

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **September 30, 2017**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: **000-53498**

CleanSpark, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

87-0449945

(I.R.S. Employer Identification No.)

70 North Main Street, Ste. 105

Bountiful, Utah

(Address of principal executive offices)

84010

(Zip Code)

Registrant's telephone number: **(801) 244-4405**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

None

Name of each exchange on which registered

Not applicable

Securities registered under Section 12(g) of the Exchange Act:

Title of each class

Common Stock, \$.001 par value

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

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

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$65,004,260

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 33,908,894 shares as of January 11, 2018

CLEANSARK

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PART I

Item 1. Business

Our Business

We are in the business of acquiring, licensing and marketing patents and technology to create sustainable energy for our energy customers. Our mission is to lead a revolution in transforming global energy into a clean, affordable, and sustainable infrastructure that promotes socio-economic upliftment.

Last year we entered into an asset purchase agreement and amendment thereto (the “Purchase Agreement”), and acquired substantially all of the assets of CleanSpark Holdings, LLC. As a result of the Purchase Agreement and the acquisition of the assets, we have taken over the CleanSpark business as another opportunity in the energy sector, along with our existing Gasifier business. We believe that that synergies created from these businesses will strengthen our overall capacity to obtain financing, increase our customer base, open new distribution channels and increase our competitive strength in the energy market, all to the ultimate benefit of our shareholders.

Our Flex Power System Business

Integral to CleanSpark’s business is the Flex Power System (the “System”), which is composed of propriety software and microgrid engineering trade secrets, which we acquired in the acquisition of the assets. The Microgrid that utilize our System are capable of providing secure, sustainable energy with significant cost savings for its energy customers. The System allows customers to efficiently manage renewable energy generation, storage and consumption. By having autonomous control over the 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 energy producers by supplying power 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 generators and advanced technologies into outdated electrical systems. Simultaneously, defense installations, industrial complexes, communities, and campuses across the world are turning to virtual power plants and microgrids as a means to decrease their reliance from the grid, utilize cleaner power, and enhance energy security and surety.

The convergence of these factors has created a “perfect storm” in the power supply optimization and energy management arena. Efficiently building and operating the macro- 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 first-movers can leverage to capture a large share of this emerging global industry.

A microgrid is comprised if any number of generation, energy storage, and smart distribution assets that serve a single or multiple loads, both connected to the grid and “islanded.” In the past, microgrids have consisted of off-grid generators organized with controls to provide power where utility lines cannot run. Today, modern 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 localized servers to make decisions in real-time that deliver optimum power where it is needed, when it is needed.

Our System is an integrated microgrid control platform that seamlessly integrates all forms of energy generation with energy storage devices and controls facility loads to provide energy security in real time free of cyber threats. Able to interoperate with the local utility grid, the System brings users the ability to choose when to buy or sell power to and from the grid, enabling what we believe is the most cost effective power solution that exists on the current market.

Our System is ideal for commercial, industrial, mining, defense, campus and residential users and ranges in size from 4KW to 100MW and beyond and can deliver power at or below the current cost of utility power.

Our services consist of turn-key microgrid implementation services, microgrid design and engineering, project development consulting services and solar photovoltaic installation and consulting. The work is performed under fixed price bid contracts, and negotiated price contracts.

mPulse Software Suite

mPulse is a modular platform that enables fine-grained control of a Microgrid based on customer operational goals, equipment and forecasts of 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 CleanSpark's 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. The mPulse software has proven to be robust and reliable, operating successfully at the Camp Pendleton FractalGrid installation continuously for over 3 years with minimal maintenance and support required.

Dynamic Network Analysis Software Suite (DNA)

The Dynamic Network Analysis (DNA) tool provides a robust microgrid modeling solution. DNA 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. DNA uses historical weather data to generate projected energy generation from PV arrays and models how storage responds to varying operational modes and command logics based upon predicted generation and load curves. DNA analysis multiple equipment combinations and operation situation to determine the optimal grid configuration for a site based on the financials, equipment outlay, utility cost savings, etc., to arrive at payback and IRR values. This ultimately provides us with data to design a microgrid that will meet the customers' performance benchmarks.

We recently increased our internal team of software developers in August of 2017. Our existing systems (mPulse1.0/DNA1.0) works well, but integrates a number of codes and requires some custom engineering for each client implementation. Our upgraded software (mPulse 2.0/DNA2.0) is expected to provide a more streamlined, maintainable, self-configuring, and scalable solution for our clients and allow us to more quickly and profitably implement our solution across multiple and rapidly increasing customer sites. We are developing a solution that can be implemented with either basic or advanced features to meet the needs of our customers and will be launching the features across our platform upon completion. We expect the Version 2 improvements upon Version 1 software features to be completed as outlined below:

Planned improvements

On September 27, 2017, the Company launched its development of mPulse 2.0 and DNA 2.0. These improvements are being built into our existing software platforms and add significant improvements, which focus on positioning, integration, focus and quality, as outlined below.

Positioning

When mPulse originally was developed, a main focus of the platform and the industry was resiliency of microgrid operation, specifically in military contexts. Since that time, the microgrid landscape has continued to evolve, and there is growing opportunity within the commercial and industrial space as the markets in these spaces desire microgrids capable of obtaining the highest economic advantage.

Further, this growing focus on economic advantage is in line with the continued market evolution toward an open energy market at regional levels. CleanSpark wants to be well positioned to enter into this market at each step of its availability, from responding to demand response requests all the way through participating in ancillary grid service markets and fully open transactive energy markets as regulation matures. To position ourselves, the mPulse platform operation is being improved to mirror the predicted energy market progression by implementing internal markets at each level of the system.

In these internal markets, energy producing assets are modeled as sellers, and energy consuming assets are modeled as buyers, with the market playing matchmaker between the two and virtually “selling” available energy to the highest bidder, thereby satisfying the energy loads at the highest economic advantage for both participants at any given moment.

The internal energy market running at our customers’ sites will take daily feeds of production and load forecasts from the platform to set up the daily market parameters, then ingest a stream of current positions of both buyers and sellers as well as their individual pricing information, which is calculated based on the details of the energy rate under which those consumers operate. Consumers bid into the market along the schedule of the specific rate structure under which those loads operate, with bids including the calculated value of energy and power based on that rate and the predicted total use and power profile during the time period of that bid. Based on the predicted generation profile and the other active bids currently being satisfied, the market either fills or cannot fill the newly received bid, and based on the market’s feedback, the consumer’s operation mode and setpoint will change, which will determine the actual control commands sent to related equipment.

This market scenario is mirrored at every level, from an individual node potentially consisting of only one producer and one consumer (power source and meter, respectively), to a higher-level node, in which other nodes participate as either net producers or net consumers, to the site level, and even up to regional level, where sites may participate in the market directly. At each level, details of the level below are aggregated and abstracted away, so each level operates in a simple and self-similar way, mirroring the physical construction of the FractalGrid. These markets shine in optimization scenarios, especially around times of just enough supply or even slight scarcity, which are expected to allow CleanSpark to reap the maximum economic value for our customers even in the case of undersized grids. . In addition, this flexibility allows for ease of integration for new market participants at each level as regulation matures to support further Demand Response programs, ancillary service markets, and eventually peer-to-peer transactive energy.

Integration

While DNA has been invaluable in evaluating sites for potential solutions and then creating detailed proposals for those sites, it currently exists as a siloed application. The two tools will be integrated and share fundamental portions of the platform, which will enable increased consistency, performance, feedback and overall system improvements.

At its root, DNA is a simulation platform that models the interactions of generation, load, and storage. This simulation uses customer-supplied or CleanSpark-derived load data, generation forecasts, and modeled storage behavior to take a virtual site step by step through a time period with different operation and equipment scenarios. Ultimately, this gives us data to produce a proposal and performance benchmarks that we may be obligated to meet during actual site operation. In order to maximize the probability of meeting those performance obligations, we will use the very same operational logic within the virtual site simulation, which will enable us to embed the economic optimization market functionality within our proposal tool. This not only will help ensure our ability to produce the results we predict, it will also help us understand the maximum value our system can provide to the customer from the start, which may increase the number of opportunities open to us to pursue, unlocking more business.

By integrating the architectural patterns and cloud operating platform of DNA and mPulse we will increase performance of both tools, which will enable us to run large numbers of simulation scenarios in parallel, increasing our analysis throughput. The elastic nature of the cloud will facilitate our storing much more data which includes both information used as inputs to DNA simulations as well as the simulation results. This data will quickly grow into a wealth of data that will enable feedback into the model as well as continuous refinement of the parameters that define optimal sites we should pursue, allowing us to target our business development efforts.

Focus

For mPulse 2.0, we are focusing on furthering the development of the economic optimization logic in the platform, including an increased push toward deep learning algorithms and more effective forecasting both on solar generation and facility load.

Quality

We employ a quality-first mindset in all aspects of our software design. From a software architecture point of view, this translates in designing for the maintainability, extensibility, scalability, availability, accessibility, and deployability of the system.

These planned improvements paired with our design and engineering methods and experience should help keep CleanSpark on the cutting edge of the microgrid industry.

MicroGrid Development Projects

The California Energy Commission awarded a grant to Harper Construction Company, Inc. in July 2013 to support a microgrid technology demonstration project. CleanSpark was subcontracted to provide design, development, integration, and installation services for the FractalGrid at the School of Infantry in the 52 Area of Marine Corps Base Camp Pendleton. The Project was subsequently transferred to CleanSpark for consideration and an agreement to indemnify Harper Construction for all future responsibilities of maintenance, operations and warranty.

The project included integration of our proprietary software and controls platform with a variety of energy storage technologies. The system utilizes solar energy generated by pre-existing existing fixed-tilt solar photovoltaic panels and fifteen dual axis tracking concentrated photovoltaic units. Our distributed controls combine the generation with energy storage technologies to create four separate microgrids that self-align together to create a larger microgrid that ties directly into the larger utility grid at the 12kV level, allowing the base to consume energy from the most reliable, affordable source at any given time. The system provides a 100% renewable and sustainable solution to energy security.

In the event of an outage or other energy surety threat, the software can autonomously separate the microgrids from the utility and the controls operate them independently in "island" mode, without interrupting service to critical circuits. Once energy from the grid is stabilized, our platform reconnects the microgrid to the utility. Each individual fractal microgrid can work independently or in concert as the larger 1.1MW FractalGrid, sharing data and energy throughout the group to improve efficiency, protect critical circuits, manage supply and demand, and allow for maintenance or repairs, as needed. The entire installation provides the Marine Corps and Department of the Navy with reliable energy security with built in cyber defense.

In May of 2017 we completed the first and second stages of a contract for \$75,000 for engineering and design and \$60,000 for optimization and control logic development. In July of 2017, we were awarded the contract to construct the Microgrid we designed. The \$900,000 sub-contract awarded by Bethel-Webcor JV is to install a turn-key advanced microgrid system at the U.S. Marine Corps Base Camp Pendleton. The contract is in direct support of the United States Department of Navy's communication information system (CIS) operations complex that was recently awarded to the Joint-Venture. We anticipate the requirement of \$150,000 in project financing, line of credit or similar funding to complete this project. As of the date of this filing we anticipate the Company will execute on the \$900,000 construction contract between February 2018 and October 2018.

In May of 2017, we were able to engineer, design and install a fully off-grid, triple-redundant power system at a private, residential estate in Southern California.

In October of 2017, Green Dragon, a Controlled Environment Agriculture Cannabis Company based in North Hollywood, California, has contracted us as their microgrid solutions provider. The first phase of the Green Dragon microgrid will employ solar, energy storage, and advanced controls to immediately reduce the monthly electricity bill of the indoor grow facility by up to 82%. Key to the system's aggressive payback schedule is CleanSpark's mPulse software that will virtually eliminate the demand charges which previously accounted for almost 50% of Green Dragon's monthly bill.

These projects are examples of the far reaching capabilities of our System and the variety of applications that are available as plug and play solutions. We are pursuing additional microgrid projects and anticipate the need for additional short-term project line of credit or other similar financing of up to \$750,000 over the next twelve months to effectively execute on these proposals.

Our Gasifier Business

Integral to our existing business is the Gasifier. We own Patent Nos. 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 technology converts any organic material into SynGas. SynGas can be used as clean, renewable, environmentally friendly, warming fuel for power plants, motor vehicles, and as feedstock for the generation of DME (Di-Methyl Ether). DME is the premier energy carrier and offers a range of important benefits:

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- § Simple and low cost of production
- § An environmentally-benign propellant and coolant
- § Clean-burning and high energy efficiency
- § Lower transportation and distribution costs
- § Easily converted into other fuels and chemicals

Our Gasifier converts the following materials into clean, reusable, renewable, and affordable energy:

- § Municipal Solid Waste (MSW)
- § Municipal sewage sludge
- § Food and cooking waste
- § Petroleum sludge and oily wastes
- § Animal manures
- § Cellulosic and non-cellulosic biomass
- § Energy crops
- § Scrap tires
- § Coal

The process involves the grinding, drying, separating, mixing, and then pelletizing of solid waste. These pellets constitute the feedstock for the Gasifier. Gasifying the pellets produces SynGas. SynGas can be converted into multiple forms of energy including motor vehicle and jet fuels. The SynGas produced is so clean that it generally does not require hot-gas cleanup. SynGas is mostly hydrogen and carbon monoxide. Hydrogen and carbon monoxide are primary building blocks for fuels and chemicals. SynGas is a clean burning fuel suitable for use in dual-fuel diesel engines, gas turbines, and steam boilers.

We believe that our process will turn the world's waste problem into an abundant, renewable resource of energy. Our production can be adapted to the specific energy requirements of a given area. Communities are expected to benefit from the countless options created including inexpensive green electric power for homes, clean-burning fuel for garbage trucks, street maintenance equipment, or for resale to other municipalities. Because of the modular nature of the components intrinsic to the process, the plant could provide one energy source, then be converted to provide a different energy product. Our facility could produce additional electric power during the peak demand part of the day and produce fuels during the rest of the day.

Our market segmentation is vast as we expect to apply our technology to anything that is carbon based. The markets for which we have focused our efforts include: the electric utility market, municipal waste, processing plants, the refining sector, stranded natural gas fields, and Canadian oil sands.

We have begun pursuing opportunities to utilize the assets and intellectual properties purchased. We aim to further develop these technologies in order to pursue licensing, manufacturing and direct sales agreements for our Gasifier technology.

The technologies and prototype will begin undergoing clinical lab testing to further establish its capability of producing large volumes of clean, renewable energy from any carbon compound (Municipal Solid Waste (MSW), Coal, Sewage Sludge) into clean Synthesis Gas. Our Gasifier is still under development and a commercially viable Gasifier is not expected to be sellable until the fourth quarter of 2018. In December of 2014, we executed an agreement with Combustion Resources, LLC to independently test our production model prototype. Combustion was engaged to independently test the Gasifier's performance and certify the results of its performance. Combustion Resources completed the initial stages of testing. Upon completion of the testing an initial white paper was published outlining the results and suggested improvements. We are preparing the suggested improvements and anticipate that the cost to complete these improvements will be between \$150,000 and \$250,000. Upon completion of the improvement we will conduct an extended test run with an independent third party. We believe the results of these independent tests will provide the results needed to prove its commercial viability, at which time we would begin to actively market our Gasifier units.

We have not engaged in any significant negotiations to sell our Gasifier products to any major customers. Once completed, we intend to distribute our products through advertisements and sales calls on potential customers with demonstrations of how the products work. We anticipate the need for a project financing partner, which we have not yet identified to support manufacturing and at least \$250,000 in financing to support the required sales activities. The failure to acquire customers to generate revenues will negatively affect our financial performance and anticipate the need for at least \$500,000 in financing over the next twelve months to execute on our business plans.

Competition

We face significant competition in the alternative energy and microgrid markets. Some of our competitors have substantially larger financial and other resources. Factors that affect our ability to further test a commercially viable Gasifier and upgrade our System include available funds, available information and our standards established for projected return on investment.

Microgrid Competition

Our FlexPower system assets is set up to compete against larger companies. The System is an integrated microgrid control platform that seamlessly integrates energy generation with energy storage devices and controls facility loads to provide energy security in real time. The system is able to interoperate with the local utility grid and allows users the ability to obtain the most cost effective power for a facility. The system is technology agnostic and can incorporate into multiple vendors and manufacturers products and legacy systems. The FlexPower system is 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.

Microgrid control technologies are 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:

- § Viridity (Control Platform)
- § Lotus (Power monitoring)
- § GridBridge (Power monitoring)
- § Schneider (Intelligence and automation)
- § Spirae (Intelligence and automation and Project Proposal Tool)
- § Energy Toolbase (Project Proposal Tool)
- § Homer (Project Proposal Tool)
- § Growing Energy Labs Inc. (Modeling and Control)

These current technologies of our competitors have a number of inherent problems:

- § Operational sensitivity to specific hardware solutions potentially increasing the cost of implementations.
- § Non-automated systems require constant monitoring increasing operating costs.

The principal advantages of our System 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.

Gasifier business competition

Our Gasifier system is set up 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. This design factor solves repair and maintenance problems by simply shutting down the unit(s) to be repaired and bringing the reserve unit(s) online. 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.

Gasification technologies can incorporate any one of a number of Gasifiers. Eight gasification technologies that are predominantly used in commercial applications and/or have been extensively studied are:

- § Texaco Entrained Flow (Downflow) Gasifier
- § E-Gas Entrained Flow (Upflow) Gasifier
- § Shell Entrained Flow (Upflow) Gasifier
- § KRW Fluidized-Bed Gasifier
- § Kellogg Transport Reactor Gasifier
- § Lurgi Dry Ash Gasifier
- § British Gas/Lurgi Fixed Bed Gasifier
- § Plasma Gasification

These current technologies of our competitors have a number of inherent problems:

- § Large footprint plants and high operating costs.
- § Operational sensitivity to properties of different feedstock especially moisture content.
- § Tendency to caking and bridging.
- § Produces a dirty gas, expensive to clean or only suitable for low efficiency conversion in a steam-boiler turbine generator (10% electrical efficiency).
- § Inefficient usage of created energy to power plasma conversion.

The principal advantages of our Gasifier are:

- § 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.
- § The one stage process is very simple and does not require highly qualified engineers to operate because of the automation.
- § The direct heat transfer of the gases to the material being gasified is efficient, and as a natural consequence of the process, the product gas is stripped of its impurities, eliminating the costly hot gas clean up associated with other Gasifiers.
- § Pollutant absorbing binder aids in efficiency, cracking hydrocarbons acting as a catalyst, and absorbs the pollutants, oxidizes carbon eliminating water vapor and all but 5 – 10% carbon dioxide, which in the Company's estimation will eliminate the need for carbon sequestration.
- § Ash by product makes an excellent road and cement aggregate.
- § Process is nearly 100% environmentally friendly.
- § Any and all liquid and solid organic wastes can be utilized and disposed of, producing no residual wastes.

Intellectual Property

In relation to our 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

In relation to our microgrid business, we intend to file for patent protection on our System. We continue to increase our internal software team to assist with improvements and upgrades to our technology. The ability of our staff and outside consultants to improve the system will likely affect our continued ability to apply for patent protection. There is no assurance that we will be able to obtain a patent on our System.

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, 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.

Employees, Consultants and Contractors

We currently have 5 employees, and also contract the services of consultants in the various areas of expertise as required. The way in which our business currently operates is as follows:

Our Chief Executive Officer, S. Matthew Schultz, currently manages our day-to-day operations. He is responsible for the negotiation of contracts, oversees the design, marketing and implementation of the products and processes, and manages licenses, patents, and other intangible assets. In addition to daily management tasks, Mr. Schultz also researches financing and potential investors.

Our CFO, Zachary K. Bradford, is responsible for implementing our strategic goals and objectives. He is also in charge of managing our financial risks, financial planning, accounting records, SEC filings, reviewing financial data, reporting financial performance, preparing budgets, and monitoring expenditures and costs.

Our COO, Bryan Huber, is responsible for implementing and overseeing our general operations and research and development activities. In addition, he is responsible for determining the feasibility and marketability of our technology and future technologies that we may acquire.

The amount of time devoted to us currently by officers may be limited by the resources we have available. However, we feel the time devoted to operations is enough to cover our current operational requirements.

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

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 System have been in low volume, and we cannot say with certainty when we will begin to achieve profitability. We have not sold any of our Gasifiers.

Since inception, we have sustained \$19,933,366 in net losses and we had a net loss for the year ended September 30, 2017 of \$13,498,526. 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.

If we do not obtain such financing, we may have to scale back or cease our activities, which will significantly harm our chances of success.

Because we have generated only a small amount of revenue and currently operate at a significant loss, we are completely dependent on the continued availability of financing in order to continue our business. There can be no assurance that financing sufficient to enable us to continue our operations will be available to us in the future. Moreover, even if we are able to obtain financing, it could be on terms that causes our company's stock price to suffer or further dilutes shareholder interests in our company. Most of our financing in 2017 was from the issuance of our common stock with some funding from loans and related party advances. Our failure to obtain future financing, financing on terms that are acceptable to us, or to produce levels of revenue to meet our financial needs could result in our inability to continue as a going concern and, as a result, our investors could lose their entire investment. In order to maximize our potential for success, we required a total of \$2,000,000 to \$4,000,000 in additional financing. As explained in this annual report, this money is needed for our upgrades to our software, testing and refinement of our Gasifier, marketing and sales of both sides of our business operations and for working capital. An additional \$2,500,000 would be needed approximately 12 to 18 months thereafter, to expand further commercialization of our products and services.

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.

To date we have had only sixteen customers for our Microgrid services and System and none for our Gasifiers so we cannot assure you that our customer base will increase.

We had revenue from fourteen customers in our fiscal year ending September 30, 2017. We cannot assure you that our customer base will expand or that any decline in net revenue attributable to customer losses will be replaced in a timely manner. If we fail to commercialize our products and services and increase our customer base, our business will fail.

Product development is an inherently uncertain process, and we may encounter unanticipated development challenges and may not be able to meet our product development and commercialization milestones.

Product development and testing may be subject to unanticipated and significant delays, expenses and technical or other problems. We cannot guarantee that we will successfully achieve our milestones within our planned timeframe or ever. We develop prototypes of planned products prior to the full commercialization of these products. We cannot predict whether prototypes of future products will achieve results consistent with our expectations. A prototype could cost significantly more than expected or the prototype design and construction process could uncover problems that are not consistent with our expectations. Prototypes of emerging products are a material part of our business plan, and if they are not proven to be successful, our business and prospects could be harmed.

More generally, the commercialization of our products may also be adversely affected by many factors not within our control, including:

- § the willingness of market participants to try a new product and the perceptions of these market participants of the safety, reliability, functionality and cost effectiveness of our products;
- § the emergence of newer, possibly more effective technologies;
- § the future cost and availability of the raw materials and components needed to manufacture and use our products; and
- § the adoption of new regulatory or industry standards that may adversely affect the use or cost of our products.

Accordingly, we cannot predict that our products will be accepted on a scale sufficient to support development of mass markets for them.

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. We 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.

We may become involved in a matter that may divert attention away from our business operations and which may subject us to expend significant resources. Prior to acquiring CleanSpark, LLC, several employees of the company left to start a competing firm. We have been in discussions with this group about the nature of their activities and the intellectual property they are currently developing in their business. We believe there may be potential claims against this firm. If we pursue these claims, we may be involved in litigation of the type described above with uncertain potential outcomes.

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 and reduce our financial resources.

We have been involved in significant acquisitions in our lifespan. In the future, we may enter into transactions to acquire other businesses, products or technologies. If we do identify suitable candidates, we may not be able to make such acquisitions on favorable terms or at all. Any acquisitions we have made or plan to make may not strengthen our competitive position, and these transactions may be viewed negatively by customers or investors. We have and may decide in the future to incur debt in connection with an acquisition or issue our common stock or other securities to the stockholders of the acquired company, which would reduce the percentage ownership of our existing stockholders.

We could incur losses resulting from undiscovered liabilities of the acquired business that are not covered by the indemnification we may obtain from the seller. In addition, we may not be able to successfully integrate the acquired personnel, technologies and operations into our existing business in an effective, timely and non-disruptive manner. Acquisitions may also divert management from day-to-day responsibilities, increase our expenses and reduce our cash available for operations and other uses. We cannot predict the number, timing or size of future acquisitions or the effect that the acquisition we have engaged in or any such future transactions might have on our operating results.

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.

Risks Related to Our Securities

If a market for our common stock does not develop, shareholders may be unable to sell their shares.

Our common stock is quoted under the symbol “CLSK” on the OTCQB operated by OTC Markets Group, Inc., an electronic inter-dealer quotation medium for equity securities. We do not currently have an active trading market. There can be no assurance that an active and liquid trading market will develop or, if developed, that it will be sustained.

Our securities are very thinly traded. Accordingly, it may be difficult to sell shares of our common stock without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

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 1,000,000 shares of our 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 we are offering. 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.

Because we are subject to the “Penny Stock” rules, the level of trading activity in our stock may be reduced.

The Securities and Exchange Commission has adopted regulations which generally define “penny stock” to be any listed, trading equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about

penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty Purchasers may experience in attempting to liquidate such securities.

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.

Item 2. Properties

Currently, we do not own any real estate. Our corporate offices are located at 70 North Main Street, Suite 105, Bountiful Utah 84010. We executed a one-year lease agreement that calls for us to make payments of \$850 per month.

We operate our California operations out of leased office space located at 6365 Nancy Ridge Drive, 2nd Floor San Diego, CA 92121. On December 15, 2016 we executed an 18-month agreement that calls for us to make payments of \$2,375 per month in 2017 and \$2,446 per month in 2018.

Item 3. Legal Proceedings

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock is quoted under the symbol "CLSK" on the OTCQB operated by OTC Markets Group, Inc.

There is currently no active trading market for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in our company.

The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending September 30, 2016		
Quarter Ended	High \$	Low \$
September 30, 2016	3.75	2.80
June 30, 2016	3.75	2.00
March 31, 2016	3.00	2.25
December 31, 2015	3.52	3.00

Fiscal Year Ending September 30, 2017		
Quarter Ended	High \$	Low \$
September 30, 2017	3.45	3.45
June 30, 2017	5.00	2.55
March 31, 2017	5.00	3.00
December 31, 2016	5.00	3.00

Penny Stock

The Securities Exchange Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;(d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and;(f) contains such other information and is in such form, including language, type, size and format, as the Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with; (a) bid and offer quotations for the penny stock;(b) the compensation of the broker-dealer and its salesperson in the transaction;(c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, because our common stock is subject to the penny stock rules, stockholders may have difficulty selling those securities.

Holders of Our Common Stock

As of January 11, 2018, we had 238 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

For the year, we received \$880,000 from 38 investors pursuant to private placement agreements with the investors to purchase 1,101,000 shares of our common stock at a purchase price equal to \$0.80 per share.

Subsequent to the reporting period, we received \$147,500 from 11 investors pursuant to private placement agreements with the investors to purchase 184,375 shares of our common stock at a purchase price equal to \$0.80 per share.

In November of 2016, we issued 2,932,704 shares of common stock to two officers for the cashless exercise of 3,000,000 options.

In December of 2016, we issued 1,466,352 shares of common stock to a director for the cashless exercise of 1,500,000 options.

On February 9, 2017, we entered into a Debt Settlement Agreement with Webcor Construction LP and issued 50,000 shares of our common stock.

On April 13, 2017, we issued 25,000 shares of common stock to a consultant for services.

On December 15, 2017, an investor exercised warrants to purchase 27,548 shares of our common stock at a purchase price equal to \$0.363 per share. We received \$10,000 as a result of this exercise.

On January 1, 2018, we issued warrants to purchase 100,000 shares of common stock at an exercise price of \$0.80 per share to an advisor for business advisory services.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The investor represented his intention to acquire the securities for investment only and not with a view towards distribution. The investor was given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

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. Under the initial Plan, we were able to issue up to an aggregate total of 3,000,000 incentive or non-qualified options to purchase our common stock, or stock awards.

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			
November 18, 2015(1)	180,000	\$0.33	-
March 12, 2015(2)	3,000,000	\$0.083	-
March 12, 2015(3)	180,000	\$0.083	-
March 18, 2015(4)	285,000	\$0.363	-
January 22, 2016(5)	450,000	\$0.367	-
January 1, 2018(6)	100,000	\$0.80	-
The Plan	13,546	\$3.45	2,986,454
Total	4,208,546	0.17	-

(1) On November 4, 2014, we entered into a consulting agreement for grant writing services. Pursuant to this agreement the Company issued 180,000 shares of our \$0.001 par value common stock valued at \$0.33 per share or \$60,000.

(2) On March 12, 2015, we issued warrants to officers and members of the board of directors as compensation for services performed.

The warrants were issued under the following terms; non-transferable, fully vested on March 31, 2015, expire ten years from the date of grant, strike price of \$0.083 and become immediately exercisable upon the occurrence of a significant liquidating, restructuring or change of control event.

(3) On March 12, 2015, as compensation for his appointment, Mr. Patee was granted a non-statutory option to purchase 180,000 shares of common stock under the following terms: non-transferable, fully vest on March 31, 2015, expire five years from the date of grant, strike price of \$0.083 and become immediately exercisable upon the occurrence of a significant liquidating, restructuring or change of control event.

(4) On March 18, 2015, we granted an option to purchase 285,000 shares of common stock to a consultant. The options were issued under the following terms; non-transferable, fully vest on March 31, 2015, expire ten years from the date of grant, strike price of \$0.363 and become immediately exercisable upon the occurrence of a significant liquidating, restructuring or change of control event.

- (5) On January 22, 2016, we issued warrants to purchase 450,000 shares of common stock to a Mr. Greg Gohlinghorst for business advisory services. The warrants were issued under the following terms: fully vest on January 31, 2016, expire five years from the date of grant and strike price of \$0.367.
- (6) On January 1, 2018, we issued warrants to purchase 100,000 shares of common stock at an exercise price of \$0.80 per share to an advisor for business advisory services.

Item 6. Selected Financial Data

A smaller reporting company is 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

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Results of Operations for the Year Ended September 30, 2017 and 2016

Revenues

We earned \$447,963 in revenues during the year ended September 30, 2017, as compared with \$82,031 in revenues for the year ended September 30, 2016. Most of our revenue stemmed from design income

Most of our revenue for the year ended September 30, 2017 was in the form of design income and residential grid work from the CleanSpark side of our business. This income was the result of a contract to perform engineering designs for a microgrid layout. While we benefit from the revenues generated from this type of service, we hope to generate more significant revenue from customers that hire us to construct, operate and maintain our System. We hope to have more news on these efforts in future reports. However, because we only just acquired CleanSpark and given the contractual contingencies with CleanSpark's customers and its early stage of operation, we are unable to estimate with any degree of certainty the amount of future revenues, if any, from existing or future 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 \$296,295 for the year ended September 30, 2017 resulting in gross profit of \$151,668, as compared with cost of revenues of \$31,264 for the year ended September 30, 2016 resulting in gross profits of \$50,767.

Our cost of revenues in 2017 was mainly the result of materials, subcontractors and direct labor expense.

Material expenses increased to \$121,982 for the year ended September 30, 2017, from \$1,885 for the year ended 2016. Our materials expense for the year ended September 30, 2017 consisted mainly of the cost of solar panels and energy storage.

Direct labor increased to \$119,607 for the year ended September 30, 2017, from \$26,865 for the year ended 2016. Our direct labor expenses for the year ended September 30, 2017 consisted mainly of allocated payroll costs of employees and consultants.

Subcontractor expenses increased to \$35,951 for the year ended September 30, 2017, from \$1,750 for the year ended 2016. Our subcontractor expenses for the year ended September 30, 2017 consisted mainly of fees charged by subcontractors for installation of solar panels and energy storage.

Operating Expenses

We had operating expenses of \$4,965,747 for the year ended September 30, 2017, as compared with \$2,592,018 for the year ended September 30, 2016.

Professional fees decreased to \$1,016,934 for the year ended September 30, 2017 from \$1,925,593 for the same period ended September 30, 2016. Our professional fees expenses for the year ended September 30, 2017 consisted mainly of consulting fees of \$475,700 paid to management of the Company, stock based compensation for consulting of \$118,880, sales consulting of \$107,178, legal fees of \$82,495, investor relations consulting of \$79,218, consulting for skilled trade of \$78,166 and audit and review fees of \$36,615. Our professional fees expenses for the year ended September 30, 2016 consisted mainly of stock based compensation for consulting of \$1,482,052, consulting fees of \$157,500 paid to officers of the Company and legal, filing, accounting, consulting and investor relations fees of \$98,819.

Payroll expenses were \$264,063 for the year ended September 30, 2017 from \$0 for the year ended 2016.

General and administrative fees increased to \$365,819_ for the year ended September 30, 2017 from \$86,143 for the same period ended September 30, 2016. Our general and administrative expenses for the year ended September 30, 2017 consisted mainly of travel expenses of \$101,564, rent expenses of \$49,556 insurance expenses of \$50,952. Our general and administrative expenses for the year ended September 30, 2016 consisted mainly of travel expenses of \$18,988, rent expenses of \$12,380 and \$54,755 in other general expenses incurred for ongoing operations.

Depreciation and amortization expense increased to \$3,318,340 for the year ended September 30, 2017 from \$578,456 for the same period ended September 30, 2016.

Other Income/Expenses

We had other expenses of \$8,684,447 for the year ended September 30, 2017, compared with other income of \$689 for the year ended September 30, 2016. Our other expenses for the year ended September 30, 2017 was the result of impairment of our microgrid assets and components of our software system Our other income for the year ended September 30, 2016 was the result of a gain on the disposal of assets.

Net Loss

Net loss for the year ended September 30, 2017 was \$13,498,526 compared to net loss of \$2,540,562 for the year ended September 30, 2016.

Liquidity and Capital Resources

As of September 30, 2017, we had total current assets of \$128,631, consisting of cash, accounts receivable and prepaid expenses, and total assets in the amount of \$20,792,802. Our total current liabilities as of September 30, 2017 were \$301,291. We had a working capital deficit of \$172,660 as of September 30, 2017.

Operating activities used \$1,361,865 in cash for the year ended September 30, 2017, as compared with \$438,165 for the same period ended September 30, 2016. Our net loss of \$13,498,526 was the main component of our negative operating cash flow for the year ended September 30, 2017, offset mainly by impairment expense of \$8,551,321 and depreciation and amortization of \$3,318,340. Our net loss of \$2,540,562 was the main component of our negative operating cash flow for the year ended September 30, 2016, offset mainly by stock based consulting of \$1,544,982 and depreciation and amortization of \$578,456.

Cash flows used by investing activities during the year ended September 30, 2017 was \$126,320, as compared with \$20,855 for the year ended September 30, 2016. Our investment in the Flexpower system of \$93,723 and the purchase of intangible assets of \$28,919 were the main components of our negative investing cash flow for the year ended September 30, 2017. Our purchase of intangible assets of \$11,182 and fixed assets of \$9,763 were the main components of our negative investing cash flow for the year ended September 30, 2016.

Cash flows provided by financing activities during the year ended September 30, 2017 amounted to \$1,108,784, as compared with \$807,016 for the year ended September 20, 2016. Our positive cash flows from financing activities for the year ended September 30, 2017 consisted of \$880,000 in proceeds from the sale of common stock, \$150,000 in proceeds from long term loans and \$80,000 from related party debt. Our positive cash flows from financing activities for the year ended September 30, 2016 consisted of \$813,800 in proceeds from our private offering of common stock and warrants, offset by \$6,784 in payments on short-term loans.

Despite the efforts we have made to raise money and to settle debt, based upon our current financial condition, we do not have sufficient cash to operate our business at the current level for the next twelve months. We intend to fund operations through increased sales and debt and/or equity financing arrangements, which may be insufficient to fund expenditures or other cash requirements. We plan to seek additional financing in a private equity offering to secure funding for operations. There can be no assurance that we will be successful in raising additional funding. If we are not able to secure additional funding, the implementation of our business plan will be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all.

Recently Issued Accounting Pronouncements

We do not expect the adoption of any recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” 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, 2017, 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, stock-based compensation, non-employee stock based compensation

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have incurred cumulative net losses of \$19,933,366 since our inception and require capital for our contemplated operational and marketing

activities to take place. Our ability to raise additional capital through future issuances of common stock is unknown. The obtainment of additional financing, the successful development of our contemplated plan of operations, and our transition, ultimately, to the attainment of profitable operations are necessary for us to continue operations. The ability to successfully resolve these factors raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Off Balance Sheet Arrangements

As of September 30, 2017, there were no off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is 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:

F-1	Reports of Independent Registered Public Accounting Firms
F-3	Consolidated Balance Sheets as of September 30, 2017 and 2016;
F-4	Consolidated Statements of Operations for the years ended September 30, 2017 and 2016;
F-5	Consolidated Statement of Stockholders' Deficit
F-6	Consolidated Statements of Cash Flows for the years ended September 30, 2017 and 2016;
F-7	Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
Cleanspark, Inc.**

We have audited the accompanying balance sheets of Cleanspark, Inc. as of September 30, 2017 and September 30, 2016 and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended September 30, 2017. Cleanspark, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleanspark, Inc. as of September 30, 2017 and September 30, 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2017 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has limited revenues, has negative working capital at September 30, 2017, has incurred recurring losses and recurring negative cash flow from operating activities, and has an accumulated deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ AMC Auditing

AMC Auditing
Las Vegas, Nevada
January 15, 2018

CLEANSARK, INC.
CONSOLIDATED BALANCE SHEETS
(AUDITED)

	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
ASSETS		
Current assets		
Cash	\$ 57,128	\$ 436,529
Accounts receivable	41,947	57,095
Due from Shareholder	—	53,020
Prepaid expense	29,556	57,722
Total current assets	<u>128,631</u>	<u>604,366</u>
Flexpower system	13,396,574	19,675,986
Goodwill	4,919,858	4,919,858
Microgrid Assets	—	4,567,838
Intangible assets	2,216,556	2,467,930
Fixed Assets	125,441	782,975
Deposits	5,742	589
Total assets	<u>20,792,802</u>	<u>33,019,542</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 143,225	\$ 291,187
Customer deposits	16,000	—
Due to related parties	61,021	63,973
Loan from related party	73,333	
Loans	7,712	2,261
Total current liabilities	<u>301,291</u>	<u>357,421</u>
Loans	150,000	—
Total liabilities	<u>451,291</u>	<u>357,421</u>
Stockholders' equity (deficit)		
Common stock; \$0.001 par value; 100,000,000 shares authorized; 33,409,471 and 27,834,415 shares issued and outstanding as of September 30, 2017 and September 30, 2016, respectively	33,409	27,834
Preferred stock; \$0.001 par value; 10,000,000 shares authorized; 1,000,000 and 1,000,000 shares issued and outstanding as of September 30, 2017 and September 30, 2016, respectively	1,000	1,000
Additional paid-in capital	40,240,468	39,068,127
Accumulated earnings (deficit)	(19,933,366)	(6,434,840)
Total stockholders' equity (deficit)	<u>20,341,511</u>	<u>32,662,121</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 20,792,802</u>	<u>\$ 33,019,542</u>

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

CLEANSARK, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(AUDITED)

	For the Years Ended	
	September 30, 2017	September 30, 2016
Revenues	\$ 447,963	\$ 82,031
Cost of revenues	<u>296,295</u>	<u>31,264</u>
Gross profit	151,668	50,767
Operating expenses		
Professional fees	1,016,934	1,925,593
Payroll expenses	264,063	—
Research and development	591	1,826
General and administrative expenses	365,819	86,143
Depreciation and amortization	3,318,340	578,456
Total operating expenses	<u>4,965,747</u>	<u>2,592,018</u>
Loss from operations	(4,814,079)	(2,541,251)
Other income (expense)		
Loss on settlement of debt	(117,414)	—
Impairment expense	(8,551,321)	—
Interest expense	(2,895)	(32)
Gain (Loss) on disposal of assets	(12,817)	721
Total other income (expense)	<u>(8,684,447)</u>	<u>689</u>
Net income (loss)	<u>\$ (13,498,526)</u>	<u>\$ (2,540,562)</u>
Basic income (loss) per common share	<u>\$ (0.42)</u>	<u>\$ (0.11)</u>
Basic weighted average common shares outstanding	<u>32,182,107</u>	<u>22,528,668</u>

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

CLEANSARK, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT
(AUDITED)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance, September 30, 2014	<u>—</u>	<u>—</u>	<u>17,409,915</u>	<u>17,410</u>	<u>1,100,131</u>	<u>(409,275)</u>	<u>708,266</u>
Shares issued for services	—	—	2,070,000	2,070	687,930	—	690,000
Options and warrants issued for services	—	—	—	—	2,556,296	—	2,556,296
Shares issued for direct investment	—	—	726,000	726	241,274	—	242,000
Shares issued on settlement of debt	—	—	172,500	172	49,828	—	50,000
Preferred Shares issued for services	400,000	400	—	—	—	—	400
Net loss	—	—	—	—	—	(3,485,003)	(3,485,003)
Balance, September 30, 2015	<u>400,000</u>	<u>400</u>	<u>20,378,415</u>	<u>20,378</u>	<u>4,635,459</u>	<u>(3,894,278)</u>	<u>761,959</u>
Shares issued for services	—	—	55,000	55	164,945	—	165,000
Options and warrants issued for services	—	—	—	—	1,342,350	—	1,342,350
Shares issued for direct investment	—	—	1,393,500	1,394	812,406	—	813,800
Shares and warrants issued to acquire assets	—	—	6,007,500	6,007	32,112,967	—	32,118,974
Preferred Shares issued for services	600,000	600	—	—	—	—	600
Net loss	—	—	—	—	—	(2,540,562)	(2,540,562)
Balance, September 30, 2016	<u>1,000,000</u>	<u>1,000</u>	<u>27,834,415</u>	<u>27,834</u>	<u>39,068,127</u>	<u>(6,434,840)</u>	<u>32,662,121</u>
Shares issued for services	—	—	—	—	—	—	—
Options and warrants issued for services	—	—	—	—	16,666	—	16,666
Shares issued upon exercise of warrants	—	—	4,399,056	4,399	(4,399)	—	—
Shares issued for direct investment	—	—	1,101,000	1,101	878,899	—	880,000
Shares issued for settlement of debt	—	—	50,000	50	212,450	—	212,500
Shares and warrants issued to acquire assets	—	—	—	—	—	—	—
Shares issued for services	—	—	25,000	25	68,725	—	68,750
Net loss	—	—	—	—	—	(13,498,526)	(13,498,526)
Balance, September 30, 2017	<u>1,000,000</u>	<u>1,000</u>	<u>33,409,471</u>	<u>33,409</u>	<u>40,240,468</u>	<u>(19,933,366)</u>	<u>20,341,511</u>

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

CLEANSARK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(AUDITED)

	For the Years Ended	
	September 30, 2017	September 30, 2016
Cash Flows from Operating Activities		
Net loss	\$ (13,498,526)	\$ (2,540,562)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of fixed assets	12,817	—
Impairment expense	8,551,321	—
Stock based consulting	135,546	1,544,982
Depreciation and amortization	3,318,340	578,456
Cash received in acquisition	—	19,371
Loss on settlement of debt	117,414	—
Changes in assets and liabilities		
(Increase) decrease in prepaid expense	(21,964)	(57,552)
(Increase) decrease in deposits	(5,153)	10,235
Decrease (increase) in accounts receivable	15,148	(37,031)
Increase in shareholder receivable	—	(2,257)
Increase in customer deposits	16,000	—
Increase (decrease) in accounts payable	144	(16,307)
Increase (decrease) in accounts payable related party	(2,952)	62,500
Net cash from operating activities	<u>(1,361,865)</u>	<u>(438,165)</u>
Cash Flows from investing		
Purchase of intangible assets	(28,919)	(11,182)
Purchase of fixed assets	(5,112)	(9,673)
Investment in Microgrid assets	(5,566)	—
Investment in Flexpower system	(93,723)	—
Cash received on sale of assets	7,000	—
Net cash used in investing activities	<u>(126,320)</u>	<u>(20,855)</u>
Cash Flows from Financing Activities		
Payments on short-term loans	(20,255)	—
Proceeds from short term notes	25,706	(6,784)
Proceeds from related party debt	80,000	—
Payments on related party debt	(6,667)	—
Proceeds from long term loans	150,000	—
Proceeds from issuance of common stock	880,000	813,800
Net cash from financing activities	<u>1,108,784</u>	<u>807,016</u>
Net increase (decrease) in Cash	<u>(379,401)</u>	<u>347,996</u>
Beginning cash balance	<u>436,529</u>	<u>88,533</u>
Ending cash balance	<u>\$ 57,128</u>	<u>\$ 436,529</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,629</u>	<u>\$ —</u>
Cash paid for tax	<u>\$ —</u>	<u>\$ —</u>
Non-Cash investing and financing transactions		
Cashless exercise of options	<u>\$ 4,399</u>	<u>\$ —</u>
Shares and warrants issued for cash	<u>\$ —</u>	<u>\$ 32,118,974</u>
Preferred stock issued for services	<u>\$ —</u>	<u>\$ 600</u>
Stock issued to settle debt	<u>\$ 212,500</u>	<u>\$ —</u>
Shares issued for services	<u>\$ 68,750</u>	<u>\$ 165,000</u>
Options and warrants for services	<u>\$ 16,666</u>	<u>\$ 1,342,350</u>

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

CLEANSARK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AUDITED)

1. ORGANIZATION AND LINE OF BUSINESS

Organization

CleanSpark, Inc. (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, the Company entered into an Asset and Intellectual Property Purchase Agreement pursuant to which the Company acquired: (i) all Intellectual Property rights, title and interest in Patent # 8,105,401 'Parallel Path, Downdraft Gasifier Apparatus and Method' and Patent # 8,518,133 'Parallel Path, Downdraft Gasifier Apparatus and Method' and (ii) all of the Property rights, title and interest in a 32 inch Downdraft Gasifier ("Gasifier") and (iii) assumed of \$156,900 in liabilities.

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 Seller and its line of business and assumed \$200,000 in liabilities.

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

Line of Business

Through the acquisition of CleanSpark, LLC, the Company provides microgrid solutions to military, commercial and residential properties.

The services offered consist of turn-key microgrid implementation services, microgrid design and engineering, project development consulting services and solar photovoltaic installation and consulting. The work is performed under fixed price bid contracts, and negotiated price contracts. The Company performed all of its work in California during 2017.

The Company also continues to pursue the development of its gasification technologies for commercial deployment. The Company has been granted multiple patents protecting what it believes to be a breakthrough design for the next generation in waste-to-energy technology. The increased efficiency compared to existing solutions results in a significantly lower cost per watt of electricity produced. The Company has completed a commercial prototype and has completed preliminary testing and it is currently working with its manufacturing partners to improve durability and efficiency. Upon completion of product development, the Company intends to deploy its gasification solutions to the Company's pipeline of commercial microgrid customers in order maximize the conversion of its customer waste streams into electricity.

2. BASIS OF PRESENTATION AND GOING CONCERN

Going concern – The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of \$19,933,366 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company's ability to raise additional capital through future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

3. SUMMARY OF SIGNIFICANT POLICIES

This summary of significant accounting policies of CleanSpark Inc. 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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CleanSpark, Inc., and its wholly owned operating subsidiaries, CleanSpark, LLC, and CleanSpark, II, 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, impairments and estimations of long-lived assets, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, inventory valuation, 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.

Revenue Recognition – The Company recognizes revenue on arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" and No. 104, "Revenue Recognition". In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability is reasonably assured. For the year ended September 30, 2017 and 2016, the Company reported revenues of \$447,963 and \$82,031, respectively.

Revenues and related costs on construction contracts are recognized using the "percentage of completion method" of accounting in accordance with ASC 605-35, Accounting for Performance of Construction-Type and Certain Production Type Contracts ("ASC 605-35"). Under this method, contract revenues and related expenses are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. Costs include direct material, direct labor, subcontract labor and any allocable indirect costs. All un-allocable indirect costs and corporate general and administrative costs are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss as it is determined.

Revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts, which require the revision, become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The Asset, "Costs in excess of billings", represents revenues recognized in excess of amounts billed on contracts in progress. The Liability, "Billings in excess of costs", represents billings in excess of revenues recognized on contracts in progress. At September 30, 2017 and September 30, 2016, the costs in excess of billings balance were \$0 and \$0, and the billings in excess of costs balance were \$0 and \$0, respectively.

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Accounts receivables are recorded on contracts for amounts currently due based upon progress billings, as well as retention, which are collectible upon completion of the contracts. Accounts payable to material suppliers and subcontractors are recorded for amounts currently due based upon work completed or materials received, as are retention due subcontractors, which are payable upon completion of the contract. General and administrative expenses are charged to operations as incurred and are not allocated to contract costs. Retention receivable is the amount withheld by a customer until a contract is completed. Retention receivables of \$0 and \$0 were included in the balance of trade accounts receivable as of September 30, 2017 and September 30, 2016, respectively.

Accounts Receivable – 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 \$0 and \$0 at September 30, 2017, and September 30, 2016, respectively.

Cash and cash equivalents – For purposes of the statement 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 \$57,128 and \$436,529 in cash and cash equivalents as of September 30, 2017 and September 30, 2016, respectively.

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, 2017, the cash balance in excess of the FDIC limits was \$0. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

Fair Value of Financial Instruments – The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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 periods ended September 30, 2017 and September 30, 2016 were \$0 and \$0, respectively.

Stock-based compensation – The Company follows the guidelines in FASB Codification Topic ASC 718-10 “*Compensation-Stock Compensation*,” which provides investors and other users of financial statements with more complete and neutral financial information, by requiring that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. ASC 718-10 covers a wide range of share-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. On June 9, 2017, the Company implemented an employee stock based compensation plan and issued 6,902 options to purchase shares of the Company’s common stock under this plan as of September 30, 2017. The options were granted at quoted market prices and are exercisable at \$3.45 per share.

Non-Employee Stock Based Compensation – The Company accounts for stock based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in ASC 505-50. 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 for 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.

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, 2017 and 2016 the Company recorded an impairment expense of \$8,551,321 and \$0, respectively.

Indefinite Lived Intangibles and Goodwill Assets

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 tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and 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 a qualitative assessment of indefinite lived intangibles and goodwill at September 30, 2017, and determined there was no impairment of indefinite lived intangibles and goodwill.

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer lists, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Income taxes – The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, “*Income Taxes*”, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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 one reportable segment for financial reporting purposes, which represents the Company's core business.

Recently Issued Accounting Pronouncements –The Company has evaluated the all recent accounting pronouncements through ASU 2017-15, and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows.

4. BUSINESS ACQUISITION

On July 1, 2016, the Company entered into the Purchase Agreement with Seller. Pursuant to the Purchase Agreement, the Company acquired all the assets related to Seller and its line of business and assumed certain liabilities.

The Assets the Company purchased from Seller include:

- Equipment and other tangible assets;
- Domain names, websites and intellectual property;
- All rights to causes of action, lawsuits, judgments, claims and demands of any nature available to or being pursued by the Seller;
- Contracts to which Seller is bound;
- Current and future customer accounts, including accounts receivable;
- The holdings that CleanSpark Holdings LLC has in CleanSpark LLC, and any investments it has as well; and
- Any other assets of any nature whatsoever that are related to or used in connection with the business of Seller and its goodwill.

On July 20, 2016, the parties to the Purchase Agreement entered into an amendment (the “Amendment”) that revised the assets to be acquired under the Purchase Agreement. Specifically, the parties decided on the following:

- Specialized Energy Solutions, Inc. would transfer and assign the ability to use its name and all of its Intellectual Property to CleanSpark II, LLC, and thereafter Specialized Energy Solutions, Inc. will not be included in the Assets acquired; and
- Clean Spark Technologies, LLC agrees to transfer and assign all of its Intellectual Property to CleanSpark II, LLC, and thereafter Clean Spark Technologies, LLC will not be included in the Assets acquired.

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The Amendment also included an option to acquire Specialized Energy Solutions, Inc. and Clean Spark Technologies, LLC, which the parties agreed upon as follows:

- CleanSpark II, LLC is hereby granted a 3-year exclusive option to purchase Specialized Energy Solutions, Inc. for 1,000 shares of CleanSpark Inc. Common Stock; and
- CleanSpark II, LLC is hereby granted a 3-year exclusive option to purchase Clean Spark Technologies, LLC for 1,000 shares of CleanSpark Inc. Common Stock.

On August 19, 2016, the parties to the Purchase Agreement entered into a second amendment that revised the Closing Date of the transaction.

The Assumed Liabilities, consisted of certain accounts payable amounting to approximately \$262,873 arising out of the Assets. Per the agreement the liabilities were to be limited to \$200,000 therefore \$62,873 must be reimbursed by CleanSpark Holdings, LLC. Subsequently the balance due was fully settled. (See Note 11 for additional details.)

As consideration, the Company issued to Seller six million (6,000,000) shares of common stock with a fair value of \$18,420,000 and five-year warrants to purchase four million five hundred thousand (4,500,000) shares of common stock at an exercise price of \$1.50 per share. The warrants were valued at \$13,675,500 using the Black Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rate of 1.0%, a dividend yield of 0% and volatility rate of 218%. The warrants were fully earned and vested on July 1, 2016.

Simultaneously with the Purchase Agreement, the Company entered into certain ancillary agreements (the “Ancillary Agreements”) with Seller, consisting of a bill of sale, intellectual property assignment and lock-up agreement. The lock-up agreement prevented Seller from selling the Company’s securities in the public market until after July 1, 2017.

The Purchase Agreement contained customary representations, warranties and covenants. In addition, the Company and Seller agreed to appoint one (1) candidate chosen by Seller to the board of directors of the Company. As a result, Bryan Huber was appointed as a member of the board of directors. The term of the appointment of Mr. Huber shall be in accordance with the Company’s bylaws.

CleanSpark provides microgrid, design, engineering, installation and consulting services to military, commercial and residential customers. The acquisition is designed to enhance the Company’s services for renewable technology and provide a pipeline for deployment of its gasification technology. As a result of the Purchase Agreement, CleanSpark, LLC became a wholly-owned subsidiary of the Company.

The acquisition was accounted for under ASC 805 and the transaction was valued for accounting purposes at \$32,095,500. The assets and liabilities of the Seller were recorded at their respective fair values as of the date of acquisition. Any difference between the cost of the acquired entity and the fair value of the assets acquired and liabilities assumed was recorded as goodwill. At the acquisition date the estimated fair value of the consideration transferred consisted of the following:

Shares of Common Stock	\$	18,420,000
Stock warrants		13,675,500
Total purchase price	\$	<u>32,095,500</u>
Tangible assets acquired	\$	4,911,367
Liabilities assumed		(262,573)
Net tangible assets		<u>4,648,794</u>
Intangible assets acquired		22,526,847
Goodwill		<u>4,919,859</u>
Total purchase price	\$	<u>32,095,500</u>

Key factors that make up the goodwill created by the transaction include knowledge and experience of the acquired team and infrastructure.

Pro forma results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of Seller had taken place on the first day of the fiscal year ending September 30, 2016. These combined results are not necessarily indicative of the results that may have been achieved had the companies been combined as of the first day of the periods presented.

	Year ended, September 30, 2016
Total revenues	\$ 1,988,172
Net Income (loss)	(5,428,519)
Basic net income (loss) per common share	\$ (0.19)

5. PREPAID EXPENSES

Prepaid expenses consist of the following as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
Prepaid stock compensation	\$ —	\$ 50,130
Prepaid compensation	5,241	—
Prepaid professional fees	2,500	—
Prepaid rents	—	850
Prepaid dues and subscriptions	4,696	—
Prepaid insurance and bonds	17,119	6,742
Total prepaid expenses	<u>\$ 40,624</u>	<u>\$ 57,722</u>

On January 22, 2016, the Company appointed Mr. Greg Gohlinghorst as a member of the Company's board of advisors. He was issued 35,000 shares of common stock for his appointment. The shares were valued at \$105,000 or \$3.00 per share. The amount was capitalized as a prepaid expense and amortized over a twelve-month term; during the year ended September 30, 2017, the Company recorded an expense of \$32,705.

On January 15, 2016, the Company entered into an Investor Relations Consulting Agreement with Hayden IR ("HIR") to serve as our investor relations firm for a period of twelve months. Under the Agreement, HIR's responsibilities include: implementing and maintaining an ongoing market support system to expand awareness of the Company in the investment community; arranging conference calls and interviews; providing feedback on expectations of results and company value; assisting with the presentation of periodic results of operations; monitoring newswires and industry publications; drafting and coordinating press releases, among other services.

As compensation for the services under the Agreement, the Company agreed to pay HIR a cash monthly fee of \$3,500 for the first six months of the agreement. The monthly fee increased to \$6,500 starting in the seventh month. The Company also agreed to issue to HIR 20,000 shares of restricted common stock within 30 days of execution. The shares were valued at \$60,000 or \$3.00 per share. The Stock compensation has been recorded as a prepaid expense and is being amortized evenly over the twelve-month service period. During the year ending September 30, 2017, the Company recorded \$17,425 in stock based compensation associated with this agreement.

6. FLEXPOWER SYSTEM ASSETS

A microgrid is comprised of any number of generation, energy storage, and smart distribution assets that serve single or multiple loads, both connected to the grid and islanded. Our FlexPower system assets are composed of our mPulse integrated microgrid control platform("mPulse"), Dynamic Network Analysis ("DNA") and propriety engineering methods which together seamlessly integrates energy generation with energy storage devices and controls facility loads to provide energy optimization and security in real time. Systems utilizing our FlexPower

technologies are able to interoperate with the local utility grid and allows users the ability to obtain the most cost-effective power for a facility. Our FlexPower system technologies are ideal for microgrid systems for the commercial, industrial, mining, defense, campus and community users ranging from 4 kw to 100 MW and beyond and Microgrids utilizing the FlexPower system technologies are capable of delivering power at or below the current cost of utility power.

The FlexPower System proprietary software and methodology assets were acquired as part of the CleanSpark acquisition and the project were capitalized at \$20,007,624.

Proprietary software

mPulse

mPulse is a modular platform that enables fine-grained control of a Microgrid based on customer operational goals, equipment and forecasts of 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 CleanSpark's 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. The mPulse software has proven to be robust and reliable, operating successfully at the Camp Pendleton FractalGrid installation continuously for over 3 years with minimal maintenance and support required.

Dynamic Network Analysis

The Dynamic Network Analysis (DNA) tool provides a robust microgrid modeling solution. DNA 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. DNA uses historical weather data to generate projected energy generation from PV arrays and models how storage responds to varying operational modes and command logics based upon predicted generation and load curves. DNA analysis multiple equipment combinations and operation situation to determine the optimal grid configuration for a site based on the financials, equipment outlay, utility cost savings, etc., to arrive at payback and IRR values. This ultimately provides us with data to design a microgrid that will meet the customers' performance benchmarks.

Planned improvements

On September 27, 2017, the Company launched its development of mPulse 2.0 and DNA 2.0. These improvements are being built into our existing software platforms and add significant improvements, which focus on positioning, integration, focus and quality, as outlined below.

Positioning

When mPulse originally was developed, a main focus of the platform and the industry was resiliency of microgrid operation, specifically in military contexts. Since that time, the microgrid landscape has continued to evolve, and there is growing opportunity within the commercial and industrial space as the markets in these spaces desire microgrids capable of obtaining the highest economic advantage.

Further, this growing focus on economic advantage is in line with the continued market evolution toward an open energy market at regional levels. CleanSpark wants to be well positioned to enter into this market at each step of its availability, from responding to demand response requests all the way through participating in ancillary grid service markets and fully open transactive energy markets as regulation matures. To position ourselves, the mPulse platform operation is being improved to mirror the predicted energy market progression by implementing internal markets at each level of the system. In these internal markets, energy producing assets are modeled as sellers, and energy consuming assets are modeled as buyers, with the market playing matchmaker between the two and virtually "selling" available energy to the highest bidder, thereby satisfying the energy loads at the highest economic advantage for both participants at any given moment.

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The internal energy market running at our customers' sites will take daily feeds of production and load forecasts from the platform to set up the daily market parameters, then ingest a stream of current positions of both buyers and sellers as well as their individual pricing information, which is calculated based on the details of the energy rate under which those consumers operate. Consumers bid into the market along the schedule of the specific rate structure under which those loads operate, with bids including the calculated value of energy and power based on that rate and the predicted total use and power profile during the time period of that bid. Based on the predicted generation profile and the other active bids currently being satisfied, the market either fills or cannot fill the newly received bid, and based on the market's feedback, the consumer's operation mode and setpoint will change, which will determine the actual control commands sent to related equipment.

This market scenario is mirrored at every level, from an individual node potentially consisting of only one producer and one consumer (power source and meter, respectively), to a higher-level node, in which other nodes participate as either net producers or net consumers, to the site level, and even up to regional level, where sites may participate in the market directly. At each level, details of the level below are aggregated and abstracted away, so each level operates in a simple and self-similar way, mirroring the physical construction of the FractalGrid. These markets shine in optimization scenarios, especially around times of just enough supply or even slight scarcity, which are expected to allow CleanSpark to reap the maximum economic value for our customers even in the case of undersized grids. . In addition, this flexibility allows for ease of integration for new market participants at each level as regulation matures to support further Demand Response programs, ancillary service markets, and eventually peer-to-peer transactive energy.

Integration

While DNA has been invaluable in evaluating sites for potential solutions and then creating detailed proposals for those sites, it currently exists as a siloed application. The two tools will be integrated and share fundamental portions of the platform, which will enable increased consistency, performance, feedback and overall system improvements.

At its root, DNA is a simulation platform that models the interactions of generation, load, and storage. This simulation uses customer-supplied or CleanSpark-derived load data, generation forecasts, and modeled storage behavior to take a virtual site step by step through a time period with different operation and equipment scenarios. Ultimately, this gives us data to produce a proposal and performance benchmarks that we may be obligated to meet during actual site operation. In order to maximize the probability of meeting those performance obligations, we will use the very same operational logic within the virtual site simulation, which will enable us to embed the economic optimization market functionality within our proposal tool. This not only will help ensure our ability to produce the results we predict, it will also help us understand the maximum value our system can provide to the customer from the start, which may increase the number of opportunities open to us to pursue, unlocking more business.

By integrating the architectural patterns and cloud operating platform of DNA and mPulse we will increase performance of both tools, which will enable us to run large numbers of simulation scenarios in parallel, increasing our analysis throughput. The elastic nature of the cloud will facilitate our storing much more data which includes both information used as inputs to DNA simulations as well as the simulation results. This data will quickly grow into a wealth of data that will enable feedback into the model as well as continuous refinement of the parameters that define optimal sites we should pursue, allowing us to target our business development efforts.

Focus

For mPulse 2.0, we are focusing on furthering the development of the economic optimization logic in the platform, including an increased push toward deep learning algorithms and more effective forecasting both on solar generation and facility load.

Quality

We employ a quality-first mindset in all aspects of our software design. From a software architecture point of view, this translates in designing for the maintainability, extensibility, scalability, availability, accessibility, and deployability of the system.

These planned improvements paired with our design and engineering methods and experience should help keep CleanSpark on the cutting edge of the microgrid industry.

Because of the improvements outlined above the Company completed an analysis of the original systems and determined which components of the system would be replaced or discarded. The Company determined that approximately 13% of DNA would be replaced by new components in DNA 2.0 and approximately 45% of the components of mPulse would be replaced in mPulse 2.0. The Company plans to make an initial release of both mPulse 2.0 and DNA 2.0 available to customers in the Company's third fiscal year of 2018. As a result of the planned improvements, the Company recorded an impairment of \$5,039,078 related directly to the components that will no longer be utilized.

The FlexPower system consists of the following as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
DNA software	\$ 4,663,513	\$ 5,329,118
MPulse software	5,923,197	10,658,237
Engineering trade secrets	4,020,269	4,020,269
Less: accumulated amortization	(1,210,405)	(331,638)
Intangible assets, net	<u>\$13,396,574</u>	<u>\$19,675,986</u>

Amortization expense for the year ended September 30, 2017 and 2016 was \$1,334,057 and \$331,638, respectively.

7. MICROGRID ASSETS

Microgrid assets consisted of the combined assets at CleanSpark's FractalGrid Demonstration Facility located at Camp Pendleton Marine Corps Base. The California Energy Commission awarded a grant to Harper Construction Company, Inc. in July 2013 to support a microgrid technology demonstration project. CleanSpark was subcontracted to provided design, development, integration, and installation services for the FractalGrid at the School of Infantry in the 52 Area of Marine Corps Base Camp Pendleton. The Microgrid control infrastructure and related components of the Project was subsequently transferred to CleanSpark for consideration and an agreement to indemnify Harper Construction for all future responsibilities of maintenance, operations and warranty.

The project included integration of CleanSpark's proprietary software and controls platform with a variety of energy storage technologies. The system utilizes solar energy generated by the Marine Corps fixed-tilt solar photovoltaic panels and fifteen dual axis tracking concentrated photovoltaic units. CleanSpark's distributed controls combine the generation with energy storage technologies to create four separate microgrids that self-align together to create a larger microgrid that ties directly into the larger utility grid at the 12kV level, allowing the base to consume energy from the most reliable, affordable source at any given time. The system provides a 100% renewable and sustainable solution to energy security.

In the event of an outage or other energy surety threat, the software can autonomously separate the microgrids from the utility and the controls operate them independently in "island" mode, without interrupting service to critical circuits. Once energy from the grid is stabilized, CleanSpark's platform reconnects the microgrid to the utility. Each individual fractal microgrid can work independently or in concert as the larger 1.1MW FractalGrid, sharing data and energy throughout the group to improve efficiency, protect critical circuits, manage supply and demand, and allow for maintenance or repairs, as needed. The entire installation provides the Marine Corps and Department of the Navy with reliable energy security with built in cyber defense.

The microgrid assets were acquired as part of the CleanSpark acquisition and were initially capitalized at \$4,625,339.

In March of 2017, CleanSpark was contacted by the USMC regarding the Microgrid Assets and was informed that in order to comply with legal regulations the Company would need to obtain a land lease for the land occupied by CleanSpark's Microgrid assets. The Company entered into discussions with the intent of obtaining the required land lease but was unable to reach a resolution with the USMC. The Company was subsequently notified that the assets would need to be assigned to the USMC or be removed and the site restored to its original condition.

In September of 2017, after determining it was unlikely to prevail on the required land lease the Company evaluated the costs to remove the assets and restore the site and determined that the costs were excessive and created a need to assume unnecessary risks. The Company also wanted to ensure the Microgrid continued to operate as a proving ground for its mPulse software which has operated continuously since 2014.

As a result, on October 13, 2017 the Company notified the USMC that they would agree to assign the ownership of the assets to the USMC under certain conditions. The Company expects the Microgrid will continue to operate under the direction of the USMC. As of the date of this filing the assignment has not been executed. An impairment expense of \$2,971,468 was recorded as a result of this pending agreement for the year ending September 30, 2017.

The microgrid assets consist of the following as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
Camp Pendleton FractalGrid	\$ —	\$ 4,625,339
Less: accumulated depreciation	—	(57,501)
Fixed assets, net	<u>\$ —</u>	<u>\$ 4,567,838</u>

Depreciation expense for the year ended September 30, 2017 and 2016 was \$1,601,936 and \$57,501, respectively.

8. INTANGIBLE AND OTHER ASSETS

Intangible assets consist of the following as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
Patents	\$ 89,473	\$ 82,641
Websites	14,532	9,777
Brand and Client lists	2,497,472	2,497,472
Trademarks	5,928	4,858
Software	26,990	10,728
Less: accumulated amortization	(417,839)	(137,546)
Intangible assets, net	<u>\$ 2,216,566</u>	<u>\$ 2,467,930</u>

Amortization expense for the year ended September 30, 2017 and 2016 was \$280,293 and \$130,420, respectively.

9. FIXED ASSETS

During the year ending September 30, 2017, the Company disposed of fixed assets with a net book value of \$19,817 in exchange for consideration of \$7,000. As a result, the company reported a \$12,817 loss on disposal of assets for the year ending September 30, 2017.

The Company also impaired certain machinery and equipment totaling \$540,775, net of accumulated depreciation for which the company is unable to ensure recoverability of costs.

Fixed assets consist of the following as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
Machinery and equipment	\$ 133,061	\$ 769,276
Furniture and fixtures	74,393	72,484
Total	207,454	841,760
Less: accumulated depreciation	(82,013)	(58,785)
Fixed assets, net	<u>\$ 125,441</u>	<u>\$ 782,975</u>

Depreciation expense for the year ended September 30, 2017 and 2016 was \$102,054 and \$58,897, respectively.

10. LOANS

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. As of September 30, 2017, Company's owed \$150,000 in principal and \$666 in accrued interest under the terms of the agreement. The note is secured by 150,000 shares which would be issued to the note holder only in the case of an uncured default.

11. RELATED PARTY TRANSACTIONS

On October 1, 2014, we entered into a Consulting agreement with Matthew Schultz, our Chief Executive Officer for management services. In accordance with this agreement Mr. Schultz provides services to us in exchange for \$7,500 per month plus reimbursable expenses incurred. On July 1, 2016, the Company amended the agreement and the monthly fees for his services was increased to \$15,000 per month in compensation. On January 1, 2017, the agreement was further amended to include an additional \$1,000 medical insurance stipend and a bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the year ending September 30, 2017 and 2016 Mr. Schultz earned \$193,425 and \$112,500, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Schultz allowed the Company to defer \$25,673 and \$15,000 as accrued compensation as of September 30, 2017 and 2016, respectively. Subsequent to the end of the Company's fiscal yearend Mr. Schultz continued to allow his pay to be deferred, as of the date of this filing the Company owes Mr. Schultz \$58,810 in deferred compensation.

On July 1, 2016, we entered into a Consulting agreement with Zachary Bradford, our President and Chief Financial Officer for management services. In accordance with this agreement, Mr. Bradford provides services to us in exchange for \$15,000 per month plus reimbursable expenses incurred. On January 1, 2017, the agreement was amended to include an additional \$1,000 medical insurance stipend and a bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the year ending September 30, 2017 and 2016 Mr. Bradford earned \$193,425 and \$45,000, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Bradford allowed the Company to defer \$26,360 and \$30,000 as accrued compensation as of September 30, 2017 and 2016, respectively. Subsequent to the end of the Company's fiscal yearend Mr. Bradford continued to allow his pay to be deferred, as of the date of this filing the Company owes Mr. Bradford \$78,252 in deferred compensation.

On August 13, 2017, the Company executed a 15% promissory note with a face value of \$80,000 with Zachary Bradford, its President and Chief Financial Officer. Under the terms of the promissory note the Company received \$80,000 and agreed to repay the note evenly over 12 months. As of September 30, 2017, Company's owed \$73,333 in principal and \$600 in accrued interest under the terms of the agreement.

On July 1, 2016, we entered into a Consulting agreement with Bryan Huber, our Chief Operations Officer for management services. In accordance with this agreement, Mr. Huber provided services to us in exchange for \$104,000 per year plus reimbursable expenses incurred. On January 1, 2017, the agreement was amended and the fee for his services increased to \$117,000 and also to include an additional a \$500 medical insurance stipend and a

bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the years ending September 30, 2017 and 2016 Mr. Huber earned \$116,311 and \$26,400, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Huber allowed the Company to defer \$6,288 and \$12,000 in accrued compensation and reimbursable expenses as of September 30, 2017 and 2016, respectively.

On March 10, 2017, the Company entered into a Consulting agreement with Adam Maher, its Senior Vice President for management and business development services. In accordance with this agreement, Mr. Maher provides services to the Company in exchange for \$120,000 per year, 0.5% bonus on revenues, 2.0% on revenue from direct sales plus reimbursable expenses incurred. \$70,971 was recorded as a consulting expenses under this agreement. As of September 30, 2017, Mr. Maher was owed \$268 in accrued compensation and unreimbursed expenses in accordance with this agreement.

The Company's line of business requires high skilled employees who are appropriately compensated for their specialized skills. Employment agreements range from \$90,000 to \$172,500 per year, and include a taxable stipend for healthcare, performance bonuses and are subject to standard payroll taxes.

On February 6, 2017, the Company and CleanSpark Holdings, LLC ("Holdings") entered into an Assumption of Debt Agreement to settle Debts Holdings owed the Company related to the June 30, 2016 Purchase Agreement. Pursuant to the Purchase Agreement, the Company agreed to assume up to \$200,000 in liabilities arising out of the assets. In the course of subsequent due diligence, CleanSpark discovered that they had actually assumed \$275,586 in liabilities. As a result of the overage in assumed liabilities, Holdings paid the Company \$25,000 and remained indebted to CleanSpark for the remaining overage amount of \$50,586. Holdings agreed to reassume \$44,919 in settlement of the full amount of the debt overage and the Company agreed to accept the assumption of \$44,919 in settlement of the full amount of the Debt overage. A loss on settlement of debt of \$5,667 was recorded by the Company as a result of the agreement.

12. STOCKHOLDERS' EQUITY (DEFICIT)

Overview

The Company's authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock, par value \$0.001 per share. As of September 30, 2017, there were 33,409,471 shares of common stock issued and outstanding and 1,000,000 shares of preferred stock issued and outstanding.

Description of Common Stock

The Company's common stock is entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Except as otherwise required by law or provided in any resolution adopted by the Company's board of directors with respect to any series of preferred stock, the holders of common stock will possess all voting power. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of common stock that are present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock. Holders of the Company's common stock representing fifty percent (50%) of the Company's capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of stockholders. A vote by the holders of a majority of the Company's outstanding shares is required to effectuate certain fundamental corporate changes such as a liquidation, merger or an amendment to the Company's articles of incorporation.

Subject to any preferential rights of any outstanding series of preferred stock created by the Company's board of directors from time to time, the holders of shares of common stock will be entitled to such cash dividends as may be declared from time to time by the Company's board of directors from funds available therefor.

Subject to any preferential rights of any outstanding series of preferred stock created from time to time by the Company's board of directors, upon liquidation, dissolution or winding up, the holders of shares of common stock will be entitled to receive pro rata all assets available for distribution to such holders.

In the event of any merger or consolidation of the Company with or into another company in connection with which shares of the Company's common stock are converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of the Company's common stock will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash). Holders of the Company's common stock have no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to the Company's common stock.

Description of Preferred Stock

The Company's board of directors is authorized to divide the authorized shares of the Company's preferred stock into one or more series, each of which must be so designated as to distinguish the shares of each series of preferred stock from the shares of all other series and classes. The Company's board of directors is authorized, within any limitations prescribed by law and the Company's articles of incorporation, to fix and determine the designations, rights, qualifications, preferences, limitations and terms of the shares of any series of preferred stock, including, but not limited to, the following:

- the rate of dividend, the time of payment of dividends, whether dividends are cumulative, and the date from which any dividends accrue;
- whether shares may be redeemed, and, if so, the redemption price and the terms and conditions of redemption;
- the amount payable upon shares in the event of voluntary or involuntary liquidation;
- sinking fund or other provisions, if any, for the redemption or purchase of shares;
- the terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion;
- voting powers, if any, provided that if any of the preferred stock or series thereof have voting rights, such preferred stock or series shall vote only on a share for share basis with the common stock on any matter, including, but not limited to, the election of directors, for which such preferred stock or series has such rights; and,
- subject to the foregoing, such other terms, qualifications, privileges, limitations, options, restrictions, and special or relative rights and preferences, if any, of shares or such series as the board of directors may, at the time so acting, lawfully fix and determine under the laws of the State of Nevada.

On April 15, 2015, the Company filed a Certificate of Amendment to the Company's Articles of Incorporation (the "Certificate of Amendment") with the Nevada Secretary of State. The Certificate of Amendment authorized ten million (10,000,000) shares of preferred stock. The Company's Board of Directors and a majority of its shareholders approved the Certificate of Amendment.

On April 15, 2015, 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 A Preferred Stock, consisting of up to one million (1,000,000) 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 the Company 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 the Company's common stock on all matters submitted to shareholders at a rate of forty-five (45) votes for each share held.

Common Stock issuances

During the period commencing October 1, 2016 through September 30, 2017, the Company received \$880,000 from 38 investors pursuant to private placement agreements with the investors to purchase 1,101,000 shares of the Company's \$0.001 par value common stock at a purchase price equal to \$0.80 for each share of Common stock.

In November of 2016, the Company issued 2,932,704 shares of common stock to two officers for the cashless exercise of 3,000,000 options.

In December of 2016, the Company issued 1,466,352 shares of common stock to a director for the cashless exercise of 1,500,000 options.

On April 13, 2017, the Company issued 25,000 shares of common stock to a consultant for services. The shares were valued at \$2.75 per share or \$68,750, which was the quoted closing price of our Common stock on the date of issuance.

On February 9, 2017, the Company entered into a Debt Settlement Agreement with Webcor Construction LP ("Webcor") to settle \$158,753 in debt owed to Webcor. The Company agreed to pay Webcor \$58,000 on or before February 28, 2017 and to issue 50,000 shares of the Company's common stock within 4 days of execution. Upon receipt of payment, Webcor agreed to release the full amount of the debt. The shares issued were deemed to have a fair value of \$212,500 on the date of the transaction and a loss on settlement of debt of \$111,747 was recorded as a result of the Debt Settlement Agreement. The cash payment was made per the agreement on February 28, 2017.

13. STOCK WARRANTS

The following is a summary of stock warrant activity during the year ended September 30, 2016 and year ended September 30, 2017.

	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2015	8,097,600	\$ 0.10
Warrants granted and assumed	5,014,500	\$ 1.38
Warrants expired	—	—
Warrants canceled	—	—
Warrants exercised	—	—
Balance, September 30, 2016	13,112,100	\$ 0.59
Warrants granted and assumed	—	\$ —
Warrants expired	—	—
Warrants canceled	—	—
Warrants exercised	4,500,000	0.083
Balance, September 30, 2017	<u>8,612,100</u>	<u>\$ 0.85</u>

As of September 30, 2017, there are warrants exercisable to purchase 8,612,100 shares of common stock in the Company.

14. STOCK OPTIONS

The Company sponsors 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 in September 2017. A total of 3,000,000 shares were initially reserved for issuance under the Plan.

The following is a summary of stock option activity during the year ended September 30, 2017.

	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2016	—	\$ —
Warrants granted and assumed	6,902	\$ 3.45
Warrants expired	—	—
Warrants canceled	—	—
Warrants exercised	—	—
Balance, September 30, 2017	<u>6,902</u>	<u>\$ 3.45</u>

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.

15. 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 \$5,134,484 which is calculated by multiplying a 34% estimated tax rate by the cumulative net operating loss (NOL) adjusted for the following items:

The components of the Company's deferred tax asset as of September 30, 2017 and 2016 are as follows:

	For the period ended September 30,	
	2017	2016
Book loss for the year	\$(13,498,526)	\$(2,540,562)
Adjustments:		
Non-deductible portion of meals and entertainment	8,736	6,068
Non-deductible portion of stock compensation	50,130	1,482,052
Non-deductible penalties	—	—
Tax loss for the year	(13,439,660)	(1,052,442)
Estimated effective tax rate	34%	34%
Deferred tax asset	<u>\$ (4,569,484)</u>	<u>\$ (357,830)</u>

	As of September 30,	
	2017	2016
Deferred tax asset	\$ 5,134,484	\$ 565,057
Valuation allowance	(5,134,484)	(565,057)
Current taxes payable	—	—
Income tax expense	<u>\$ —</u>	<u>\$ —</u>

Below is a chart showing the total estimated corporate federal net operating loss (NOL) and the year in which it will expire.

Year	Amount	Expiration
2017	\$ 4,569,484	2037
2016	358,000	2036
2015	82,000	2035
2014	1,000	2034
2013	12,000	2033
2012	7,000	2032
2011	13,000	2031
2010	6,000	2030
2009	10,000	2029
2008	7,000	2028
2007	1,000	2027
2006	1,000	2026
2005	—	2025
2004	61,000	2024
2003	—	2023
2002	4,000	2022
2001	2,000	2021
Total	\$ 5,134,484	

The Company plans to file its U.S. federal return for the year ended September 30, 2017 upon the issuance of this filing. The tax years 2012-2016 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.

16. COMMITMENTS AND CONTINGENCIES

On January 22, 2016, the Company relocated its corporate office to 70 North Main Street, Suite 105, Bountiful, Utah 84010. The Company executed a one-year lease agreement that calls for the Company to make payments of \$850 per month. The Company has prepaid rent for January 2017. Future minimum lease payments under the operating leases for the facilities as of September 30, 2017, are \$0. The Company continues to occupy the leased space on a month to month basis at a rate of \$850 per month.

CleanSpark, LLC has agreed to warranty and maintain the microgrid assets located on the FractalGrid Demonstration Facility to Camp Pendleton Marine Corp Base. In exchange, the Company has been granted the permission to locate its system on the base and the access to conduct guided tours of the FractalGrid Demonstration Facility for the Company's potential customers. The Company expects to be release from its warranty obligations upon release of the assets to USMC Camp Pendleton. (see Note 7. for additional details)

On December 16, 2016, the Company executed an 18-month lease agreement at 6365 Nancy Ridge Drive, 2nd Floor, San Diego, California. The Company executed a one-year lease agreement that calls for the Company to make payments of \$2,375 per month through December 31, 2017 and \$2,446 per month from January 1, 2018 through May 31, 2018. Future minimum lease payments under the operating leases for the facilities as of September 30, 2017, are \$19,568 for the fiscal year ending September 30, 2018.

The Company was awarded a \$900,000 contract from Bethel-Webcor JV. Under the contract terms we will install a turn-key advanced microgrid system at the U.S. Marine Corps Base Camp Pendleton. The contract is in direct support of the United States Department of Navy's communication information system (CIS) operations complex at the U.S. Marine Corps Base Camp Pendleton that was recently awarded to the Joint-Venture. The Company plans to begin on-site work for this project in February of 2018.

17. MAJOR CUSTOMERS AND VENDORS

For the year ended September 30, 2017 and 2016, the Company had the following customers that represented more than 10% of sales.

	September 30, 2017	September 30, 2016
Bethel-Webcor JV-1	10.8%	100%
Jacobs/ HDR a joint venture	13.0%	—
Macerich	24.4%	—
Firenze	20.0%	—

For the year ended September 30, 2017, the Company had the following suppliers that represented more than 10% of direct material costs.

	September 30, 2017
CED Greentech	54.9%
Integrated power systems	11.5%
Simpliphi Power	27.6%

For the year ended September 30, 2016, the Company had no suppliers that represented more than 10% of direct material costs.

18. SUBSEQUENT EVENTS

During the period commencing October 1, 2017 through January 10, 2017, the Company received \$147,500 from 11 investors pursuant to private placement agreements with the investors to purchase 184,375 shares of the Company's \$0.001 par value common stock at a purchase price equal to \$0.80 for each share of Common stock.

On October 6, 2017, the Company executed a 58.3% promissory note with a face value of \$45,000 with a financial institution. Under the terms of the promissory note the Company received \$45,000 and agreed to repay the note evenly over 12 months.

On November 20, 2017, the Company executed a 10% secured promissory note with a face value of \$80,000 with an investor. Under the terms of the promissory note the Company received \$80,000 and agreed to make monthly interest payments and repay the note principal 12 months from the date of issuance.

On November 11, 2017, the Company executed a 10% secured promissory note with a face value of \$100,000 with an investor. Under the terms of the promissory note the Company received \$100,000 and agreed to make monthly interest payments and repay the note principal 24 months from the date of issuance. The note is secured by 100,000 shares which would be issued to the note holder only in the case of an uncured default.

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 is secured by 50,000 shares which would be issued to the note holder only in the case of an uncured default.

On December 15, 2017, an investor exercised warrants to purchase 27,548 shares of the Company's \$0.001 par value common stock at a purchase price equal to \$0.363 for each share of Common stock. The Company received \$10,000 as a result of this exercise.

On January 1, 2018, the Company issued warrants to purchase 100,000 shares of common stock at an exercise price of \$0.80 per share to an advisor for business advisory services. The warrants were valued at \$234,095 using the Black Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rate of 2.01%, a dividend yield of 0% and volatility rate of 158%. The warrants were fully earned and vested on January 1, 2018.

On January 12, 2017, the Company executed a 58.5% promissory note with a face value of \$18,400 with a financial institution. Under the terms of the promissory note the Company received \$18,400 and agreed to repay the note and interest evenly over 12 months.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

On September 13, 2016, Seale & Beers, CPAs, (the “Former Accountant”) informed us that the Former Accountant was in the process of being acquired by AMC Auditing, LLC. As a result of the acquisition, on November 14, 2016, the Former Accountant resigned as our independent registered public accounting firm and we engaged AMC Auditing, LLC (the “New Accountant”) as our independent registered public accounting firm. The engagement of the New Accountant was approved by our Board of Directors.

On November 11, 2016, we filed a Form 8-K announcing the change in auditors and that filing is incorporated by reference herein.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report, being September 30, 2017. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company’s reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based upon that evaluation, including our Chief Executive Officer and Chief Financial Officer, we have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this annual report.

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 Securities Exchange Act of 1934). Management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2017 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of September 30, 2017, our internal control over financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

We plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we hope to implement the following changes during our fiscal year ending September 30, 2018: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out in (i) and (ii) are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Remediation of Material Weakness

We are unable to remedy our controls related to the inadequate segregation of duties and ineffective risk management until we receive financing to hire additional employees. We are currently in the process of hiring an outsourced controller to improve the controls for accounting and financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the year ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Internal Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors or all fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements, due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns may occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. 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. Projections of any evaluation of controls effectiveness to future periods are subject to risk.

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.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
S. Matthew Schultz	48	Chief Executive Officer and Director
Zachary K. Bradford	31	Chief Financial Officer and Director
Bryan Huber	35	Chief Operating Officer and Director
Larry McNeill	75	Chairman and Director

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

S. Matthew Schultz, Chief Executive Officer, has been involved in many capacities with several publicly traded companies. Most recently, he served as the President and CEO of Amerigo Energy, Inc., creating multiple syndicated offerings of developmental oil production programs, 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. A native of Lander, WY, he studied management and finance at Weber State University.

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.

Zachary K. Bradford, Chief Financial Officer, is a licensed Certified Public Accountant in Nevada and a member of the American Institute of Certified Public Accountants. He has served as the managing partner of 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 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.

Bryan Huber, Chief Operating Officer, Mr. Huber has over 13 years of experience in the design-build construction and energy industries. He has extensive experience and specialization with sustainable energy design and implementation, sustainable building design and construction, energy efficiency program design and development, renewable energy design and integration, project management, quality assurance, and project commissioning. In addition, Bryan brings with him a core competency within renewable energy Independent Power Producer deal structuring, design, forecasting, financial modeling, incentive monetization, project financing, and deployment. As a Co-Founder of CleanSpark, Bryan continues to be integrally involved in technology development management, refinement, implementation, and operation of CleanSpark's Energy Operating Platform.

Bryan holds a B.S. in Construction Engineering & Management from Purdue University's School of Civil Engineering, has completed Master's coursework in Architecture focusing on integration of Distributed Energy Resource Systems into the built environment, and is a LEED Accredited Professional through the United States Green Building Council.

Aside from that provided above, Mr. Huber 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. Huber is qualified to serve on our Board of Directors because of his experience and knowledge in the renewable energy industry.

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.

He has since served as the Chief Financial Officer of Theater Candy Corporation and Videolocity, Inc.

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

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

Our company currently does not have nominating, compensation or audit committees or committees performing similar functions nor does our company have a written nominating, compensation or audit committee charter. Our directors believe that it is not necessary to have such committees, at this time, because the functions of such committees can be adequately performed by the board of directors.

Our company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The board of directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our company does not currently have any specific or minimum criteria for the election of nominees to the board of directors and we do not have any specific process or procedure for evaluating such nominees. The board of directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our board of directors may do so by directing a written request addressed to our CEO and director, S. Matthew Schultz, at the address appearing on the first page of this annual report.

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, 2017, 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, 2017:

Name and principal position	Number of late reports	Transactions not timely reported	Known failures to file a required form
S. Matthew Schultz, President	0	2	0
Zachary Bradford, CFO	0	1	0
Bryan Huber, COO and Director	1	0	0
Larry McNeill, Chairman and Director	0	1	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, 2017 and 2016.

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 (\$)
S. Matthew Schultz									
CEO	2017						25,673	168,052	193,725
	2016			600	482,861		15,000	97,500	595,961
Zachary Bradford									
CFO	2017						26,360	167,365	193,725
	2016			600	482,861		30,000	15,000	528,461
Bryan Huber									
COO	2017						6,288	110,023	116,311
	2016						12,000	14,400	26,400

Narrative Disclosure to the Summary Compensation Table

On October 1, 2014, we entered into a Consulting agreement with Matthew Schultz, our Chief Executive Officer for management services. In accordance with this agreement Mr. Schultz provides services to us in exchange for \$7,500 per month plus reimbursable expenses incurred. On August 1, 2016, the Company amended the agreement and the monthly fees for his services was increased to \$15,000 per month in compensation. On January 1, 2017, the agreement was further amended to include an additional \$1,000 medical insurance stipend and a bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the year ending September 30, 2017 and 2016 Mr. Schultz earned \$112,500 and \$193,725, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Schultz allowed the Company to defer \$25,673 and \$15,000 as accrued compensation as of September 30, 2017 and 2016, respectively. Subsequent to the end of the Company's fiscal yearend Mr. Schultz continued to allow his pay to be deferred, as of the date of this filing the Company owes Mr. Schultz \$58,810 in deferred compensation.

On July 1, 2016, we entered into a Consulting agreement with Zachary Bradford, our President and Chief Financial Officer for management services. In accordance with this agreement, Mr. Bradford provides services to us in exchange for \$15,000 per month plus reimbursable expenses incurred. On January 1, 2017, the agreement was amended to include an additional \$1,000 medical insurance stipend and a bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the year ending September 30, 2017 and 2016 Mr. Bradford earned \$193,725 and \$45,000, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Bradford allowed the Company to defer \$26,360 and \$30,000 as accrued compensation as of September 30, 2017 and 2016, respectively. Subsequent to the end of the Company's fiscal yearend Mr. Bradford continued to allow his pay to be deferred, as of the date of this filing the Company owes Mr. Bradford \$78,252 in deferred compensation.

On July 1, 2016, we entered into a Consulting agreement with Bryan Huber, our Chief Operations Officer for management services. In accordance with this agreement, Mr. Huber provided services to us in exchange for \$104,000 per year plus reimbursable expenses incurred. On January 1, 2017, the agreement was amended and the fee for his services increased to \$117,000 and also to include an additional a \$500 medical insurance stipend and a bonus of 0.5% of gross revenue. The term of the agreement is one year and automatically renews until cancelled by either party. During the years ending September 30, 2017 and 2016 Mr. Huber earned \$116,311 and \$26,400, respectively, in accordance with this agreement. During the year ending September 30, 2017 and 2016, Mr. Huber allowed the Company to defer \$6,288 and \$12,000 in accrued compensation and reimbursable expenses as of September 30, 2017 and 2016, respectively.

Other than disclosed above there are no formal agreements to compensate any officers for their services. Our officers and directors are reimbursed for expenses incurred on our behalf. However, our officers and directors have received benefits in the form of shares of our common stock and warrants.

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 initial Plan, we were able to issue up to an aggregate total of 3,000,000 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, 2017.

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:		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 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 (#)
			Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)						
S. Matthew Schultz	-	-	-	-	-	-	-	-	-	-
Zachary Bradford	-	-	-	-	-	-	-	-	-	-
Bryan Huber	-	-	-	-	-	-	-	-	-	-

Director Compensation

The table below summarizes all compensation of our directors for the year ended September 30, 2017.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in		Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings		All Other Compensation (\$)	Total (\$)
	Cash (\$)								
Larry McNeill	-	-	-	-	-	-	-	-	-

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

The following table sets forth as of January 11, 2018 the number and percentage of the 33,908,894 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., 70 North Main Street, Ste. 105 Bountiful, Utah 84010.

Name of Beneficial Owner	Number of Shares of Par Value \$0.001 Common Stock Beneficially Owned	Percentage of Class
5% or Greater Stockholders		
CleanSpark Holdings, LLC 9666 Businesspark Ave Unit 207 San Diego, CA 92131	6,000,000	17.7%
Bruce Lybbert 1366 Skyline Dr. Bountiful, UT 84010	3,857,657 ⁽¹⁾	10.9%
Michael Barrett 3236 North Pelican Dr. Farr West, UT 84404	2,596,140 ⁽²⁾	7.3%
Directors and named executive officers		
S. Matthew Schultz	6,426,308 ⁽³⁾	19.0%
Zachary Bradford	3,358,632 ⁽⁴⁾	9.9%
Larry McNeill	1,086,352 ⁽⁵⁾	3.2%
Bryan Huber	—	0%
All Officers and Directors as a Group (5 Persons)	15,371,292	40.0%

- (1) Includes 432,657 shares of common stock held in his name, 1,925,000 shares of common stock held by Jacque Lybbert, Mr. Lybbert’s spouse, and options to purchase 1,500,000 shares of common stock.
- (2) Includes 1,096,140 shares of common stock held in his name and options to purchase 1,500,000 shares of common stock.
- (3) Includes 4,800,000 shares of common stock held in the S M Schultz IRRV TR to which Mr. Schultz is the beneficial owner, 1,216,352 shares of common stock held in his name and 409,956 shares of common stock held by his spouse.
- (4) Includes 3,238,632 shares of common stock held in ZRB Holdings Inc. in which Mr. Bradford is the beneficial owner, 120,000 shares of common stock held in BlueChip Advisors LLC in which Mr. Bradford shares beneficial ownership.
- (5) Includes 1,086,352 shares of common stock held in his name.

The following table sets forth as of January 11, 2018 the number and percentage of the 1,000,000 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., 70 North Main Street, Ste. 105 Bountiful, Utah 84010.

Name of Beneficial Owner	Number of Shares of Par Value \$0.001 Series A Preferred Stock Beneficially Owned	Percentage of Class
5% or Greater Stockholders		
Bruce Lybbert	250,000	25%
Directors and named executive officers		
S. Matthew Schultz	250,000	25%
Zachary Bradford	250,000	25%
Bryan Huber	—	0%
Larry McNeill	250,000	25%
All Officers and Directors as a Group (5 Persons)	750,000	75%

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

Except as provided below and in “Executive Compensation” set forth above, 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, 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.

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On February 6, 2017, the Company and CleanSpark Holdings, LLC (“Holdings”) entered into an Assumption of Debt Agreement to settle Debts Holdings owed the Company related to the June 30, 2016 Purchase Agreement. Pursuant to the Purchase Agreement, the Company agreed to assume up to \$200,000 in liabilities arising out of the assets. In the course of subsequent due diligence, CleanSpark discovered that they had actually assumed \$275,586 in liabilities. As a result of the overage in assumed liabilities, Holdings paid the Company \$25,000 and remained indebted to CleanSpark for the remaining overage amount of \$50,586. Holdings agreed to reassume \$44,919 in settlement of the full amount of the debt overage and the Company agreed to accept the assumption of \$44,919 in settlement of the full amount of the Debt overage. A loss on settlement of debt of \$5,667 was recorded by the Company as a result of the agreement.

On August 13, 2017, the Company executed a 15% promissory note with a face value of \$80,000 with Zachary Bradford, its President and Chief Financial Officer. Under the terms of the promissory note the Company received \$80,000 and agreed to repay the note evenly over 12 months. As of September 30, 2017, Company’s owed \$73,333 in principal and \$600 in accrued interest under the terms of the agreement.

Item 14. Principal Accounting Fees and Services

Below is the table of Audit Fees billed by our auditors 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
2016	\$20,000	\$ 0	\$ 0	\$ 0
2017	\$25,000	\$ 0	\$ 0	\$ 0

PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)

(b) Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement ⁽⁹⁾
2.2	Assignment ⁽⁹⁾
2.3	Asset Purchase Agreement ⁽¹¹⁾
2.4	Amendment to Asset Purchase Agreement ⁽¹²⁾
2.5	Amendment to Asset Purchase Agreement ⁽¹³⁾
3.1	Articles of Incorporation, as amended ⁽¹⁾
3.2	Amended Bylaws ⁽²⁾
3.3	Articles of Merger ⁽³⁾
3.4	Certificate of Amendment ⁽⁴⁾
3.5	Certificate of Designation ⁽⁴⁾
3.6	Certificate of Change ⁽⁵⁾
3.7	Articles of Merger ⁽¹⁴⁾
4.1	Form of Warrant ⁽⁶⁾
10.1	Debt Settlement Agreement ⁽⁷⁾
10.2	Debt Settlement Agreement ⁽⁷⁾
10.3	Investor Relations Consulting Agreement ⁽⁸⁾
10.4	Agreement for Appointment of Corporate Secretary ⁽¹⁰⁾
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	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
101**	The following materials from the Company's Annual Report on Form 10-K for the year ended September 30, 2017 formatted in Extensible Business Reporting Language (XBRL).

1. Incorporated by reference to the Form 10 filed on November 11, 2008.
2. Incorporated by reference to the 8-K filed on February 12, 2013.
3. Incorporated by reference to the 8-K filed on December 1, 2014.
4. Incorporated by reference to the 8-K filed on April 16, 2015.
5. Incorporated by reference to the 8-K filed on May 13, 2015.
6. Incorporated by reference to the 8-K filed on March 17, 2015.
7. Incorporated by reference to the 8-K filed on January 6, 2015.
8. Incorporated by reference to the 8-K filed on January 19, 2016.
9. Incorporated by reference to the 8-K filed on May 2, 2016.
10. Incorporated by reference to the 8-K filed on May 9, 2016.
11. Incorporated by reference to the 8-K filed on July 7, 2016.
12. Incorporated by reference to the 8-K filed on July 22, 2016.
13. Incorporated by reference to the 8-K filed on August 22, 2016.
14. Incorporated by reference to the 8-K filed on November 14, 2016.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CleanSpark Inc.

By: /s/ S. Matthew Schultz
S. Matthew Schultz
President, Chief Executive Officer, Principal Executive Officer and Director
January 16, 2018

By: /s/ Zachary Bradford
Zachary Bradford
Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer and Director
January 16, 2018

In accordance with Section 13 or 15(d) of the Exchange Act, 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/ S. Matthew Schultz
S. Matthew Schultz
President, Chief Executive Officer, Principal Executive Officer and Director
January 16, 2018

By: /s/ Zachary Bradford
Zachary Bradford
Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer and Director
January 16, 2018

By: /s/ Larry McNeill
Larry McNeill
Chairman and Director
January 16, 2018

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

I, S. Matthew Schultz, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended September 30, 2017 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: January 16, 2018

/s/ S. Matthew Schultz

By: S. Matthew Schultz

Title: Chief Executive Officer

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

I, Zachary Bradford, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended September 30, 2017 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: January 16, 2018

/s/ Zachary Bradford

By: Zachary Bradford

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 quarterly Report of CleanSpark, Inc. (the "Company") on Form 10-K for the year ended September 30, 2017 filed with the Securities and Exchange Commission (the "Report"), I, S. Matthew Schultz, Chief Executive Office, and I, Zachary Bradford, 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/ S. Matthew Schultz
Name: S. Matthew Schultz
Title: Principal Executive Officer, and Director
Date: January 16, 2018

By: /s/ Zachary Bradford
Name: Zachary Bradford
Title: Principal Financial Officer
Date: January 16, 2018

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