr. Thomas L. Wood, has over 33 years of highly successful experience in positions of increasing responsibility in planning and operations, policy development/implementation, construction management, defense acquisition, budgeting and programming, and managing large projects and programs. Dr. Wood previously served in the U.S. Navy rising to the role of

Deputy Operations for the Navy's Pacific Engineering Command in which he was responsible for ensuring the successful execution through nine field offices of nearly $1 billion annually in construction and services contracts. After leaving the U.S. Navy, Dr. Wood served as a Subject Matter Expert (SME) supporting the U.S. Pacific Command (USPACOM) Joint Interagency Coordination Group (JIACG) as a Sr. Military Analyst and continued as a civil servant in senior roles thereafter. Dr. Wood graduated from Union College with a bachelor's degree in Civil Engineering and master's degree in Civil Engineering from University of Maryland, College Park. Dr. Wood then obtained a Doctor of Business Administration degree from Argosy University, Honolulu.. Dr. Wood will serve as a member of the Board until his successor is elected and qualified, or until his earlier death, resignation, or removal.

Mr. Wood is qualified to serve on our Board of Directors because of his experience and knowledge in business management and financing.

Roger P. Beynon, is an experienced CPA and owner of Beynon & Associates, a public accounting firm that has been in operation for over 34 years. Mr. Beynon has provided accounting and tax services to businesses since 1984. Mr. Beynon is a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE) and is a past president of the Utah Association of CPA's. Mr. Beynon is currently the chairman of the board of directors of Transwest Credit Union. Mr. Beynon is a graduate from Weber State College in 1972 with a bachelor's degree in accounting and a minor in banking and finance. Mr. Beynon will serve as a member of the Board until his successor is elected and qualified, or until his earlier death, resignation, or removal.

Mr. Beynon is qualified to serve on our Board of Directors because of his experience and knowledge in public company reporting and accounting.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director, executive officer, or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Committees of the Board

The board of directors of the Company (the "Board") has the authority to appoint committees to perform certain management and administrative functions. On January 24, 2020, and in connection with the Nasdaq listing, the Board created the following committees: (i) an Audit Committee, (ii) a Compensation Committee, and (iii) a Nominations and Governance Committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by the Board.

Audit Committee

The Audit Committee oversees the integrity of the Company's accounting and financial reporting process and the audits of its financial statements. The Audit Committee is directly responsible for, among other matters:

- the selection, compensation, retention, and oversight of the Company's independent registered public accounting firm;
- reviewing the Company's independent registered public accounting firm's continuing independence;
- approving the fees and other compensation to be paid to the Company's independent registered public accounting firm;
- pre-approving all audit and non-audit related services provided by the Company's independent registered public accounting firm;
- reviewing and discussing with management and the Company's independent registered public accounting firm the results of the quarterly and annual financial statements;
- reviewing and discussing with management and the Company's independent registered public accounting firm the Company's selection, application, and disclosure of its critical accounting policies;
- discussing with the Company's independent registered public accounting firm, both privately and with management, the adequacy of the Company's accounting and financial reporting processes and systems of internal control;
- reviewing any significant deficiencies and material weaknesses in the design or operation over internal control over financial reporting; and
- annually reviewing and evaluating the composition and performance of the Audit Committee, including the adequacy of the Audit Committee's charter.

The Audit Committee shall have the authority, in its sole discretion, to select, employ, and retain the advice of experts and professionals as the Audit Committee shall deem appropriate from time to time to assist with the execution of its duties and responsibilities as set forth in its charter.

The current members of the Audit Committee are: (i) Roger P. Beynon, who is the Chairman of the Audit Committee, (ii) Dr. Thomas L. Wood, and (iii) Larry McNeill. Each member of the Audit Committee meets the requirements for independence and can read and understand fundamental financial statements in accordance with the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") and the listing requirements and rules of Nasdaq ("Nasdaq Rules"). In arriving at this determination, the Board has examined each Audit Committee member's professional experience and the nature of their employment in the corporate finance sector. The Board has also determined that Mr. Beynon qualifies as an "audit committee financial expert," as defined under applicable SEC and Nasdaq Rules.

Compensation Committee

The Compensation Committee evaluates, recommends, and approves policy relating to compensation and benefits of the Company's officers and employees. The Compensation Committee is directly responsible for, among other matters:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer and other executive officers;
- evaluating the performance of these officers in light of those goals and objectives, and setting the compensation of these officers based on such evaluations;

- administering and interpreting the Company’s cash and equity-based compensation plans;

- annually reviewing and making recommendations to the Board with respect to all cash and equity-based incentive compensation plans and arrangements; and

- annually reviewing and evaluating the composition and performance of the Compensation Committee, including the adequacy of the Compensation Committee’s charter.

The Compensation Committee shall have the authority, in its sole discretion, to select, employ, and retain the advice of experts and professionals as the Compensation Committee shall deem appropriate from time to time to assist with the execution of its duties and responsibilities as set forth in its charter. The Compensation Committee consists of entirely “independent directors” (as defined below), and no executive officers have a role in determining or recommending the amount or form of executive and director compensation.

The current members of the Compensation Committee are: (i) Larry McNeill, who is the Chairman of the Compensation Committee, and (ii) Dr. Thomas L. Wood. Each member of the Compensation Committee is an “independent director” under the applicable rules and regulations of the SEC and Nasdaq Rules. Furthermore, each member of the Compensation Committee is a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, and an “outside director”, as that term is defined under Section 162(m) of the Internal Revenue Code of 1986.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company’s directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company’s equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of the Company’s knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us during or with respect to the year ended September 30, 2020, the following persons have not filed on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended September 30, 2020:

Name and principal position	Number of late reports	Transactions not timely reported	Known failures to file a required form
S. Matthew Schultz, Chairman and Director	0	0	0
Zachary Bradford, Chief Executive Officer	0	0	0
Larry McNeill, Director	0	1	0
Amanda Kabak, Chief Technology Officer	0	0	0
Amer Tadayon, Chief Revenue Officer	0	1	0
Dr. Thomas L. Wood, Director	0	0	0
Roger P. Beynon, Director	0	0	0
Lori Love, Chief Financial Officer	0	0	0

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller. We will provide, at no cost, a copy of the Code of Ethics to any shareholder upon receiving a written request sent to the Company’s address shown on Page 1 of this report.

Item 11. Executive Compensation

The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended September 30, 2020 and 2019.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Zachary Bradford	2019	-	193,437	-	-	-	-	237,000	430,437
CEO	2020	335,000	360,000	615,250	274,000	-	-	-	1,584,250
Amanda Kabak	2019	183,437	25,000	-	100,000	-	-	-	308,437
CTO	2020	190,000	110,000	104,910	134,550	-	-	-	539,460
Lori Love	2019	-	-	-	-	-	-	-	-
CFO	2020	200,000	190,000	316,660	250,958	-	-	-	957,618
Amer Tadayon	2019	-	-	-	-	-	-	-	-
CRO	2020	166,667	-	-	99,000	-	-	33,333	299,000
S. Matthew Schultz	2019	-	193,437	-	-	-	-	237,000	430,437
Former CEO	2020	-	350,000	484,200	239,450	-	-	252,000	1,325,650
Bryan Huber	2019	-	2,432	-	496,590	-	-	168,769	667,791
Former CIO	2020	-	273	-	1,158,709	-	-	167,731	1,326,713
Anthony Vastola	2019	161,506	17,208	-	170,000	-	-	-	348,714
Former COO	2020	72,000	273	-	-	-	-	80,000	152,273

Narrative Disclosure to the Summary Compensation Table

Zachary Bradford –Chief Executive Officer and Director and former Chief Financial Officer
On October, 1, 2019, the Company entered into an employment agreement whereas Mr. Bradford accepted the position of Chief Executive Officer. Under this agreement, Mr. Bradford is compensated by a base salary of $335,000 per year. During the year ended September 30, 2020, Mr. Bradford earned $335,000 in annual compensation plus bonuses of $360,000, stock awards of $615,250, and option awards of $274,000.

During the fiscal year ending September 30, 2019, the Company had a consulting agreement with ZRB Holdings, Inc, an entity wholly owned by Zachary Bradford, our Chief Executive Officer, director and former Chief Financial Officer, for management services. In accordance with this agreement, as amended, Mr. Bradford provided services to us in exchange for $20,000 in compensation for services plus a $1,000 medical insurance stipend, each month plus a bonus of 0.5% of gross revenue and additional bonuses as the board authorizes. The Company has also agreed to reimburse Mr. Bradford for expenses incurred. During the year ended September 30, 2019, Mr. Bradford earned $237,000 in base compensation plus bonuses of $193,437 in accordance with this agreement. The agreement was terminated in October of 2019 when Mr. Bradford accepted the position of Chief Executive Officer and accepted the associated employment agreement.

Amanda Kabak – Chief Technology Officer
On February 8, 2019 the Company entered into an employment agreement whereas Ms. Kabak was promoted to Chief Technology Officer. Under this agreement, Ms. Kabak is compensated by a base salary of $190,000 per year and $100,000 shares of our stock for each annual period she is with the company. A portion of the options vest each month and are exercisable at market price. During the year ended September 30, 2019, Ms. Kabak earned $183,437 in annual compensation plus bonuses of $25,000, and option awards of $100,00. During the year ended September 30, 2020, Ms. Kabak earned $190,000 in annual compensation plus bonuses of $110,000, stock awards of $104,910 and option awards of $100,000.

Lori Love- Chief Financial Officer
On October 1, 2019 the Company entered into an employment agreement whereas Ms. Love accepted the position of Chief Financial Officer. Under this agreement, Ms. Love is compensated by a base salary of $200,000 per year, 20% bonus and 25,000 stock options. During the year ended September 30, 2020, Ms. Love earned $200,000 in annual compensation plus bonuses of $190,000, stock awards of $316,660 and option awards of $250,958.

Amer Tadayon- Chief Revenue Officer
On February 1, 2020 the Company entered into an employment agreement whereas Mr. Tadayon accepted the position of Chief Revenue Officer. Under this agreement, Mr. Tadayon is compensated by a base salary of $250,000 per year plus $50,000 non-recoverable draw against commission, and 30,000 stock options. During the year ended September 30, 2020, Mr. Tadayon earned $166,667 in annual compensation plus option awards of $99,000 and other compensation of $33,333.

Matthew Schultz- Executive Chairman, Chairman of the Board and Director and former Chief Executive Officer
The Company had a consulting agreement with Matthew Schultz, our former Chief Executive Officer, for management services. Mr. Schultz provides services to us in exchange for $20,000 in compensation for services plus a $1,000 medical insurance stipend, each month plus a bonus of 0.5% of gross revenue and additional bonuses as the board authorizes. The Company also agreed to reimburse Mr. Schultz for expenses incurred. The agreement was terminated in October of 2019 when Mr. Schultz accepted the position of Chairman of the board. During the year ended September 30, 2020, Mr. Schultz earned $252,000 in base compensation, bonus grants of $350,000, stock awards of $484,200, and option awards of 239,450.During the year ended September 30, 2019, Mr Schultz $237,000 in base compensation plus bonuses of $193,437.

Bryan Huber – Former Chief Innovation Officer and former Director
The Company had a consulting agreement with Zero Positive, LLC., an entity owned by Bryan Huber for management services. On March 12, 2020, the Company terminated the agreement. During the year ended September 30, 2020, Mr. Huber and Zero positive earned $167,731 in compensation and a $273 bonus, During the year ended September 30, 2020, Mr. Huber and Zero Positive earned $171,202 in compensation, respectively, in accordance with the agreement.

On September 28, 2018, in connection with the Consulting agreement executed with Zero Positive, LLC Company issued warrants to purchase 90,000 shares of common stock at an exercise price of $8.00 per share to Zero Positive. The warrants were valued at $2,607,096 using the Black Scholes option pricing model based upon the following assumptions: term of 10 years, risk free interest rate of 3.05%, a dividend yield of 0% and volatility rate of 191%. The warrants vest as follows: 30,000 vested immediately, the balance vest evenly on the last day of each month over the forty-two months beginning August 31, 2018. As of September 30, 2020, 67,143 warrants had vested due to the passage of time, and the Company recorded an expense of $1,158,709 during the year ended September 30, 2020.

Anthony Vastola – Former Chief Operations Officer
On March 12, 2020, the Company terminated the employment of Anthony Vastola. During the year ended September 30, 2020, Mr. Vastola earned $72,000 in compensation a bonus of $273 and other compensation of $80,000. During the year ended September 30, 2020, Mr. Vastola earned $161,506 in compensation, a bonus of $17,206, and option awards of $170,000, respectively.

Outstanding Equity Awards at Fiscal Year-End

On June 9, 2017, our Board of Directors adopted the 2017 Equity Incentive Plan (the “Plan”). The purpose of the Plan is to attract and retain the best available personnel for positions of substantial responsibility with us, to provide additional incentive to employees, directors and consultants, and to promote our success. Under the Plan, we are able to issue up to an aggregate total of 1,500,000 incentive or non-qualified options to purchase our common stock, or stock awards.

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of September 30, 2020.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	OPTION AWARDS					STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
S. Matthew Schultz	25,000	-	-	$5.60	12/20/2022	-	-	-	-
Zachary Bradford	25,000	-	-	$5.60	12/20/2022	-	-	-	-
Amanda Kabak	36,912	0		Varies	Varies	-	-	-	-
Lori Love	33,333	16,667		Varies	Varies	-	-	-	-
Amer Tadayon	20,000	10,000		$4.65	01/31/2023	-	-	-	-

Director Compensation

The table below summarizes all compensation of our directors for the year ended September 30, 2020.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Larry McNeill	$30,000	-	$101,250	-	-	-	$131,250
Roger Beynon	-	$30,000	-	-	-	-	$30,000
Dr. Thomas Wood	$7,500	$22,500	-	-	-	-	$30,000

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of December 16, 2020, the number and percentage of the 23,964,093 shares of outstanding common stock which, according to the information supplied to the Company, were beneficially owned by (i) each person who is currently a director of the Company, (ii) each executive officer, (iii) all current directors and executive officers of the Company as a group, and (iv) each person who, to the knowledge of the Company, is the beneficial owner of more than 5% of the outstanding common stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

Except as otherwise indicated, the address of each of the persons named in the table below is c/o CleanSpark, Inc., 1185 S. 1800 W. Suite 3, Woods Cross, Utah 84087.

Name of Beneficial Owner	Number of Shares of Par Value $0.001 Common Stock Beneficially Owned	Percentage of Class
Directors and named executive officers		
S. Matthew Schultz	734,796(1)	3.06%
Zachary Bradford	595,695(2)	2.48%
Larry McNeill	189,836(3)	0.79%
Amer Tadayon	138,199(4)	0.58%
Amanda Kabak	75,824(5)	0.32%
Lori Love	114,387(6)	0.48%
Dr. Thomas L. Wood	53,960(7)	0.23%
Roger P. Beynon	9,955(8)	0.04%
All Officers and Directors as a Group	1,912,652(9)	7.87%

(1) Includes 480,000 shares of common stock held in the S M Schultz IRRV TR to which Mr. Schultz is the beneficial owner, 85,000 shares of common stock held in his name, 79,000 shares of common stock held in his name subject to future vesting in accordance with company milestones, 40,996 shares of common stock held by his spouse, 49,800 vested options to purchase common stock.

(2) Includes 79,831 shares of common stock held in his name, 99,000 shares of common stock held in his name subject to future vesting in accordance with company milestones, 323,863 shares of common stock held in ZRB Holdings Inc. in which Mr. Bradford is the beneficial owner, 12,000 shares of common stock held in BlueChip Advisors LLC in which Mr. Bradford shares beneficial ownership, warrants to purchase 25,000 shares of common stock, and 56,000 vested options to purchase common stock.

(3) Includes 42,000 shares of common stock held in his name, 71,636 shares of common stock held in his Roth IRA, 25,000 options to purchase common stock and warrants to purchase 51,200 shares of common stock.

(4) Includes 31,183 shares of common stock held in his name, 64,516 shares of restricted stock subject to company milestones and 42,500 vested options to purchase common stock.

(5) Includes 13,000 shares of common stock held in her name, 22,250 shares of common stock subject to future vesting in accordance with company milestones 40,824 vested options to purchase common stock.

(6) Includes 42,831 shares of common stock held in her name, 22,250 shares of common stock subject to future vesting in accordance with company milestones, and 49,306 vested options to purchase common stock.

(7) Includes 8,764 shares of common stock held in his name and 45,196 shares of common stock held in the name of his spouse.

(8) Includes 9,955 shares of common stock held in his name.

(9) Includes, 1,573,002 shares of common stock, 76,200 warrants and 263,430 options held by officers and directors

The following table sets forth, as of December 13, 2020, the number and percentage of the 1,750,000 shares of outstanding Series A Preferred Stock which, according to the information supplied to the Company, were beneficially owned by (i) each person who is currently a director of the Company, (ii) each executive officer, (iii) all current directors and executive officers of the Company as a group, and (iv) each person who, to the knowledge of the Company, is the beneficial owner of more than 5% of the outstanding shares of Series A Preferred Stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

Except as otherwise indicated, the address of each of the persons named in the table below is c/o CleanSpark, Inc., 1185 S. 1800 W. Suite 3, Woods Cross, Utah 84087.

Name of Beneficial Owner	Number of Shares of Par Value $0.001 Series A Preferred Stock Beneficially Owned	Percentage of Class
Directors and named executive officers		
S. Matthew Schultz	500,000	28.57%
Zachary Bradford	500,000	28.57%
Larry McNeill	500,000	28.57%
All Officers and Directors as a Group	1,500,000	85.71%

Securities Authorized for Issuance under Equity Compensation Plans

In June of 2017, our Board of Directors adopted the 2017 Equity Incentive Plan (the "Plan"). The purpose of the Plan is to attract and retain the best available personnel for positions of substantial responsibility with us, to provide additional incentive to employees, directors and consultants, and to promote our success. As of the date of this filing, under the Plan (as amended), we are able to issue up to an aggregate total of 1,500,000 incentive or non-qualified options to purchase our common stock, or stock award s.

Equity Compensation Plans Not Approved by the Shareholders	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Securities remaining available for future issuance under equity compensation plans
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders			
The Plan	277,948	$6.34	1,222,052
Total	277,948	$6.34	1,222,052

Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as provided in "Executive Compensation" set forth above, or listed in Note 12 to the financial statements, for the past two fiscal years there have not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a participant in which the amount involved exceeded or will exceed the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years ($228,670), and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Item 14. Principal Accounting Fees and Services

Below is the table of Audit and audit-related Fees billed by MaloneBailey, LLP in connection with the audits of the Company's annual financial statements for the years ended:

Financial Statements for the Year Ended September 30	Audit Services	Audit Related Fees	Tax Fees	Other Fees
2020	$ 145,160	$ 0	$ 0	$ 0
2019	$ 101,099	$ 0	$ 0	$ 0

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)

1. Financial Statements. The consolidated financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K beginning on page F-2.

2. Financial Statement Schedules. Schedules are not submitted because they are not applicable or not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

3. Exhibits required to be filed by Item 601 of Regulation S-K. The information called for by this Item is incorporated by reference from the Index to Exhibits included in this Annual Report on Form 10-K.

(b) Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and between the Company and Pioneer Critical Power, Inc., dated January 22, 2019, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2019.
2.2	Stock Purchase Agreement by and between p2klabs, Inc., Amer Tadayon and the Company, dated January 31, 2020, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 6, 2020.
2.3 †	Agreement and Plan of Merger, dated as of December 9, 2020, by and among CleanSpark, Inc., ATL Data Centers LLC, CLSK Merger Sub, LLC and the Sellers incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 10, 2020.
3.1	Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10-12G, filed with the Securities and Exchange Commission on November 17, 2008.
3.2	Amendment to Articles of Incorporation, incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 10-12G, filed with the Securities and Exchange Commission on November 17, 2008.
3.3	Bylaws, incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10-12G, filed with the Securities and Exchange Commission on November 17, 2008.
3.4	Amended Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 12, 2013.
3.5	Certificate of Change, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 26, 2013.
3.6	Articles of Merger, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 1, 2014.
3.7	Certificate of Change, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 12, 2015.
3.8	Certificate of Amendment and Certificate of Designation, incorporated by reference to Exhibits 3.1 and 3.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 16, 2015.

3.9	Certificate of Change, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 13, 2015.
3.10	Articles of Merger, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 14, 2016.
3.11	Certificate of Designation, dated April 16, 2019, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
3.12	Certificate of Amendment to Articles of Incorporation, dated August 9, 2019, incorporated by reference to Appendix A to the Company's Definitive Information Statement on Schedule 14C, filed with the Securities and Exchange Commission on July 12, 2019.
3.13	Amendment to Certificate of Designation, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 9, 2019.
3.14	Certificate of Change, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 10, 2019.
3.15	Certificate of Withdrawal of Series B Preferred Stock Certificate of Designation, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 10, 2020.
3.16	Certificate of Amendment to Articles of Incorporation of CleanSpark, Inc., filed on October 2, 2020, incorporated by reference to Appendix A to our definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on July 28, 2020.
4.1	Form of Senior Secured Redeemable Convertible Debenture dated December 31, 2018 issued to the Investor, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 31, 2018.
4.2	Form of Common Stock Purchase Warrant dated December 31, 2018 issued to the Investor, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 31, 2018.
4.3	Form of Senior Secured Redeemable Convertible Promissory Note dated April 17, 2019 issued to the Investor, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
4.4	Form of Common Stock Purchase Warrant dated April 17, 2019 issued to the Investor, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
10.1	CleanSpark, Inc. 2017 Equity Incentive Plan, incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 19, 2017.
10.2	Form of Securities Purchase Agreement dated December 31, 2018 between CleanSpark Inc. and the Investor incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 31, 2018.
10.3	Form of IP Security Agreement dated December 31, 2018 between CleanSpark, Inc. and the Investor incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 31, 2018.
10.4	Termination of Asset Purchase Agreement, dated January 22, 2019, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2019.
10.5	Non-Competition and Non-Solicitation Agreement, dated January 22, 2019, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2019.
10.6	Indemnity Agreement, dated January 22, 2019, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2019.
10.7	Contract Manufacturing Agreement, dated January 22, 2019, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2019.

10.8	Form of Purchase Agreement dated April 17, 2019 between the Company and the Investor, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
10.9	Form of Voting Agreement dated April 17, 2019 between the Company and shareholders holding 51% of the voting power of the Company, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
10.10	IP Security Agreement dated April 17, 2019, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2019.
10.11†	Memorandum of Understanding, dated as of November 5, 2019, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 12, 2019.
10.12	Securities Purchase Agreement, dated as of November 6, 2019, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 12, 2019.
10.13	Escrow Agreement, dated January 31, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 6, 2020.
10.14	Amendment to Transaction Documents, dated as of March 10, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 10, 2020.
10.15	Second Amendment to Transaction Documents, dated as of March 13, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 16, 2020.
10.16	Joint Venture Agreement, dated as of April 6, 2020, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 4, 2020.
10.17	Third Amendment to Transaction Documents, dated as of May 1, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 6, 2020.
10.18	Promissory Note, dated as of May 7, 2020, by and between the Company and Celtic Bank Corp., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 20, 2020.
10.19	First Amendment to CleanSpark, Inc. 2017 Equity Incentive Plan, dated as of October 7, 2020, incorporated by reference to Appendix A to the Company's Definitive Information Statement on Schedule 14C, filed with the Securities and Exchange Commission on July 28, 2020.
10.20	Form of Securities Purchase Agreement, dated July 20, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 21, 2020.
10.21	Exclusive Partner Agreement, by and between the Company and Sunshine Energy Corp., dated August 6, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 7, 2020.
10.22†	Membership Interest Purchase Agreement, dated as of August 31, 2010, by and between the Company, GridFabric, LLC and its sole member, DuPont Hale Holdings, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 1, 2020.
10.23+	Employment Agreement, entered into by and between CleanSpark, Inc. and Zachary K. Bradford, dated October 26, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2020.
10.24+	Employment Agreement, entered into by and between CleanSpark, Inc. and Lori Love, dated October 26, 2020, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2020.
10.25+	Employment Agreement, entered into by and between CleanSpark, Inc. and Amanda Kabak, dated October 26, 2020, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2020.
10.26+	Amended and Restated Employment Agreement, entered into by and between CleanSpark, Inc. and Amer Tadayon, dated October 26, 2020, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2020.

10.27+	Employment Agreement, entered into by and between CleanSpark, Inc. and S. Matthew Schultz, dated October 26, 2020, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2020.
21.1*	List of Subsidiaries
23.1*	Consent of MaloneBailey
31.1*	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certfication of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	Inline XBRL Instance Document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)

* Filed herewith

** The XBRL related information in Exhibit 101 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

\+ Indicates a management contract or compensatory plan or arrangement.

† Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEANSPARK, INC.

By: /s/ Zachary Bradford
Zachary Bradford
Chief Executive Officer, Principal Executive Officer and Director
December 16, 2020

By: /s/ Lori Love
Lori Love
Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer
December 16, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /s/ Zachary Bradford
Zachary Bradford
Chief Executive Officer, Principal Executive Officer and Director
December 16, 2020

By: /s/ Lori Love
Lori Love
Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer
December 16, 2020

By: /s/ S. Matthew Schultz
S. Matthew Schultz
Executive Chairman and Chairman of the Board
December 16, 2020

By: /s/ Larry McNeill
Larry McNeill
Director
December 16, 2020

By: /s/ Roger Beynon
Roger Beynon
Director
December 16, 2020

By: /s/ Dr. Thomas Wood
Dr. Thomas Wood
Director
December 16, 2020

Subsidiaries

Name	Jurisdiction
CleanSpark, LLC.	California
CleanSpark Critical Power Systems, Inc.	Nevada
CleanSpark II LLC	Nevada
P2kLabs, Inc.	Nevada
GridFabric, LLC.	Wisconsin
ATL Data Centers, LLC.	Georgia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (File Nos. 333-228063 and 333-248975) and S-8 (File Nos. 333-218831 and 333-249959) of our report dated December 16, 2020 with respect to the audited consolidated financial statements of CleanSpark, Inc. and its subsidiaries (the “Company”) appearing in this Annual Report on Form 10-K of the Company for the year ended September 30, 2020.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
December 16, 2020

Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

I, Zachary Bradford, certify that;

1. I have reviewed this Annual Report on Form 10-K for the year ended September 30, 2020 of CleanSpark, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 17, 2020

/s/ Zachary Bradford
By: Zachary Bradford
Title: Chief Executive Officer

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

I, Lori Love, certify that;

1. I have reviewed this Annual Report on Form 10-K for the year ended September 30, 2020 of CleanSpark, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 17, 2020

/s/ Lori Love
By: Lori Love
Title: Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CleanSpark, Inc. (the "Company") on Form 10-K for the year ended September 30, 2020 filed with the Securities and Exchange Commission (the "Report"), I, Zachary Bradford, Chief Executive Officer of the Company, and I, Lori Love, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By:	/s/ Zachary Bradord
Name:	Zachary Bradford
Title:	Chief Executive Officer,
Date:	December 17, 2020

By:	/s/ Lori Love
Name:	Lori Love
Title:	Chief Financial Officer
Date:	December 17, 2020

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.